UNITED STATES OF AMERICA

BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Niagara Mohawk Power Corporation	)	Docket No. ER13- __________

Direct Testimony
Of
James G. Holodak Jr.

I. Introduction and Qualifications:

Q. Please state your name and business address.

A. James Holodak, Jr. One Metrotech Center Brooklyn, NY

Q. By whom are you employed and in what capacity?

A. I am employed by National Grid USA Service Company as Vice President of Regulatory Strategy & Integrated Analytics. National Grid USA Service Company provides administrative, accounting, finance, IT, engineering, regulatory, and legal services for the National Grid operating companies, one of which is Niagara Mohawk Power Corporation ("NMPC" or "Company")), d/b/a National Grid. In my current position, I oversee wholesale transmission and generation rates for the FERC regulated entities as well as regulatory strategy and analytical analysis for the state regulated entities within National Grid's US operations.

Q. Please describe your educational background and training.

A. I hold both a Bachelor Degree in Electrical Engineering and an MBA in Finance from Manhattan College. Effective April 2011, I was appointed Vice President of Regulatory Strategy & Integrated Analytics for National Grid's US operations. From August 2007 to March 2011, I was Director of Finance, Electric Distribution & Generation, where I was responsible for budgeting, financial analysis and support, financial reporting and strategic support for the Generation and Long Island Power Authority Finance segment of National Grid's Electric Distribution and Generation business functions in the United

States. From September 2001 to August 2007, I was the Assistant Treasurer for the former KeySpan Company, which was acquired by National Grid USA. From 1998 to 2001, I was Director of Financial Planning and Analysis for KeySpan performing short-term and long-term financial forecasting and strategy. Prior to that, I was a manager in Financial Planning, Corporate Planning and M&A Economic Analysis, and held various engineering positions in Electric Operations, Marketing, and Engineering and Construction in LILCO, KeySpan's predecessor company.

Q. Have you submitted testimony in any prior rate proceedings?

A. Yes. I have previously provided testimony before the Federal Energy Regulatory Commission ("Commission"), in NMPC's supporting changes to Transmission Service Charge ("TSC") rate in Docket No. ER12-1394-000 and, as part of a joint panel in National Grid Generation LLC's rate case reset filing, in Docket No. ER09-628-000. The panel was responsible for the development of forecasted data upon which the cost of service was prepared. I also provided testimony and exhibits in National Grid Generation LLC's rate reset case filing in Docket No. ER04-112-000 before the Commission as the Company's cost of capital and capital structure witness. I have provided testimony and exhibits in LILCO's Electric Rate Case filing in Case No. 96-E-0132 before the New York Public Service Commission ("NYPSC") as the Company's revenue witness.

II. Purpose of Testimony:

Q. What is the purpose of your testimony?

A. The primary purpose of my testimony is to support NMPC's proposed amendment to its wholesale TSC rate formula under the New York Independent System Operator's ("NYISO's") Open Access Transmission Tariff ("NYISO OATT") to incorporate expenses under FERC Account 561.1 for Reliability Support Services ("RSS"). RSS expenses consist of temporary payments being made to generators by NMPC in order to maintain the reliability of NMPC's transmission system until NMPC is able to place additional transmission reinforcements into service. NMPC began incurring such charges during 2012. NMPC is making this filing with the Commission because it has not previously included expenses of this type in its TSC formula rate. The Company requests that it be allowed to incorporate RSS expenses into the TSC rate formula in time for NMPC's 2013 Annual Update establishing TSC rates that will become effective for service rendered on and after July 1, 2013. NMPC's revenue requirement for calendar year 2012 will be used as the basis for determining its July 1, 2013 TSC rates. In addition, I support certain ministerial changes to the TSC rate to clarify the operation of the rate formula set forth in Section 14 of Attachment H to the NYISO OATT.

Q. Are you sponsoring any statements as part of this proceeding?

A. Yes. Exhibit No. NMP-4 contains statements AA through BM required by the Commission's rate filing regulations. Period I is the twelve months ended December 31, 2011. I am sponsoring all of the statements.

Q. Are you sponsoring any other exhibits as part of this proceeding?

A. Yes. I am sponsoring all of NMPC's exhibits (NMP-1 through NMP-6) in this proceeding. Exhibits No. NMP-1 and NMP-2 contain clean and blacklined changes to NMPC's s TSC formula rate under Attachment H of the NYISO OATT. The remaining Exhibits I sponsor are described in the body of my testimony below.

III. Background

Q. Please provide a history of the TSC rates currently set forth in Attachment H.

A. On January 27, 1999 the Commission conditionally accepted in Docket No. ER97-1523-000, the proposal made by the Company and the other New York Transmission Owners ("NYTOs") to establish the NYISO. On November 17, 1999, the NYTOs filed a joint settlement agreement among all parties ("the NYISO Settlement"). The NYISO Settlement established in Attachment H of the NYISO OATT a "Settlement" Revenue Requirement and a Transmission Service Charge ("Settlement TSC") for wholesale transmission services provided under the NYISO OATT to all of the Company's customers. The NYISO Settlement was approved by the Commission by letter order dated July 31, 2000.

On February 11, 2008, as supplemented on May 30, 2008, NMPC submitted a filing under Section 205 of the Federal Power Act in Docket No. ER08-552-000 to replace its stated rates for its Transmission Service Charge ("National Grid TSC") in Attachment H to the NYISO OATT with formula rates to become effective May 1, 2008. On April 6, 2009, NMPC, on behalf of the Settling Parties, filed a settlement intended to resolve all issues set for hearing in this proceeding ("2009 Settlement"). Among other things, the 2009 Settlement set forth the terms of a formula rate for the calculation of NMPC's transmission service charge under the NYISO OATT (the "Settlement TSC Formula Rate"), as well as procedures for the annual adjustment of certain inputs to the formula rate. In a letter order issued June 22, 2009, the Commission approved the 2009 Settlement.

On November 30, 2009, NMPC filed to modify the manner of calculating the long-term debt cost of capital rate in the revenue requirement underlying the TSC rate in Docket Nos. ER10-328-000 and ER10-328-001. The filing sought to adjust the determination of the amount of long-term debt used in the calculation which was based on the average beginning of the year and year end long term debt balances. On January 13, 2010 the filing was accepted by the Commission effective February 1, 2010.

In accordance with the 2009 Settlement, NMPC is directed to calculate each year new values for the Revenue Requirement ("RR"), Control Center Costs ("CCC") and Billing Units ("BU") components of the Settlement TSC Formula Rate based on updated Data Inputs. NMPC is further directed to prepare an Annual Update that reflects the revised Data Inputs, the resulting RR, CCC, and BU components, and certain supporting information. According to Section 14.1.9.4 of Attachment H to the NYISO OATT, NMPC is directed on or before June 14th of each year to (1) post the Annual Update on the NYISO's Internet website, (2) submit the Annual Update to the Commission as an informational filing requiring no action by the Commission, and (3) serve the Annual Update electronically on all Interested Parties.

In March 2012, NMPC filed to revise its depreciation rates to match those previously approved for the Company by the NYPSC. In addition we proposed to amend Section 14.2 of Attachment H to the NYISO OATT to codify a prior settlement to exclude the costs of a temporary New York assessment from the RR and to make minor ministerial changes. The Commission accepted the NMPC's filing without further changes to become effective for bills rendered for service on and after July 1, 2012.

Q. Please describe NMPC's TSC formula rate.

A. The TSC is a formula transmission rate under the Commission's jurisdiction and applicable to wholesale transmission customers taking service over NMPC's transmission system. In accordance with Attachment H to the NYISO OATT, each Transmission Owner, including the Company, is entitled to amend the RR, CCC and BU components of Attachment H to the NYISO Tariff on its own initiative pursuant to a filing with the Commission under Section 205 of the Federal Power Act.

Q. Please describe the NYPSC proceeding in which the NYPSC found that NMPC is appropriately taking the steps necessary to ensure transmission reliability by procuring RSS from Dunkirk.

A. In March 2012, NRG Energy, Inc. and Dunkirk Power LLC (collectively, "NRG") filed a notice with the NYPSC stating its intention to mothball its Dunkirk generating station by September 10, 2012. As part of the NYPSC notice proceeding, NMPC conducted an analysis of the reliability impacts of the planned mothballing and identified adverse reliability impacts that would occur on NMPC's transmission system if the Dunkirk station was retired as planned. National Grid also identified system reinforcements needed to resolve those reliability impacts. However, because it anticipated that the reinforcements could not be completed by the proposed mothball date of September 10, 2012, National Grid determined that a portion of the Dunkirk generating station must remain available for an interim period in order to maintain system reliability.

On July 18, 2012, the NYPSC issued a notice directing National Grid and NRG to file an agreement or proposed terms for an agreement that would ensure adequate generation support services were being procured to meet reliability needs. On July 20, 2012, the Company and NRG submitted a proposed Term Sheet Agreement, which provided for reliability support services from September 1, 2012 through May 31, 2013. Pursuant to the Term Sheet Agreement, NRG committed to defer mothballing actions on two 115 kV generating units and to keep them available during the nine month term of the agreement in exchange for a monthly fixed-price charge, tax related payments and other provisions. In an Order issued August 16, 2012, the NYPSC approved the Term Sheet Agreement, directed National Grid and NRG to file a final executed contract implementing the Term Sheet Agreement, and also directed the Company to work with Staff to develop a schedule and process for soliciting alternative solutions to any remaining reliability needs that may exist after May 31, 2013. A final contract between the Company and NRG was executed on August 27, 2012.

The August 16 Order also directed the Company to include the RSS expenses associated with the Term Sheet Agreement in its next Annual Update of the TSC rate. A copy of the NYPSC's August 16, 2012 Order is attached to my testimony as Exhibit No. NMP-5.

Q. Please describe the second RSS agreement entered into with NRG.

A. On March 4, 2013, NMPC entered into a second agreement with NRG to keep one unit of the Dunkirk generating station open and to operate and maintain that unit during the term of the contract from June 1, 2013 through May 31, 2015 when it is expected that transmission reinforcements will have been constructed to alleviate the reliability need caused by mothballing the Dunkirk generating station. A copy of the Company's March 5, 2013 NYPSC filing seeking approval of the second agreement, redacted to exclude confidential information, is provided as an attachment to my testimony as Exhibit No. NMP-6.

IV. Proposed Amendments to the TSC Formula Rate to Incorporate RSS Expenses

Q. Please describe the changes being proposed to NMPC's CCC component to incorporate RSS expenses.

A. NMPC is proposing to incorporate RSS expenses accounted for under FERC Account 561.1 into the CCC component of the TSC formula. While the CCC component already includes transmission Operation and Maintenance Expenses in Account Nos. 561.1, the Company is modifying the description of the Account to make clear that RSS expenses are recoverable through Account 561.1. The specific changes proposed to the CCC components are identified in the black-lined tariff changes provided in Schedule 11 of Attachment 1 to Attachment H. See Exhibit No. NMPC-2.

Q. Is it appropriate to recover RSS expenses through the TSC rate?

A. Yes. It is appropriate to include the RSS expenses in the TSC rate because the costs incurred are directly associated with maintaining reliability on NMPC's transmission system. The Company believes that it will be necessary at times to enter into agreements supporting payments to generators, or other resources capable of providing similar reliability functions, in order to maintain reliability on NMPC's transmission system. As I explained above, the Company has recently entered into two such agreements with NRG Energy, Inc. During industry restructuring, beginning in the late 1990s, the Company divested all of its generation and all of its former generating stations became independently-owned. NMPC therefore has no direct control over decisions to retire or mothball generating capacity interconnected to its transmission system. On the other hand, transmission planning under the NYISO rules for the reliability of NMPC's transmission system depends on existing generation to meet reliability needs. If a generator decides to retire or mothball its generating units, it may become necessary to enter into agreements with the generator-owner in order to keep generation running, or to procure comparable services from other resources, in order to avoid unacceptable reliability risks on the transmission system.

Q. Why is it appropriate to account for RSS expenses in FERC Account No. 561.1?

A. Account 561.1, Load Dispatch Reliability is defined by the Commission's Uniform System of Accounts as follows: "This account shall include the cost of labor, materials used and expenses incurred by a regional transmission service provider or other transmission provider to manage the reliability coordination function as specified by the North American Electric Reliability Council (NERC) and individual reliability organizations. These activities shall include performing current and next day reliability analysis. This account shall include the costs incurred to calculate load forecasts, and performing contingency analysis." While none of the transmission-related expense accounts under the Uniform System of Account would appear to specifically contemplate the inclusion RSS-type expenses, we believe this account description best matches the description of RSS arrangements.

Q. Is it appropriate to classify RSS expenses as purchased power expenses in the production function?

A. No. RSS Expenses would not qualify as purchased power expenses under the production function because they do not purchase energy or capacity for the purpose of serving load. Instead, RSS expenses consist of ensuring that sufficient generation is online and available in particular locations so as to reasonably manage the reliability coordination function of the transmission system.

Q. If NMPC enters into other RSS arrangements will those expenses also be included in Account 561.1?

A. Yes. However, NMPC would only include such expenses in Account 561.1 if, as is the case with the Dunkirk Term Sheet Agreement, NMPC enters into an agreement with a generator or related resource for the purpose of supporting transmission reliability and the NYPSC specifically makes a finding that by doing so, NMPC is taking appropriate steps to ensure reliability in the short-term on its transmission system. NMPC would not include in Account 561.1 any similar charges that might be allocated to NMPC by the NYISO.

Q. Please describe the changes to NMPC's CCC component to adopt the inclusion of RSS expenses accounted for in Account 561.1.

A. The Company proposes to add a new definition to the CCC component of the TSC formula rate, as set forth in Schedule 11 of Attachment 1 to Attachment H. This new definition matches the description of Account 561.1 as stated in the FERC Uniform System of Accounts and further includes a component for, "Reliability Support Services Expenses" which are defined as "expenses incurred pursuant to agreements entered into with generators or other similar resources for the purpose of supporting transmission reliability." This new definition therefore makes clear that RSS Expenses will be incorporated into Account 561.1.

Q. When are the rate changes associated with the RSS expenses proposed to become effective?

A. RSS expenses under the Dunkirk Term Sheet Agreement have been incurred during 2012 and therefore will be reflected in NMPC's calendar year 2012 revenue requirement. In turn they will be reflected in NMPC's 2013 Annual Update filing.

Q. What is the estimated impact of these changes to TSC rate customers?

A. As shown in Exhibit No. NMP-4, Statement BG/BH, a comparison of the TSC rate and the revised TSC rate using 2011 as the test year yields a total increase of $1,510,443 on an annual basis. The estimated increase in the TSC rate of $0.47542 per MWh is calculated in Exhibit NMP-4, Statement BJ/BK/BL. As shown in Statement BG/BH, this increase is a result of a change in Scheduling, System Control and Dispatch Costs of $17,691,625, the actual total RSS expenses incurred in calendar year 2012, divided by Total Billing Units of 37,212,621 MWh. Billing Units from TSC customers of 3,177,070 MWh multiplied by the projected increase in the TSC rate yields a total increase of $1,510,443.

V. Ministerial Updates to NMPC Formula Rate:

Q. Please describe the ministerial updates to NMPC's formula rate.

A. A description of certain ministerial changes which I am proposing to Attachment H to the NYISO OATT to clarify and correct is as follows:

1. In the Definitions Sections 14.1.9.1.12, 14.1.9.1.14 and 14.1.9.1.19 of the NYISO OATT, Attachment H, the Company is proposing to add FERC Accounts 404 and 405 to the definition of Depreciation Expense for Common Plant, Transmission Plant and General Plant, respectively. Schedule 9 of Attachment 1 to Attachment H states "the source for Depreciation Expense will be the Total of Column (f) of FERC Form 1, page 336". This total includes Accounts 403 (Depreciation Expense), 403.1 (Depreciation Expense for asset retirement costs), 404 (Amortization of Limited Term-Electric) and 405 (Amortization of other electric plant). Currently, Account 403 is the only account listed in the Definitions Sections of the NYISO OATT. Beginning with calendar year 2011, amortization expenses are being reflected in Account 404 on the FERC Form 1 for land rights. These expenses were originally classified in Account 403. Pursuant to the Audit of Niagara Mohawk Power Corporation Compliance with the Commissions Accounting and FERC Form 1 and 3-Q Reporting Regulations ,Docket No FA11-2-000, April 2012, page 8, NMPC was instructed to reclassify its amortization of land rights from Account 403 to Account 404. Therefore, by adding accounts 404 and 405 to the OATT definition, NMPC is not increasing the revenue requirement but rather, updating the tariff to reflect the appropriate accounts.

2. In the Definitions Sections 14.1.9.1.17, 14.1.9.1.22, 14.1.9.1.32, 14.1.9.1.35 and 14.1.9.1.43 of the NYISO OATT, Attachment H, NMPC is proposing to change certain account expenses from "those being recorded in NMPC's internal accounts" to those recorded in a FERC Account. This change will not impact the calculation of the revenue requirement but rather, adds consistency with all paragraphs referencing FERC accounts as opposed to NMPC internal accounts.

3. In Attachment 1 to Attachment H, Section 14.2.1, Schedules 1 and 10, the Company is proposing to clarify the impacts of investment tax credits, billing adjustments, and revenue credits on the Historical Revenue Requirement based on the numerical sign (negative or positive). On Schedule 9 of Attachment 1, we have corrected the references or the sources for Real Estate Taxes, PSC Regulatory Expenses, Pension and Benefits, Research and Development, Environmental and Payroll Taxes.

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Q. Do these ministerial changes impact the TSC rate in any way?

A. None of the above ministerial changes have any impact on the TSC rate.

VI. <u>Conclusion</u>:

Q. Does this conclude your testimony?

A. Yes, it does.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Niagara Mohawk Power Corporation	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	**UTILITY PLANT**			
2	Utility Plant (101-106, 114)	200-201	10,531,943,125	10,213,935,917
3	Construction Work in Progress (107)	200-201	209,679,495	230,792,266
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		10,741,622,620	10,444,728,183
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 110, 111, 115)	200-201	3,231,591,817	3,163,857,114
6	Net Utility Plant (Enter Total of line 4 less 5)		7,510,030,803	7,280,871,069
7	Nuclear Fuel in Process of Ref., Conv.,Enrich., and Fab. (120.1)	202-203	0	0
8	Nuclear Fuel Materials and Assemblies-Stock Account (120.2)		0	0
9	Nuclear Fuel Assemblies in Reactor (120.3)		0	0
10	Spent Nuclear Fuel (120.4)		0	0
11	Nuclear Fuel Under Capital Leases (120.6)		0	0
12	(Less) Accum. Prov. for Amort. of Nucl. Fuel Assemblies (120.5)	202-203	0	0
13	Net Nuclear Fuel (Enter Total of lines 7-11 less 12)		0	0
14	Net Utility Plant (Enter Total of lines 6 and 13)		7,510,030,803	7,280,871,069
15	Utility Plant Adjustments (116)		0	0
16	Gas Stored Underground - Noncurrent (117)		0	0
17	**OTHER PROPERTY AND INVESTMENTS**			
18	Nonutility Property (121)		11,178,459	11,174,213
19	(Less) Accum. Prov. for Depr. and Amort. (122)		74,725	750,193
20	Investments in Associated Companies (123)		0	0
21	Investment in Subsidiary Companies (123.1)	224-225	5,294,741	5,415,013
22	(For Cost of Account 123.1, See Footnote Page 224, line 42)			
23	Noncurrent Portion of Allowances	228-229	0	0
24	Other Investments (124)		3,285,196	2,679,852
25	Sinking Funds (125)		0	0
26	Depreciation Fund (126)		0	0
27	Amortization Fund - Federal (127)		0	0
28	Other Special Funds (128)		24,019,226	24,309,215
29	Special Funds (Non Major Only) (129)		0	0
30	Long-Term Portion of Derivative Assets (175)		40,049,277	50,430,841
31	Long-Term Portion of Derivative Assets – Hedges (176)		0	0
32	TOTAL Other Property and Investments (Lines 18-21 and 23-31)		83,752,174	93,258,941
33	**CURRENT AND ACCRUED ASSETS**			
34	Cash and Working Funds (Non-major Only) (130)		0	0
35	Cash (131)		16,964,759	10,572,861
36	Special Deposits (132-134)		24,718,347	32,351,860
37	Working Fund (135)		64,000	64,000
38	Temporary Cash Investments (136)		0	0
39	Notes Receivable (141)		72,976	72,976
40	Customer Accounts Receivable (142)		480,116,241	530,883,181
41	Other Accounts Receivable (143)		30,398,784	26,310,475
42	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)		186,639,852	191,979,368
43	Notes Receivable from Associated Companies (145)		95,595,936	0
44	Accounts Receivable from Assoc. Companies (146)		9,900,331	15,690,063
45	Fuel Stock (151)	227	0	0
46	Fuel Stock Expenses Undistributed (152)	227	0	0
47	Residuals (Elec) and Extracted Products (153)	227	0	0
48	Plant Materials and Operating Supplies (154)	227	33,466,311	32,612,163
49	Merchandise (155)	227	0	0
50	Other Materials and Supplies (156)	227	0	0
51	Nuclear Materials Held for Sale (157)	202-203/227	0	0
52	Allowances (158.1 and 158.2)	228-229	0	0

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Niagara Mohawk Power Corporation	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)(Continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
53	(Less) Noncurrent Portion of Allowances		0	0
54	Stores Expense Undistributed (163)	227	97,622	413,923
55	Gas Stored Underground - Current (164.1)		61,681,687	55,790,086
56	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)		0	0
57	Prepayments (165)		35,495,304	58,577,794
58	Advances for Gas (166-167)		0	0
59	Interest and Dividends Receivable (171)		19,767	749
60	Rents Receivable (172)		9,988,294	4,951,641
61	Accrued Utility Revenues (173)		146,829,000	162,268,000
62	Miscellaneous Current and Accrued Assets (174)		8,002,668	2,760,411
63	Derivative Instrument Assets (175)		1,809,568	1,446,990
64	(Less) Long-Term Portion of Derivative Instrument Assets (175)		0	0
65	Derivative Instrument Assets - Hedges (176)		288,824	561,592
66	(Less) Long-Term Portion of Derivative Instrument Assets - Hedges (176		0	0
67	Total Current and Accrued Assets (Lines 34 through 66)		768,870,567	743,349,397
68	**DEFERRED DEBITS**			
69	Unamortized Debt Expenses (181)		21,494,244	23,882,297
70	Extraordinary Property Losses (182.1)	230a	0	0
71	Unrecovered Plant and Regulatory Study Costs (182.2)	230b	0	0
72	Other Regulatory Assets (182.3)	232	1,419,010,302	2,631,642,271
73	Prelim. Survey and Investigation Charges (Electric) (183)		2,924,907	7,793,403
74	Preliminary Natural Gas Survey and Investigation Charges 183.1)		0	544
75	Other Preliminary Survey and Investigation Charges (183.2)		0	0
76	Clearing Accounts (184)		1,843,824	2,187,942
77	Temporary Facilities (185)		0	0
78	Miscellaneous Deferred Debits (186)	233	3,911,300	4,421,705
79	Def. Losses from Disposition of Utility Plt. (187)		0	0
80	Research, Devel. and Demonstration Expend. (188)	352-353	0	0
81	Unamortized Loss on Reaquired Debt (189)		24,128,513	25,339,795
82	Accumulated Deferred Income Taxes (190)	234	565,281,358	713,010,876
83	Unrecovered Purchased Gas Costs (191)		0	0
84	Total Deferred Debits (lines 69 through 83)		2,038,594,448	3,408,278,833
85	TOTAL ASSETS (lines 14-16, 32, 67, and 84)		10,401,247,992	11,525,758,240

Name of Respondent	This Report is:	Date of Report (mo, da, yr)	Year/Period of Report
Niagara Mohawk Power Corporation	(1) [X] An Original (2) [ ] A Resubmission	/ /	end of 2011/Q4

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	PROPRIETARY CAPITAL			
2	Common Stock Issued (201)	250-251	187,364,863	187,364,863
3	Preferred Stock Issued (204)	250-251	28,984,701	28,984,700
4	Capital Stock Subscribed (202, 205)		0	0
5	Stock Liability for Conversion (203, 206)		0	0
6	Premium on Capital Stock (207)		0	0
7	Other Paid-In Capital (208-211)	253	2,913,140,406	2,913,140,406
8	Installments Received on Capital Stock (212)	252	0	0
9	(Less) Discount on Capital Stock (213)	254	0	0
10	(Less) Capital Stock Expense (214)	254b	0	0
11	Retained Earnings (215, 215.1, 216)	118-119	713,216,553	883,594,219
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	-1,962,482	-1,842,210
13	(Less) Reaquired Capital Stock (217)	250-251	0	0
14	Noncorporate Proprietorship (Non-major only) (218)		0	0
15	Accumulated Other Comprehensive Income (219)	122(a)(b)	-1,588,824	-1,191,714
16	Total Proprietary Capital (lines 2 through 15)		3,839,155,217	4,010,050,264
17	LONG-TERM DEBT			
18	Bonds (221)	256-257	1,486,305,000	1,486,305,000
19	(Less) Reaquired Bonds (222)	256-257	0	0
20	Advances from Associated Companies (223)	256-257	500,000,000	500,000,000
21	Other Long-Term Debt (224)	256-257	413,760,000	413,760,000
22	Unamortized Premium on Long-Term Debt (225)		0	0
23	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		353,406	415,359
24	Total Long-Term Debt (lines 18 through 23)		2,399,711,594	2,399,649,641
25	OTHER NONCURRENT LIABILITIES			
26	Obligations Under Capital Leases - Noncurrent (227)		595,198	1,190,438
27	Accumulated Provision for Property Insurance (228.1)		0	0
28	Accumulated Provision for Injuries and Damages (228.2)		3,096,417	4,784,570
29	Accumulated Provision for Pensions and Benefits (228.3)		0	0
30	Accumulated Miscellaneous Operating Provisions (228.4)		0	0
31	Accumulated Provision for Rate Refunds (229)		0	0
32	Long-Term Portion of Derivative Instrument Liabilities		183,569	0
33	Long-Term Portion of Derivative Instrument Liabilities - Hedges		0	0
34	Asset Retirement Obligations (230)		9,256,163	11,038,291
35	Total Other Noncurrent Liabilities (lines 26 through 34)		13,131,347	17,013,299
36	CURRENT AND ACCRUED LIABILITIES			
37	Notes Payable (231)		0	0
38	Accounts Payable (232)		183,262,313	255,038,553
39	Notes Payable to Associated Companies (233)		0	1,404,064
40	Accounts Payable to Associated Companies (234)		34,652,534	45,091,116
41	Customer Deposits (235)		37,471,957	35,895,856
42	Taxes Accrued (236)	262-263	94,835,613	108,356,828
43	Interest Accrued (237)		27,244,103	41,053,589
44	Dividends Declared (238)		265,124	0
45	Matured Long-Term Debt (239)		0	0

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COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)(continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
46	Matured Interest (240)		0	0
47	Tax Collections Payable (241)		2,241,945	11,691
48	Miscellaneous Current and Accrued Liabilities (242)		114,433,346	100,603,947
49	Obligations Under Capital Leases-Current (243)		595,242	595,242
50	Derivative Instrument Liabilities (244)		20,070,864	35,178,345
51	(Less) Long-Term Portion of Derivative Instrument Liabilities		0	0
52	Derivative Instrument Liabilities - Hedges (245)		11,227,460	18,044,115
53	(Less) Long-Term Portion of Derivative Instrument Liabilities-Hedges		0	0
54	Total Current and Accrued Liabilities (lines 37 through 53)		526,300,501	641,273,346
55	DEFERRED CREDITS			
56	Customer Advances for Construction (252)		5,411,473	4,310,097
57	Accumulated Deferred Investment Tax Credits (255)	266-267	23,415,283	25,399,133
58	Deferred Gains from Disposition of Utility Plant (256)		0	0
59	Other Deferred Credits (253)	269	1,088,194,346	1,427,728,833
60	Other Regulatory Liabilities (254)	278	349,994,744	607,574,059
61	Unamortized Gain on Reaquired Debt (257)		0	0
62	Accum. Deferred Income Taxes-Accel. Amort.(281)	272-277	0	0
63	Accum. Deferred Income Taxes-Other Property (282)		1,480,058,060	1,550,844,579
64	Accum. Deferred Income Taxes-Other (283)		675,875,427	841,914,989
65	Total Deferred Credits (lines 56 through 64)		3,622,949,333	4,457,771,690
66	TOTAL LIABILITIES AND STOCKHOLDER EQUITY (lines 16, 24, 35, 54 and 65)		10,401,247,992	11,525,758,240

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NOTES TO FINANCIAL STATEMENTS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Cash Flows, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.
2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.
3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Commission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.
4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.
5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 114-121, such notes may be included herein.
7. For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.
8. For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices; estimates inherent in the preparation of the financial statements; status of long-term contracts; capitalization including significant new borrowings or modifications of existing financing agreements; and changes resulting from business combinations or dispositions. However were material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.
9. Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.

PAGE 122 INTENTIONALLY LEFT BLANK
SEE PAGE 123 FOR REQUIRED INFORMATION.

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NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. Summary of Significant Accounting Policies

A. Nature of Operations

Niagara Mohawk Power Corporation (the "Company," "we," "us," and "our"), a New York Corporation, is engaged principally in the regulated energy delivery business in New York State. The Company provides electric service to approximately 1.6 million electric customers in the areas of eastern, central, northern, and western New York and sells, distributes, and transports natural gas to approximately 0.6 million gas customers in the areas of central, northern, and eastern New York.

The Company is a wholly-owned subsidiary of Niagara Mohawk Holdings, Inc., which is wholly-owned by National Grid USA ("NGUSA"), a public utility holding company with regulated subsidiaries engaged in the generation of electricity and the transmission, distribution, and sale of both natural gas and electricity. NGUSA is an indirectly-owned subsidiary of National Grid plc, a public limited company incorporated under the laws of England and Wales.

The Company has evaluated subsequent events and transactions through June 12, 2012, and concluded that, except for what is disclosed in Note 12. "Subsequent event", there were no events or transactions that require adjustment to, or disclosure in the notes to, the financial statements.

B. Basis of Presentation

The financial statements are prepared in accordance with accounting requirements of the Federal Energy Regulatory Commission ("FERC") as set forth in its applicable Uniform System of Accounts. This is a comprehensive basis for accounting other than accounting principles generally accepted in the United States ("GAAP"). The significant differences consist of the following:

- for FERC reporting, deferred tax assets and liabilities are presented on a gross basis and are classified as non-current. For GAAP reporting, deferred tax assets and liabilities are presented on a net basis, with current and non-current amounts segregated
- for FERC reporting, regulatory assets and liabilities are classified as non-current. For GAAP reporting, regulatory assets and liabilities are segregated between current and non-current classifications
- for FERC reporting, the liability for uncertain tax positions related to temporary differences is not recognized pursuant to FERC guidance and deferred taxes are recognized based on the difference between positions taken in filed tax returns and amounts reported in the financial statements. For GAAP reporting, the liability for uncertain tax positions related to temporary differences is recognized and deferred taxes are recognized based on the difference between the positions taken in filed tax returns adjusted for uncertain tax positions related to temporary differences and amounts reported in the financial statements
- the accumulated reserve for depreciation for estimated removal costs is included in the accumulated provision for depreciation for FERC reporting and as a regulatory liability or asset retirement obligation for GAAP reporting
- current and long-term debt is classified in the balance sheet as all long-term debt in accordance with regulatory treatment, while GAAP presentation reflects current and long-term debt separately
- the intercompany accounts are not netted for FERC reporting but are netted together for GAAP reporting

The preparation of financial statements in conformity with FERC requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

C. Regulatory Accounting

The FERC and the New York Public Service Commission ("NYPSC") provide the final determination of the rates the Company charges its customers. In certain cases, the actions of the FERC and the NYPSC to determine the rates the Company charges its customers would result in an accounting treatment different from that used by non-regulated companies. In these cases, the Company would be required to recognize costs (regulatory assets) or to recognize obligations (regulatory liabilities) if it is probable that these amounts will be recovered or refunded through the rate-making process, which would result in a corresponding increase or decrease in future rates.

In the event the Company determines that its net regulatory assets are not probable of recovery, it would no longer apply the principles

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NOTES TO FINANCIAL STATEMENTS (Continued)

of the current accounting guidance for rate-regulated enterprises and would be required to record an after-tax, non-cash charge against income for any remaining regulatory assets and liabilities. The impact could be material to the Company's reported financial condition and results of operations.

D. Revenue Recognition

The Company bills its customers on a monthly cycle basis at approved tariffs based on energy delivered, a minimum customer service charge, and, in some instances, their demand on the electric system. Revenues are determined based on these bills plus an estimate for unbilled energy delivered between the cycle meter read date and the end of the accounting period. These amounts are billed to customers in the next billing cycle following the December month end.

As approved by the NYPSC, the Company is allowed to pass through for recovery commodity-related costs. Additionally, a transmission revenue adjustment mechanism is in place that reconciles actual and forecast wholesale transmission revenue for pass back to, or recovery from, retail customers. Furthermore, the Company's revenue decoupling mechanism allows for annual adjustments to the Company's distribution rates as a result of the reconciliation between allowed revenue and billed revenue. Any difference between the allowed revenue and the billed revenue is recorded as a regulatory asset or liability.

The gas distribution business is influenced by seasonal weather conditions and therefore the Company's gas utility tariff contains a weather normalization adjustment that provides for recovery from, or refund to, firm customers of material shortfalls or excesses of firm delivery revenues.

Annual revenues are principally realized during the heating season (November through April) as a result of the large proportion of heating sales in these months. Accordingly, results of operations are most favorable in the first calendar quarter of the year, followed by the fourth calendar quarter. Operating losses are generally incurred in the second and third calendar quarters.

The Company's revenue from the sale and delivery of electricity and gas for the years ended December 31, 2011 and December 31, 2010 was as follows:

	Electric		Gas	
	December 31,		**December 31,**	
	2011	2010	**2011**	2010
Residential	**54%**	53%	**81%**	81%
Commercial	**35%**	36%	**19%**	19%
Industrial	**11%**	11%	**0%**	0%

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NOTES TO FINANCIAL STATEMENTS (Continued)

E. Utility Plant

Utility plant is stated at original cost. The cost of additions to utility plant and replacements of retired units of property are capitalized. Costs include direct material, labor, overhead, and allowance for funds used during construction ("AFUDC"). The cost of renewals and betterments that extend the useful life of utility plant are also capitalized. The cost of repairs, replacements, and major maintenance projects, which do not extend the useful life or increase the expected output of the asset, are expensed as incurred. Whenever utility plant is retired, its original cost, together with the cost of removal, less salvage, is charged to accumulated depreciation. Depreciation is generally computed over the estimated useful life of the asset using the composite straight-line method. Depreciation studies are conducted periodically to update the composite rates and are approved by the state regulatory bodies.

The composite rates and weighted average life are as follows:

	Electric		Gas		Common	
	December 31,		**December 31,**		**December 31,**	
	2011	2010	2011	2010	2011	2010
Composite rates	2.0%	2.5%	1.8%	1.8%	4.4%	4.2%
Weighted average life	49	41	55	55	23	24

In accordance with applicable regulatory accounting guidance, the Company records AFUDC, which represents the estimated debt and equity costs of capital funds necessary to finance the construction of new regulated facilities. Both the debt and equity components of AFUDC are non-cash amounts within the statements of income. AFUDC is capitalized as a component of the cost of utility plant, with an offsetting credit to other income for the equity component and other interest for the debt component in the accompanying statements of income. After construction is completed, the Company is permitted to recover these costs through inclusion in the rate base and the corresponding depreciation expense. The debt component of AFUDC capitalized during the years ended December 31, 2011 and December 31, 2010 was $1.2 million and $1.3 million, respectively, and the equity component of AFUDC capitalized during the years ended December 31, 2011 and December 31, 2010 was $6.1 million and $4.1 million, respectively.

Goodwill

Goodwill, which is included under the utility plant in the accompanying balance sheets, represents the excess of the purchase price of a business combination over the fair value of tangible and intangible assets acquired, net of the fair value of liabilities assumed and the fair value of any non-controlling interest in the acquisition. The Company tests goodwill for impairment on an annual basis and, on an interim basis, when certain events or circumstances exist.

The goodwill impairment analysis is comprised of two steps. In the first step, the Company compares the fair value of each reporting unit to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not considered impaired and no further analysis is required to be performed. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value, then a second step is performed to determine the implied fair value of the reporting unit's goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then an impairment charge equal to the difference is recorded.

For the purpose of first step analysis, determination of reporting unit's fair value is typically based on combination of an income-based approach using projected discounted cash flows and a market-based approach using valuation multiples of comparable companies to determine fair value. The resulting fair value of the annual analyses determined that no adjustment of the goodwill carrying value was required for our continuing operations at December 31, 2011 and December 31, 2010.

F. Cash and Cash Equivalents

The Company classifies short-term investments that are highly liquid and have maturities of three months or less at the date of purchase as cash equivalents. These short-term investments are carried at cost which approximates fair value.

G. Special Deposits

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Special deposits represents restricted cash, which consists of health care claims deposits, New York State Department of Conservation securitization for certain site cleanup, mortgage lien release deposits, worker's compensation premium deposits and collateral for derivative transactions.

H. Income and Other Taxes

Income taxes have been computed utilizing the asset and liability approach that requires the recognition of deferred tax assets and liabilities for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities.

Deferred income taxes reflect the tax effect of net operating losses, capital losses and general business credit carryforwards, and the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial statement and income tax purposes, as determined under enacted tax laws and rates. The financial effect of changes in tax laws or rates is accounted for in the period of enactment. Deferred investment tax credits are amortized over the useful life of the underlying property.

Other taxes primarily include excise tax, property tax, and payroll tax. The Company reports its collections and payments of excise taxes on a gross basis. Gas distribution revenues include the collection of excise taxes, while operating taxes include the related expense. Excise taxes collected and paid for the years ended December 31, 2011 and December 31, 2010 were $46.7 million and $42 million, respectively.

I. Comprehensive Income (Loss)

Comprehensive income (loss) is the change in the equity of a company, not including those changes that result from shareholder transactions. While the primary component of comprehensive income (loss) is reported net income or loss, the other component includes unrealized gains and losses associated with certain investments held as available for sale, deferred gains and losses on derivative contracts associated with hedging activities and deferred pension and postretirement benefit plans.

J. Derivatives

We employ derivative instruments to hedge a portion of our exposure to commodity price risk. Whenever hedge positions are in effect, we are exposed to credit risks in the event of non-performance by counterparties to derivative contracts, as well as non-performance by the counterparties of the transactions against which they are hedged. We believe the credit risk related to derivative instruments is no greater than that associated with the primary commodity contracts that they hedge.

Commodity Derivative Instruments – Regulated Accounting

We use derivative instruments to reduce cash flow variability associated with the purchase price for a portion of future natural gas and electricity purchases associated with our gas and electric distribution operations. Our strategy is to minimize fluctuations in firm gas and electricity sales prices to our regulated customers. The accounting for these derivative instruments is subject to the current accounting guidance for rate-regulated enterprises. Therefore, the fair value of these derivatives is recorded as current or deferred assets and liabilities, with offsetting positions recorded as regulatory assets and regulatory liabilities in the accompanying balance sheets. Gains or losses on the settlement of these contracts are initially deferred and then refunded to or collected from our firm gas sales customers consistent with regulatory requirements.

Certain of our contracts for the physical purchase of natural gas and certain power supply contracts were assessed as no longer being exempt as normal purchases. As such, these contracts are recorded in the accompanying balance sheets at fair market value. However, since such contracts were executed for regulated utility customers, and pursuant to the requirements for rate-regulated enterprises, changes in the fair market value of these contracts are recorded as a regulatory asset or regulatory liability in the accompanying balance sheets.

K. Employee Benefits

The Company follows the provisions of the Financial Accounting Standards Board ("FASB") accounting guidance related to the accounting for defined benefit pension and postretirement plans which requires employers to fully recognize all postretirement plans' funded status on the balance sheet as a net liability or asset and requires an offsetting adjustment to accumulated other comprehensive income in shareholder's equity upon implementation or, in the case of regulated enterprises, to regulatory assets or liabilities. Consistent with past practice, and as required by the guidance, the Company values its pension and postretirement benefits other than pensions ("PBOP") assets using the year-end market value of those assets. Benefit obligations are also measured at year-end.

L. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following is the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities that a company has the ability to access as of the reporting date;

Level 2 — inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data; and

Level 3 — unobservable inputs, such as internally-developed forward curves and pricing models for the asset or liability due to little or no market activity for the asset or liability with low correlation to observable market inputs.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

M. Gas in Storage and Materials

Gas in storage and materials are stated at the lower of cost or market value with cost determined on an average weighted cost basis and is expensed when delivered to customers as gas purchased for resale. Materials and supplies are expensed as used or capitalized into specific capital additions as utilized. The Company's policy is to write off obsolete inventory.

Existing rate orders allow the Company to pass through the cost of gas purchased for resale directly to the rate payers along with any applicable authorized delivery surcharge adjustments. Accordingly, the value of gas in storage does not fall below the cost to the Company. Gas costs passed through to the rate payers are subject to periodic regulatory approval and are reported periodically to the NYPSC.

N. Power Purchase Agreements

The Company accounts for its power purchase agreements, which are not deemed to be derivatives or leases, as executory contracts. The Company assesses several factors in determining how to account for its power purchase contracts. These factors include: the term of the contract compared to the economic useful life of the facility generating the electricity; the involvement, if any, that the Company has in operating the facility; the amount of any fixed payments the Company must make, even if the facility does not generate electricity; and the level of control the Company has over the amount of electricity generated by the facility, and who bears the risk in the event the facility is unable to generate. These purchase power agreements are reflected in accounts payable in the accompanying balance sheets.

O. Recent Accounting Pronouncements

Fair Value Measurements

In April 2011, the FASB issued accounting guidance that substantially amended existing guidance with respect to the fair value measurement topic ("the Topic"). The guidance seeks to amend the Topic in order to achieve common fair value measurement and

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disclosure requirements in GAAP and International Financial Reporting Standards. Consequently, the guidance changes the wording used to describe many of the requirements in GAAP for measuring fair value and for disclosing information about fair value measurements as well as changing specific applications of the Topic. Some of the amendments clarify the FASB's intent about the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements including, but not limited to, fair value measurement of a portfolio of financial instruments, fair value measurement of premiums and discounts, and additional disclosures about fair value measurements. This guidance is effective for financial statements issued for annual periods beginning after December 15, 2011. The early adoption of this guidance for non-public companies is permitted but only for interim periods beginning after December 15, 2011. The Company is currently determining the potential impact of the guidance on its financial position, results of operations, and cash flows.

Goodwill Impairment

In September 2011, the FASB issued accounting guidance related to goodwill impairment testing whereby, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. Otherwise, the entity is required to perform the two-step impairment test. This guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The Company does not expect adoption of this guidance to have an impact on the Company's financial position, results of operations, or cash flows.

Offsetting Assets and Liabilities

In December 2011, the FASB issued accounting guidance requiring enhanced disclosure related to offsetting assets and liabilities. Under the amendments in this update, entities will be required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting agreement. This scope would include items such as derivatives. This guidance is effective for fiscal years, and interim periods within that year, beginning after January 1, 2013, and is to be applied retrospectively. As this guidance relates to disclosure only, the adoption of this guidance will not have an impact on the Company's financial position, results of operations, or cash flows.

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Note 2. Rates and Regulatory

The following table presents the Company's regulatory assets and regulatory liabilities at December 31, 2011 and December 31, 2010:

	December 31, 2011	December 31, 2010
	(in thousands of dollars)	
Other regulatory assets:		
Merger rate plan stranded costs	$ 1,162	$ 595,044
Regulatory tax asset	104,335	120,754
Deferred environmental restoration costs	454,157	540,822
Pension and postretirement benefit plans	(137,480)	753,319
Storm costs	11,999	173,067
Derivative contracts	33,170	54,632
Transportation marketer credit	-	117,020
Pension contra asset	650,889	623,098
Amortization of deferral recoveries	-	(670,764)
Other	300,778	324,650
Total other regulatory assets	$ 1,419,010	$ 2,631,642
Other regulatory liabilities:		
Stranded costs and CTC related	$ 2,171	$ 82,688
Regulatory tax liabilities	48,647	49,392
Postretirement benefit	37,430	25,552
Medicare Act tax benefit deferral	-	2,033
Economic development fund	6,648	37,492
Unbilled gas revenue	18,093	19,044
Environmental insurance proceeds	19,429	4,741
Debt interest rate savings	-	92,534
Derivative contracts	42,148	52,624
Other	175,429	241,474
Total other regulatory liabilities	$ 349,995	$ 607,574

The regulatory items above are not included in the utility rate base at the time the expense is incurred or the revenue is billed. The Company records carrying charges, as appropriate, on the regulatory items for which cash expenditures have been made and are subject to recovery or for which cash has been collected and is subject to refund. Carrying charges are not recorded on items for which expenditures have not yet been made. The Company anticipates recovering these costs in the rates concurrently with future cash expenditures. If recovery is not concurrent with the cash expenditures, the Company will record the appropriate level of carrying charges.

Electric Rate Case Filing

In January 2010, the Company filed an application with the NYPSC for new electricity base rates, effective January 2011, which would terminate the Merger Rate Plan ("MRP") one year early. The Company filed for an increase in the base transmission and distribution revenue of $361.2 million based on a return on equity of 11.1% and equity ratio of 50.01% for rate year 2011. While the Company filed for a three-year rate case commencing January 1, 2011 through December 31, 2013, Department of Public Service ("DPS") Staff responded to a one-year rate case. In January 2011, the NYPSC granted the request for an increase in revenue of approximately $112 million, including recovery of $40 million in competitive transition charges, with a 9.1% return on equity. The NYPSC gave the Company the option of receiving a 9.3% return on equity, which would result in a revenue requirement increase totaling approximately $119 million, if it agreed not to file another general rate case prior to January 1, 2012. In correspondence dated January 31, 2011, the Company advised the NYPSC that it accepted the option and filed tariffs to reflect a 9.3% return on equity. Of the increase granted, $50 million in revenue was established as temporary rates and is subject to the results of the NYPSC's audit of service company costs allocated to the Company. The NYPSC also established a fixed level of $29.8 million per year for the

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Company's costs associated with the site investigation and remediation ("SIR") of former manufactured gas plants ("MGPs") and other environmental sites. While the Company had previously recovered all prudently incurred SIR costs, for any annual spend above the fixed level, 80% will now be placed into a deferral account for recovery in a future rate case and the other 20% will be the responsibility of the Company. For any annual spend below the fixed level, a credit will be applied to the deferral account.

The NYPSC adopted the capital expenditures stipulation entered into between the Company, DPS Staff, and Multiple Intervenors in the rate case, which addresses, among other things, the Company's capital budget and investments for fiscal years 2011 and 2012. The amount of capital reflected in the Company's rates for calendar year 2011 is subject to refund to customers if the Company fails to invest at the levels agreed in the stipulation. In addition, the NYPSC approved the revenue decoupling stipulation entered into between the Company, DPS Staff, the New York Power Authority, and Pace/NRDC which allows for the implementation of a revenue decoupling mechanism whereby the Company's base rates are adjusted annually as a result of the reconciliation between allowed revenue and billed revenue.

Gas Rate Case Filing

In May 2009, the NYPSC approved a joint proposal that provides for a two-year rate plan, with an annual increase of $39.4 million with incremental adjustments in the second year to reflect changes in certain expenses based on an allowed return on equity of 10.2 % and a equity ratio of 43.7%. The joint proposal also includes a revenue decoupling mechanism, negative revenue adjustments for failure to meet certain service quality performance metrics and a commodity-related bad debt recovery mechanism that adjusts for fluctuations in commodity prices. The new rates went into effect on May 20, 2009. In April 2010, the Company filed to increase rates by approximately $13.9 million effective May 20, 2010 based on increases in certain costs. The NYPSC ordered the new rates to go into effect on a temporary basis and in August 2010, the NYPSC approved the rates on a permanent basis effective with the date of such order.

Transmission Rate Case Filing

In February 2008, the Company filed with the FERC a formula rate (the "Transmission Service Charge" or "TSC") for customers that take transmission service under the New York Independent System Operator ("NYISO") tariff. The rate took effect on October 1, 2008 subject to refund. The FERC directed hearing and settlement judge proceedings to resolve the remaining contested issues in the proceeding. On April 6, 2009, the Company filed a settlement agreement which was accepted by the FERC by its order issued on June 22, 2009, and which resolved all issues in the proceeding. The settlement provided for an authorized return on equity of 11.5%. The effective date for the settlement was January 30, 2009 with a phase-in of the settlement rate over the period January 30 through June 30, 2009. In July 2009, the Company refunded to customers a total of $7.1 million, inclusive of FERC required interest, for amounts collected in excess of the settlement rates for the period of October 2008 through June 2009. Under the NYISO tariff, the Company is required to submit an "Annual Update" to FERC in June of each year, updating the Company's TSC rate under the FERC-approved formula to become effective as of July 1st of that year. Certain parties have raised issues with the Company's Annual Update filings. In February 2010, the FERC accepted a proposed Stipulation and Agreement modifying the calculation of the Long-Term Debt Cost of Capital Rate submitted in the 2009 Annual Update. In January 2011, the FERC accepted in an unpublished letter order the Company's negotiated settlement of the limited issues raised by the parties on the 2010 Annual Update filing, including removal from the formula rate a component reflecting the Temporary State Energy & Utility Conservation Assessment ("Temporary State Assessment") under Section 18-a of the New York Public Service Law to prevent duplicate charging of that 18-a assessment to entities who are directly assessed or are otherwise exempt from such assessment. On December 9, 2011 the Company submitted TSC rate adjustments to the FERC resolving issues raised in response to the Company's 2011 Annual Update. The revenues resulting from the TSC formula rate are charged to wholesale transmission customers and credited back to retail electric distribution customers through the Transmission Revenue Adjustment Clause mechanism.

Other Regulatory Matters

In February 2011, the NYPSC selected Overland Consulting Inc., a management consulting firm, to perform a management audit of NGUSA's affiliate cost allocation, policies and procedures. The audit of these service company charges seeks to determine if any service company transactions have resulted in unreasonable costs to New York customers for the provision of delivery service. If potentially material levels of misallocated or inappropriate service company costs are discovered, at the direction of the NYPSC, the investigation will be expanded to prior years to determine if a material amount of misallocated or inappropriate costs under these service company contracts have been charged to the New York utilities. A report of this review to the NYPSC is anticipated in Spring 2012. At the present time we are not aware of any material misallocation of costs among our affiliates and we do not expect the audit to

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result in any material adjustment to our financial statements.

In February 2011, the NYPSC instituted a statewide proceeding to review its policies regarding the funding mechanisms supporting SIR expenditures and directing the New York State's utilities to assist in developing a comprehensive record of: (1) the current and future scope of utility SIR programs; (2) the current cost controls in place by utilities and opportunities to improve such cost controls; (3) the appropriate allocation of costs among customers and, potentially, shareholders; and (4) methods for recovering SIR costs appropriately borne by customers in a way that minimizes the impact. In accordance with the NYPSC's order the Administrative Law Judge issued a Recommended Decision on November 3, 2011. The NYPSC has not yet ruled on these recommendations.

In November 2010, the FERC commenced an audit of the Company for the period from January 1, 2009 through December 31, 2009 to evaluate the Company's compliance with the FERC's: (1) Uniform System of Accounts for public utilities; (2) Form No. 1 Annual report requirements of major electric utilities; and (3) Form No. 3–Q, Quarterly financial report of electric utilities. The audit is currently ongoing. No formal findings have been communicated by the FERC to date.

In November 2008, the FERC commenced an audit of NGUSA, including its service companies and other affiliates in the National Grid holding company system. The audit evaluated our compliance with: (1) cross-subsidization restrictions on affiliate transactions; (2) accounting, recordkeeping and reporting requirements; (3) preservation of records requirements for holding companies and service companies; and (4) Uniform System of Accounts for centralized service companies. The final audit report from the FERC was received in February 2011. In April 2011, NGUSA replied to the FERC and outlined its plan to address the findings in the report, which we are currently in the process of implementing. None of the findings had a material impact on the financial statements of the Company.

In its September 12, 2007, "Order Authorizing Acquisition subject to Conditions and Making Some Revenue Requirement Determinations for KeySpan Energy Delivery New York and KeySpan Energy Delivery Long Island", issued in Case 06-M-0878, the NYPSC authorized the merger of KeySpan Corporation and National Grid subject to the adoption of various financial and other conditions. One of the conditions was the requirement that the Company issue a class of preferred stock having one share (the "Golden Share"), subordinate to any existing preferred stock, the holder of which would have voting rights that limit the Company's right to commence any voluntary bankruptcy, liquidation, receivership or similar proceeding without the consent of the holder of such share of stock. The NYPSC subsequently authorized the issuance of the Golden Share to a trustee, GSS Holdings, Inc. ("GSS"), who will hold the Golden Share subject to a Services and Indemnity Agreement requiring GSS to vote the Golden Share in the best interests of New York State. The Golden Share was issued by the Company on July 8, 2011.

The Company received federal income tax refunds covering the tax years of 1991 through 1995 in the amount of $25.6 million, inclusive of $13.3 million of interest, from the Internal Revenue Service ("IRS") in March 2003 and August 2004. The Company made a filing with the NYPSC and proposed to credit $7.2 million to its customers and recorded the resulting regulatory liability and earnings impact in March 2009. The Company subsequently entered into a settlement with the parties in connection with certain adjustments which resulted in an additional $18.7 million credit to its customers, including approximately $7.3 million in carrying charges (through December 2009) due to the delay in filing the refund notice and $11.4 million in full settlement of all other outstanding issues. In March 2010, the Company made a supplemental filing to provide procedures put in place by the Company to ensure that all future income tax refunds would be timely noticed. In April 2010, the NYPSC issued an order adopting the submitted joint proposal. The Company will continue to accrue carrying charges for gas customers until such time as the deferred amounts are passed back to gas customers.

In October 2007, the Company filed a preliminary application with the NYPSC regarding the implementation of the Follow-on Merger Credit associated with the KeySpan merger. The Company indicated that the merger would result in the savings allocable to the Company of approximately $40 million for the period from September 2007 through December 2011. In the second quarter of 2008, the NYPSC issued its decision requiring a Follow-on Merger Credit of approximately $56 million, including $4 million of additional credit based on settlement between Multiple Intervenors, the Company and the NYPSC. In July 2010, the NYPSC adopted the terms of the joint proposal and directed the Company to record the proposed credits accordingly. The deferred gas credit will be in the Company's next general gas rate proceeding.

Capital Investment
In December 2007, the Company filed with the NYPSC a Petition for Special Ratemaking seeking authorization to defer for later rate recovery 50% of the revenue requirement impact during calendar year 2008 of specified capital programs and operating expenses that

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are directly associated with these programs. In the order approving the KeySpan merger, the NYPSC held that the rate impacts associated with certain incremental investments during the remaining period of the MRP would be limited to not more than 50% of the total rate impact as ultimately determined by the NYPSC.

In September 2008, the NYPSC issued its order on the Company's December 2007 Petition for Special Ratemaking. The NYPSC stated that the Company's multi-year capital program should satisfy the materiality requirement to qualify for deferral. However, the NYPSC concluded that the Company's petition was premature because it was based on a forecast of capital investments. The NYPSC instructed the Company to supplement its petition using actual information once known. In April 2009, the Company filed a supplemental petition containing the actual expenditures for 2008 pursuant to the NYPSC's order. In May 2010, the Company filed a request for recovery of incremental investment in 2009 in another Petition for Special Ratemaking to the NYPSC. In May 2011, the Company filed a request for recovery of incremental investment in 2010 in another Petition for Special Ratemaking to the NYPSC. On November 14, 2011, the Company filed a joint proposal to settle all these proceedings. On December 16, 2011, the Commission adopted the joint proposal, which authorized the Company to include the following in the 15-month deferral recovery surcharge discussed below: (1) $19 million of incremental capital investment; and (2) incremental Hurricane Irene storm costs of $22.7 million plus the amount of any adjustment made by the Commission to the deferral balances included in the original $236.2 million filing, up to $35 million.

Temporary State Assessment Pursuant to PSL Section 18-a

In June 2009, the Company made a gas and electric compliance filing with the NYPSC regarding the implementation of the Temporary State Assessment. The NYPSC authorized recovery of the revenues required for payment of the Temporary State Assessment, including carrying charges, subject to reconciliation over five years, July 1, 2009 through June 30, 2014. In subsequent compliance filings in June 2010 and 2011, the Company noted that it intends to maintain its gas and electric Temporary State Assessment surcharges for the July 1, 2010 through June 30, 2011 and July 1, 2011 through June 30, 2012 recovery periods. At December 31, 2011, $1.6 million was deferred pending recovery; $23.3 million was recorded at December 31, 2010.

Compliance Filing to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances

On July 29, 2011, the Company made a compliance filing with the NYPSC to remove Competitive Transition Charges ("CTCs") from electric rates and recover certain deferral account balances. In the Electric Rate Case Order, the NYPSC directed the Company to file tariff revisions, to become effective January 1, 2012, to remove the CTCs from rates and establish a mechanism to recover certain deferral account balances. The Company has proposed eliminating $544.9 million of CTCs from rates partially offset by the proposed recovery of $236.2 million of outstanding deferral account balances over a 15-month period. On December 16, 2011, the Commission approved the Company's compliance filing with modifications. The Commission authorized the Company to recover $247.6 million in outstanding deferral account balances over a 15-month period, but conditioned recovery on Staff's ability to audit and made subsequent adjustments to some of the balances that Staff had not completed auditing. Any proposed adjustment will be addressed in the Company's next rate case. Included in the $247.6 million was $25.2 million of Hurricane Irene storm costs that the Commission allowed the Company to recover, subject to Staff audit and disposition in the next rate case. In addition, the Commission extended the amortization period beyond 15-months for the Company's PSC 214 customer classes. The balance of the deferrals not recovered from these classes during the 15-month period will be recovered from these classes over a subsequent period to be determined in the Company's next rate case.

Note 3. Employee Benefits

The Company participates in several non-contributory defined benefit pension plans (the "Pension Plans") and several postretirement benefits other than pension plans (the "PBOP Plans", together with the Pension Plans, the "Plans") with another National Grid subsidiary. In general, we calculate benefits under these plans based on age, years of service and pay using March 31 as a measurement date. In addition, the Company also sponsors a defined contribution plan for eligible employees.

Pension Plans

The Pension Plans are comprised of both qualified and non-qualified plans. The qualified pension plan provides substantially all union employees and non-union employees hired before January 1, 2011 with a retirement benefit. The qualified pension plan is a cash balance pension plan design in which pay-based credits are applied based on service time and interest credits are applied at rates set

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forth in the plan. For non-union employees, effective January 1, 2011, pay-based credits are based on a combination of service time and age. In addition, a large number of employees hired by the Company prior to July 1998 are cash balance design participants who receive a larger benefit if so yielded under pre-cash balance conversion final average pay formula provisions. Non-union employees hired by the Company between July 1, 1998 and December 31, 2010 and union employees hired on or after July 1, 1998 participate in the cash balance design provisions only. The non-qualified pension plans provide additional defined pension benefits to certain eligible executives.

The funding policy is determined largely by the Company's rate agreements with the NYPSC and the amount recovered in rates. However, the contribution to the qualified pension plan for any year will not be less than the minimum amount required under IRS regulations. The expected contribution to the qualified pension plan during the 2012 calendar year is approximately $67 million. A portion of these contributions will be made by the Company.

PBOP Plans

PBOP Plans provide health care and life insurance coverage to eligible retired employees. Eligibility is based on age and length of service requirements and, in most cases, retirees must contribute to the cost of their coverage. The PBOP Plans are funded based on rate agreements with the NYPSC and amounts recovered in rates. The expected contribution to the PBOP Plans during the 2012 calendar year is approximately $235 million. A portion of these contributions will be made by the Company.

Defined Contribution Plan

The Company has a defined contribution pension plan (employee savings fund plan) that covers substantially all employees. Employer matching contributions of $7.4 million and $6.6 million were expensed for the years ended December 31, 2011 and December 31, 2010, respectively.

Net Periodic Costs and Amount Recognized in Other Comprehensive Income

The following table summarizes the Company's net period benefit cost during the years ended December 31, 2011 and December 31, 2010:

	Pension Plans		PBOP Plans	
	December 31,		December 31,	
	2011	2010	2011	2010
	(in thousands of dollars)			
Service cost, benefits earned during the year	**$ 23,840**	$ 22,991	**$ 16,086**	$ 15,016
Interest cost	**68,665**	70,072	**78,713**	81,692
Expected return on plan assets	**(100,636)**	(93,237)	**(51,113)**	(37,968)
Amortization of unrecognized prior service cost	**4,805**	4,748	**12,763**	12,696
Amortization of unrecognized net loss	**66,672**	59,453	**38,837**	41,833
Net periodic benefit costs before settlement	**63,346**	64,027	**95,286**	113,269
Settlement loss	-	625	-	-
Curtailment	-	-	(495)	-
Special termination benefits (VERO)*	-	267	-	-
Net periodic benefit cost	**$ 63,346**	$ 64,919	**$ 94,791**	$ 113,269

* Special termination benefits consist of costs related to Voluntary Early Retirement Offer ("VERO").

The following table summarizes other pre-tax changes in plan assets and benefit obligations recognized primarily in the Company's regulatory assets for the years ended December 31, 2011 and December 31, 2010:

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	Pension Plans		PBOP Plans	
	December 31,		December 31,	
	2011	2010	2011	2010
	(in thousands of dollars)			
Net actuarial loss	$ 264,142	$ 353,276	$ 161,995	$ 222,029
Prior service cost	34,479	38,298	33,781	53,440
Total	$ 298,621	$ 391,574	$ 195,776	$ 275,469

The NYPSC's statement of policy requires that prior service costs and gains and losses be amortized over a 10-year period calculated on a vintage year basis. The following table represents the Plans' estimated net actuarial loss and prior service cost that will be amortized from regulatory assets and accumulated other comprehensive income (loss) during the calendar year 2012.

	Expected Amortization December 31, 2012	
	Pension Plans	PBOP Plans
	(in thousands of dollars)	
Net actuarial loss	$ 86,276	$ 51,300
Prior service cost	5,133	12,309
Total	$ 91,409	$ 63,609

As the Company participates in the Plans with other National Grid subsidiaries, only a portion of these amounts will be recorded as an expense by the Company.

Changes in Benefit Obligations and Assets

The benefit obligation, assets and funded status of the Plans cannot be presented separately for the Company as the Company participates in the Plans with an affiliated National Grid Service Company. The following table summarizes the change in the Plans' benefit obligation and funded status:

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	Pension Plans		PBOP Plans	
	December 31,		December 31,	
	2011	2010	2011	2010
	(in thousands of dollars)			
Change in benefit obligation:				
Benefit obligation at beginning of year	$ (1,299,263)	$ (1,139,552)	$ (1,460,907)	$ (1,228,488)
Service cost	(28,490)	(27,542)	(18,445)	(17,258)
Interest cost on projected benefit obligation	(75,366)	(76,379)	(81,908)	(85,243)
Net actuarial (loss) gain	(45,566)	(166,927)	235	(197,622)
Benefits paid	142,430	111,062	77,773	70,030
Actual Medicare Part D Subsidy received	-	-	(5,307)	(4,890)
Settlements (lump sum)	-	2,543	-	-
Plan amendments	-	(1,147)	(305)	9,073
Reduction in Workforce Impact	-	-	2,920	-
Healthcare reform amendment	-	-	-	(6,500)
Special termination benefits (VERO)	-	(1,321)	-	(9)
Benefit obligation at end of year	(1,306,255)	(1,299,263)	(1,485,944)	(1,460,907)
Change in plan assets:				
Fair value of plan assets at beginning of year	1,515,067	1,265,490	637,440	508,876
Actual return (loss) on plan assets	108,112	171,166	(1,395)	70,590
Company contributions	128,390	192,016	174,350	114,600
Benefits paid	(142,430)	(111,062)	(71,509)	(56,626)
Settlements (lump sum)	-	(2,543)	-	-
Fair value of plan assets at end of year	1,609,139	1,515,067	738,886	637,440
Funded status	302,884	215,804	(747,058)	(823,467)
Unrecognized actuial loss and prior service cost to be recognized at fiscal year end*	15,873	(55,991)	33,058	(34,753)
Net amount recognized	$ 318,757	$ 159,813	$ (714,000)	$ (858,220)

*Under the current accounting guidance, the Company will recognize the funded status as of the date of the fiscal year-end. The unrecognized actuarial gains or losses and unrecognized prior service cost will be recorded as an increase or decrease to the pension liability with an offset to regulatory assets and other comprehensive income (loss).

The amounts recognized in the accompanying balance sheets are as follows:

	Pension Plans		PBOP Plans	
	December 31,		December 31,	
	2011	2010	2011	2010
	(in thousands of dollars)			
Other current liabilities	$ (460)	$ (2,980)	$ (15,000)	$ (4,600)
Employee pension and other benefits	329,649	171,944	(649,877)	(866,824)

Expected Benefit Payments

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Based on current assumptions, the Company expects to make the following benefit payments and receive the following subsidies from the U.S. Federal Government subsequent to December 31, 2011:

For the Year Ended December 31,	Pension Benefits	Postretirement Benefits	Subsidies
	(in thousands of dollars)		
2012	$ 114,248	$ 75,032	$ 4,894
2013	117,388	78,432	5,473
2014	124,359	81,698	6,048
2015	130,330	84,735	6,631
2016	137,301	87,887	7,210
Thereafter	693,255	477,968	45,569
Total	$ 1,316,881	$ 885,752	$ 75,825

As a result of the Medicare Act of 2003, the Company receives a federal subsidy for sponsoring a retiree healthcare plan that provides a benefit that is actuarially equivalent to Medicare Part D.

Assumptions

The weighted-average assumptions used to determine the benefit obligations are as follows:

	Pension Plans December 31,		PBOP Plans December 31,	
	2011	2010	2011	2010
Discount rate	5.90%	6.10%	5.45%	6.10%
Expected return on plan assets	8.00%	8.00%	7.75%	7.38%
Rate of compensation increase	3.50%	3.50%	n/a	n/a

The weighted-average assumptions used to determine the net periodic cost for the years ended December 31, 2011 and December 31, 2010 are as follows:

	Pension Plans			
	2011		2010	
	Jan to Mar	**Apr to Dec**	Jan to Mar	Apr to Dec
Discount rate	**6.10%**	**5.90%**	7.30%	6.10%
Rate of compensation increase	**3.50%**	**3.50%**	3.50%	3.50%
Expected long-term rate of return on assets	**8.00%**	**7.75%**	8.00%	8.00%

	PBOP Plans			
	2011		2010	
	Jan to Mar	**Apr to Dec**	Jan to Mar	Apr to Dec
Discount rate	**6.10%**	**5.45%**	7.30%	6.10%
Expected long-term rate of return on asset	**7.38%**	**7.75%**	7.25%	7.38%
Union	**8.00%**	**7.75%**	7.75%	8.00%
Expected long-term rate of return on assets	**N/A**	**N/A**	N/A	N/A

The Company selects its discount rate assumption based upon rates of return on highly rated corporate bond yields in the marketplace as of each measurement date. Specifically, the Company uses the Hewitt Top Quartile Discount Curve along with the expected future cash flows from the Company retirement plans to determine the weighted average discount rate assumption.

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The expected rate of return for various passive asset classes is based both on analysis of historical rates of return and forward looking analysis of risk premiums and yields. Current market conditions, such as inflation and interest rates, are evaluated in connection with the setting of the long-term assumption. A small premium is added for active management of both equity and fixed income securities. The rates of return for each asset class are then weighted in accordance with the actual asset allocation, resulting in a long-term return on asset rate for each plan.

The assumed health care cost trend rates are as follows:

	2011		2010	
	Jan to Mar	**Apr to Dec**	Jan to Mar	Apr to Dec
Health care cost trend rate				
Initial rate – Pre 65	**8.50%**	**8.50%**	8.50%	8.50%
Initial rate – Post 65	**8.50%**	**8.00%**	9.50%	8.50%
Initial Rx	**9.25%**	**8.75%**	N/A	9.25%
Ultimate rate	**5.00%**	**5.00%**	5.00%	5.00%
Year ultimate rate is reached				
- Pre 65	**2017**	**2018**	2015	2017
- Post 65	**2017**	**2017**	2016	2017
- Rx	**2019**	**2019**	N/A	2019

A one-percentage-point change in the assumed health care cost trend rate would have the following effects:

One-Percentage-Point	Increase	Decrease
	(in thousands of dollars)	
Total of service cost plus interest cost	$ 16,065	$ (13,619)
Postretirement benefit obligation	193,897	(171,498)

Plan Assets

The Company manages benefit plan investments to minimize the long-term cost of operating the plans, with a reasonable level of risk. Risk tolerance is determined as a result of a periodic asset/liability study which analyzes plan liabilities and plan funded status and results in the determination of the allocation of assets across equity and fixed income securities. Equity investments are broadly diversified across U.S. and non-U.S. stocks, as well as across growth, value, and small and large capitalization stocks. Likewise, the fixed income portfolio is broadly diversified across the various fixed income market segments. Small investments are also held in private equity, with the objective of enhancing long-term returns while improving portfolio diversification. For the PBOP plan, since the earnings on a portion of the assets are taxable, those investments are managed to maximize after tax returns consistent with the broad asset class parameters established by the asset allocation study. Investment risk and return are reviewed by NGUSA's investment committee on a quarterly basis.

The target asset allocations for benefit plans as of December 31, 2011 and December 31, 2010 are as follows:

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	Pension Plans		Non-union PBOPs		Union PBOPs	
	December 31,		December 31,		December 31,	
	2011*	2010	**2011**	2010	**2011**	2010
U.S. equities	**17%**	20%	**44%**	44%	**34%**	34%
Global equities (including U.S.)	**7%**	7%	**0%**	0%	**12%**	12%
Global tactical asset allocation	**10%**	10%	**0%**	0%	**17%**	17%
Non-U.S. equities	**6%**	10%	**26%**	26%	**17%**	17%
Fixed income	**50%**	40%	**30%**	30%	**20%**	20%
Private equity	**4%**	5%	**0%**	0%	**0%**	0%
Real estate	**4%**	5%	**0%**	0%	**0%**	0%
Infrastructure	**2%**	3%	**0%**	0%	**0%**	0%
	100%	100%	**100%**	100%	**100%**	100%

* A dynamic asset allocation was adopted in November 2011 for the Pension plan which will gradually reduce the risk of the portfolio as funded status increases over time.

Fair Value Measurements

We determine the fair value of plan assets using unadjusted quoted prices in active markets (Level 1) or pricing inputs that are observable (Level 2) whenever that information is available. We use unobservable inputs (Level 3) to estimate fair value only when relevant observable inputs are not available. We classify assets within this fair value hierarchy based on the lowest level.

The following tables depict by level, within the fair value hierarchy, the plan assets as of December 31, 2011 and December 31, 2010:

December 31, 2011

	Level 1	**Level 2**	**Level 3**	**Total**
		(in thousands of dollars)		
Pension Assets:				
Cash and cash equivalents	$ 234	$ 54,172	$ -	$ 54,406
Equity	282,998	318,258	11,739	612,995
Fixed income securities	173,470	540,973	96,977	811,420
Preferred securities	443	-	-	443
Private equity	-	-	69,818	69,818
Real estate	-	-	60,091	60,091
Total	**$ 457,145**	**$ 913,403**	**$ 238,625**	**$ 1,609,173**
PBOP Assets:				
Cash and cash equivalents	$ -	$ 35,375	$ -	$ 35,375
Equity	180,963	320,478	16,956	518,397
Fixed income securities	95,966	52,508	36,605	185,079
Total	**$ 276,929**	**$ 408,361**	**$ 53,561**	**$ 738,851**

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	December 31, 2010			
	Level 1	Level 2	Level 3	Total
	(in thousands of dollars)			
Pension Assets:				
Cash and cash equivalents	$ (50)	$ 36,777	$ -	$ 36,727
Equity	307,496	390,667	29,846	728,009
Fixed income securities	161,064	417,902	89,475	668,441
Preferred securities	1,298	-	-	1,298
Private equity	-	-	51,496	51,496
Real estate	-	-	28,522	28,522
Total	**$ 469,808**	**$ 845,346**	**$ 199,339**	**$ 1,514,493**
PBOP Assets:				
Cash and cash equivalents	$ -	$ 17,265	$ -	$ 17,265
Equity	138,181	294,622	11,583	444,386
Fixed income securities	103,321	46,664	25,957	175,942
Preferred securities	421	-	-	421
Total	**$ 241,923**	**$ 358,551**	**$ 37,540**	**$ 638,014**

Following is a description of the valuation methodologies used at December 31, 2011 for pension and other postretirement benefit assets measured at fair value. The pension and other postretirement benefit assets can be invested in any of the following categories.

Cash and cash equivalents
Interest bearing cash is valued at the investment principal plus all accrued interest. Temporary cash investment and short-term investments are valued at either the investment principal plus all accrued interest or the net asset value of shares held by the Plans at year end.

Equity and preferred securities
Common stocks, preferred stocks, and real estate investment trusts are valued using the official close of the primary market on which the individual securities are traded.

Fixed income securities and future contracts
Fixed income securities (which include corporate debt securities, municipal fixed income securities, US Government and Government agency securities including government mortgage backed securities, index linked government bonds, and state and local bonds) convertible securities, derivatives, (including interest rate swaps, credit default swaps, index swaps, financial futures and other derivatives except certain options traded on an exchange and foreign forward exchange contracts) and investments in securities lending collateral (which include repurchase agreements, asset backed securities, floating rate notes and time deposits) are valued with an institutional bid valuation. A bid valuation is an estimated price at which a dealer would pay for a security (typically in an institutional round lot). Oftentimes, these evaluations are based on proprietary models which pricing vendors establish for these purposes. In some cases there may be manual sources when primary vendors do not supply prices.

Private equity and real estate
Commingled equity funds, commingled special equity funds, limited partnerships, real estate, venture capital and other investments are valued using evaluations (a good faith opinion as to what a buyer in the marketplace would pay for a security – typically in an institutional round lot-in a current sale), based on proprietary models, or based on the net asset value.

The asset classes listed in the tables above may also be held in the following investment vehicles:

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Mutual funds, common and collective trusts, and pooled separate accounts are valued at the net asset value of shares held by the Plan at year end.

103-12 investment entities
The trustee, investment advisor, and/or general partner determines the value of the pooled trust fund and the units thereof. This valuation is generally determined monthly and is based on the value of underlying securities. For some 103-12 investments, the financial information is provided in the quarterly statements that are typically provided more than 30 days after quarter end. Because of this time lag, investment units for these 103-12 investment entities are valued as of the Plan year end using the available statement from the prior quarter end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following is a summary of changes in the fair value of the pension plan's Level 3 investments:

	Pension Plan Assets		PBOP Plan Assets	
	December 31,		December 31,	
	2011	2010	**2011**	2010
	(in thousands of dollars)			
Balance at beginning of year	**$ 199,339**	$ 120,707	**$ 37,540**	$ -
Transfers out of Level 3	**(98,857)**	(20,912)	**(23,060)**	(11,502)
Transfers in to Level 3	**90,787**	21,133	**24,051**	11,624
Actual gain or loss on plan assets				
included in earnings (or changes in net assets)	**2,388**	920	**(41)**	122
included in regulatory assets and liabilities	**18,640**	16,567	**2,475**	4,823
Purchases	**177,045**	173,264	**14,476**	41,640
Sales	**(150,717)**	(112,340)	**(1,880)**	(9,167)
Balance at end of year	**$ 238,625**	$ 199,339	**$ 53,561**	$ 37,540

Note 4. Utility Plant

At December 31, 2011 and December 31, 2010, utility plant, at cost, and accumulated depreciation and amortization are as follows:

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	December 31, 2011		December 31, 2010	
	(in thousands of dollars)			
Plant and machinery	$	8,749,828	$	8,435,596
Goodwill		1,289,132		1,289,132
Land and buildings		464,032		458,354
Assets in construction		209,679		230,792
Motor vehicle and office equipment		17,311		17,369
Software and other intangibles		11,640		13,485
Total		10,741,622		10,444,728
Accumulated depreciation and amortization		(3,230,914)		(3,163,857)
Utility plant, net	$	7,510,708	$	7,280,871

Note 5. Income Taxes

The components of federal and state income tax expense (benefit) are as follows:

	(in thousands of dollars)			
Current tax expense:				
Federal	$	131,647	$	136,492
State		14,961		5,475
Total current tax expense		146,608		141,967
Deferred tax expense (benefit):				
Federal		(89,490)		(81,498)
State		7,885		92,015
Total income tax (benefit) expense		(81,605)		10,517
Amortized investment tax credits, net [1]		(1,984)		(1,664)
Total income tax expense	$	63,019	$	150,820
Total income taxes in the statements of income:				
Income taxes charged to operations	$	67,799	$	153,234
Income taxes credited to other income (deductions)		(4,780)		(2,414)
Total	$	63,019	$	150,820

(1) Investment tax credits ("ITC") are being deferred and amortized over the depreciable life of the property giving rise to the credits.

Reconciliation between the expected federal income tax expense, using the federal statutory rate of 35% to the Company's actual income tax expense for the years ended December 31, 2011 and December 31, 2010 is as follows:

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	Years Ended December 31, 2011	Years Ended December 31, 2010
	(in thousands of dollars)	
Computed tax	$ 67,753	$ 102,148
Change in computed taxes resulting from:		
Depreciation differences not normalized	21,346	14,748
Removal costs not normalized	(15,595)	(15,925)
State income tax, net of federal benefit	14,850	40,515
Intercompany tax allocation	(14,687)	(31,062)
Provision to return adjustments	(2,726)	(793)
Allowance for equity funds used during construction	(2,121)	(1,429)
Investment tax credit	(1,984)	(1,664)
Audit and related reserve movements	-	(7,642)
Medicare subsidy, including Patient Protection and Affordable Care Act effect, net	-	51,978
Other items - net	(3,817)	(54)
Total	(4,734)	48,672
Federal and state income taxes	$ 63,019	$ 150,820

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Significant components of the Company's net deferred tax assets and liabilities at December 31, 2011 and December 31, 2010 are as follows:

	December 31,			
	2011		2010	
	(in thousands of dollars)			
Deferred tax assets:				
Pensions, PBOP and other employee benefits	$	206,657	$	336,582
Reserve - environmental		191,257		187,423
Allowance for uncollectible accounts		78,575		80,823
Other items		88,792		108,183
Total deferred tax assets (1)		565,281		713,011
Deferred tax liabilities:				
Property related differences		1,480,058		1,550,845
Regulatory assets - other		236,232		329,846
Regulatory assets - environmental		185,483		216,961
Regulatory assets - merger rate plan stranded costs		-		201,953
Other items		254,160		93,155
Total deferred tax liabilities		2,155,933		2,392,760
Net deferred income tax liabilities	$	1,590,652	$	1,679,749
Deferred investment tax credits	$	23,415	$	25,399

(1) There is a valuation allowance of $11.6 million at December 31, 2011. As of December 31, 2011, the Company has approximately $160 million of state net operating losses ("NOL") which will expire between 2012 and 2032. The Company believes that it is more likely than not that the benefit from the state NOL carryforwards will not be realized. In recognition of this risk, the Company has provided a valuation allowance of $11.6 million on the deferred tax assets relating to the state NOL carryforwards. At December 31, 2010, the Company had no valuation allowance.

The Company is a member of the National Grid Holdings Inc. ("NGHI") and subsidiaries consolidated federal income tax return. The Company has joint and several liability for any potential assessments against the consolidated group.

The Company adopted the provisions of FASB guidance which clarifies the accounting for uncertain tax positions as modified by FERC Docket AI07-2-000. FASB guidance provides that the financial effects of a tax position shall initially be recognized when it is more likely than not, based on the technical merits, that the position will be sustained upon examination, assuming the position will be audited and the taxing authority has full knowledge of all relevant information. FERC Docket AI07-2-000 issues supplementary guidance requiring entities to continue to recognize deferred income taxes for Commission accounting and reporting purposes based on the difference between positions taken in tax returns filed or expected to be filed and amounts reported in the financial statements.

As of December 31, 2010, the Company's unrecognized tax benefits totaled $1.2 million, of which $0.8 million would affect the effective tax rate, if recognized. As of December 31, 2011, the Company had no unrecognized tax benefits. The unrecognized tax benefits are included in other deferred liabilities in the accompanying balance sheets.

The following table reconciles the changes in the Company's unrecognized tax benefits for the years ended December 31, 2011 and December 31, 2010:

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	Years Ended December 31, 2011	Years Ended December 31, 2010
	(in thousands of dollars)	
Balance at the beginning of the year	$ 182,058	$ 60,157
Additions based on tax positions related to the prior years	24,069	100,572
Additions based on tax positions related to the current year	16,149	21,329
	222,276	182,058
Less: unrecognized tax benefits on temporary differences	222,276	180,881
Balance at the end of the year	$ -	$ 1,177

As of December 31, 2011 and December 31, 2010, the Company has accrued for interest related to unrecognized tax benefits of $22 million and $12.6 million, respectively. During years ended December 31, 2011 and December 31 2010, the Company recorded interest expense of $9.4 million and interest benefit of $2.3 million, respectively. The Company recognizes accrued interest related to unrecognized tax benefits in other interest expense and related penalties, if applicable, in non-operating expenses. No penalties were recognized during the years ended December 31, 2011 and December 31, 2010.

Federal income tax returns have been examined and all issues have been agreed with the Internal Revenue Service ("IRS") and the NGHI consolidated filing group through March 31, 2004. During the year ended December 31, 2010, the NGHI consolidated group reached an agreement with the IRS that contained a settlement of the majority of the income tax issues related to the years ended March 31, 2005 through March 31, 2007 as well as an acknowledgment that certain discrete items remained disputed.

The Company is the process of appealing certain disputed issues with the IRS Office of Appeals relating to its tax returns for March 31, 2005 through March 31, 2007. The Company does not anticipate a change in its unrecognized tax positions in the next twelve months as a result of filing the appeals. During the calendar year, the IRS began a new audit examination cycle covering fiscal years ended March 31, 2008 and March 31, 2009. The fiscal years ended March 31, 2010 and March 31, 2011, remain subject to examination by the IRS.

New York State income tax returns have been examined and all issues have been agreed with the New York State Department of Revenue through March 31, 2005. During the year ended March 31, 2010, the State of New York began a new audit cycle covering the years ended March 31, 2006 through March 31, 2008. The years ended March 31, 2009 through March 31, 2011 remain subject to examination.

Note 6. Derivatives Contracts

Commodity Derivative Instruments – Regulated Utility

The Company is exposed to certain risks relating to its ongoing business operations, primarily commodity price risk. Financial and physical forward contracts on gas and electricity are entered into to manage this price risk and reduce the cash flow variability associated with the Company's forecasted purchases and sales of natural gas and electricity associated with the gas and electric operations. Our strategy is to minimize fluctuations in gas and electric sales prices to our regulated customers. The accounting for these derivative instruments follows the accounting guidance for rate-regulated enterprises. Therefore, the fair value of these derivatives will be recorded as current or deferred asset and liabilities, with offsetting positions recorded as regulatory assets and regulatory liabilities in the accompanying balance sheets. As these derivative contracts are eligible for rate-regulated accounting treatment, changes in fair value have no income statement impact. Gains or losses upon settlement of these contracts are initially deferred and then refunded to or collected from our firm gas and electric sale customers consistent with regulatory requirements.

Current accounting guidance for derivative instruments establishes criteria that must be satisfied in order for option contracts, forward contracts with optionality features, or contracts that combine a forward contract and a purchase option contract to qualify for the normal purchases and sales exception. Since these contracts are for the purchase of natural gas sold to regulated firm gas sales

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customers, the accounting for these contracts follows the accounting guidance for rate-regulated enterprises. Certain contracts for the physical purchase of natural gas associated with our regulated gas utilities do not qualify for the normal purchases and sales exception. The fair value of these derivative instruments at December 31, 2011 and December 31, 2010 was a gain of $0.4 million and a liability of $3.6 million, respectively.

The following are commodity volumes in dekatherms ("dths") and megawatt hours ("Mwhs") associated with the above derivative contracts:

		Electric		Gas	
		December 31,		December 31,	
		2011	2010	**2011**	2010
		(in thousands)		*(in thousands)*	
Physicals:	Gas (dths)	**n/a**	n/a	**26,352**	20,370
	Electric (Mwhs)	**896**	n/a	**n/a**	n/a
Financials:	Gas swaps (dths)	**n/a**	n/a	**6,600**	13,400
	Gas options (dths)	**n/a**	n/a	**4,640**	1,030
	Electric swaps (Mwhs)	**4,361**	2,374	**n/a**	n/a
	Electric options (Mwhs)	**37,800**	30,216	**n/a**	n/a
Total:		**43,057**	32,590	**37,592**	34,800

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The following table presents the Company's derivative contract assets and (liabilities) in the accompanying balance sheets:

	Asset Derivatives			Liability Derivatives	
	December 31, 2011	December 31, 2010		December 31, 2011	December 31, 2010
	(in thousands of dollars)			*(in thousands of dollars)*	
Current assets:			Current liabilities:		
Gas swaps contracts	$ -	$ 220	Gas swaps contracts	$ 9,249	$ 12,604
Gas options contracts	548	-	Gas options contracts	1,142	573
Gas purchase contracts	1,262	1,227	Gas purchase contracts	836	4,867
Electric swaps contracts	289	562	Electric swaps contracts	20,012	34,998
Electric options contracts	-	-	Electric options contracts	59	-
	2,099	2,009		31,298	53,042
Deferred assets:			Deferred liabilities:		
Gas swaps contracts	-	184	Gas swaps contracts	1,483	1,409
Gas options contracts	-	-	Gas options contracts	205	-
Electric swaps contracts	275	739	Electric swaps contracts	184	181
Electric options contracts	39,774	49,692	Electric options contracts	-	-
	40,049	50,615		1,872	1,590
Total	$ 42,148	$ 52,624	Total	$ 33,170	$ 54,632

The Company had no non-regulated derivative contracts as of December 31, 2011 and December 31, 2010. The change in fair value of the regulated contracts exactly corresponds to offsetting regulatory assets and liabilities. As a result, the changes in fair value of derivative contracts and their offsetting regulatory assets and liabilities had no earnings impact.

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The following table presents the change in the fair value of the Company's derivative contracts for the years ended December 31, 2011 and December 31, 2010:

(in thousands of dollars)	December 31, 2011	December 31, 2010
Regulated assets		
Gas futures contracts	$ -	$ (1,493)
Gas swaps contracts	(3,281)	10,563
Gas options contracts	774	573
Gas purchase contracts	(4,031)	(5,461)
Electric swaps contracts	(14,983)	(2,816)
Electric futures contracts	-	(290)
Electric options contracts	59	-
	(21,462)	1,076
Regulated liabilities		
Gas futures contracts	-	(146)
Gas swaps contracts	(404)	142
Gas options contracts	548	-
Gas purchase contracts	35	(2,003)
Electric swaps contracts	(737)	1,301
Electric futures contracts	-	(96)
Electric options contracts	(9,918)	49,692
	(10,476)	48,890
Total increase in net regulatory liabilities	$ 10,986	$ 47,814

The aggregate fair value of the Company's derivative instruments with credit-risk-related contingent features that are in a liability position on December 31, 2011, for which the Company does not post any collateral in the normal course of business, is $31.5 million. If the Company's credit rating were to be downgraded by one notch, it would not be required to post any additional collateral. If the Company's credit rating were to be downgraded by three notches, it would be required to post $24.5 million additional collateral to its counterparties.

Credit and Collateral

Derivative contracts are primarily used to manage exposure to market risk arising from changes in commodity prices and interest rates. In the event of non-performance by a counterparty to a derivative contract, the desired impact may not be achieved. The risk of counterparty non-performance is generally considered a credit risk and is actively managed by assessing each counterparty credit profile and negotiating appropriate levels of collateral and credit support. In instances where the counterparties' credit quality has declined, or credit exposure exceeds certain levels, we may limit our credit exposure by restricting new transactions with counterparties, requiring additional collateral or credit support and negotiating the early termination of certain agreements. At December 31, 2011, the Company paid $8.1 million to its counterparties as collateral associated with outstanding derivative contracts.

Note 7. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following is a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

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Derivatives

The Company's Level 1 fair value derivative instruments primarily consist of natural gas and power futures and swaps traded on the NYMEX. There is no liquidity or credit reserve associated with such trades, and no discounting as well.

The Company's Level 2 fair value derivative instruments primarily consist of power OTC swaps and forward physical gas deals where market data for pricing inputs is observable. Level 2 pricing inputs are obtained from NYMEX and Intercontinental Exchange ("ICE"), except cases when ICE publishes seasonal averages or there were no transactions within the last seven days. During periods prior to December 31, 2010 Level 2 pricing inputs were obtained from NYMEX and Platts M2M (industry standard, non-exchange-based editorial commodity forward curves) when it can be verified by available market data from ICE based on transactions within the last seven days. Level 2 derivative instruments may utilize discounting based on quoted interest rate curve as well as have liquidity reserve calculated based on bid/ask spread. Substantially all of these price curves are observable in the marketplace throughout at least 95% of the remaining contractual quantity, or they could be constructed from market observable curves with correlation coefficients of 0.95 or higher.

Level 3 fair value derivative instruments primarily consist of our gas OTC forwards, options, and physical gas transactions where pricing inputs are unobservable, as well as other complex and structured transactions. Complex or structured transactions can introduce the need for internally-developed models based on reasonable assumptions. Industry-standard valuation techniques, such as Black-Scholes pricing model, Monte Carlo simulation, and Financial Engineering Associates ("FEA") libraries are used for valuing such instruments. The value is categorized as Level 3. Level 3 is also applied in cases when forward curve is internally developed, extrapolated or derived from market observable curve with correlation coefficients less than 0.95, or optionality is present, or non-economical assumptions are made. The internally developed forward curves have a high level of correlation with Platts M2M curves.

Available for Sale Securities

Available for sale securities are primarily equity investments based on quoted market prices and municipal and corporate bonds based on quoted prices of similar traded assets in open markets.

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The following table presents assets and liabilities measured and recorded at fair value in the accompanying balance sheets on a recurring basis and their level within the fair value hierarchy as of December 31, 2011 and December 31, 2010:

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
	(in thousands of dollars)			
Assets:				
Derivative contracts	$ -	$ 1,560	$ 40,588	$ 42,148
Available for sale securities	16,882	7,319	-	24,201
Total assets	16,882	8,879	40,588	66,349
Liabilities:				
Derivative contracts	-	31,603	1,567	33,170
Net assets (liabilities)	$ 16,882	$ (22,724)	$ 39,021	$ 33,179

	December 31, 2010			
	Level 1	Level 2	Level 3	Total
	(in thousands of dollars)			
Assets:				
Derivative contracts	$ -	$ 2,249	$ 50,375	$ 52,624
Available for sale securities	17,388	6,745	-	24,133
Total assets	17,388	8,994	50,375	76,757
Liabilities:				
Derivative contracts	-	49,953	4,679	54,632
Net assets (liabilities)	$ 17,388	$ (40,959)	$ 45,696	$ 22,125

The following table presents the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis during the years ended December 31, 2011 and December 31, 2010:

(in thousands of dollars)	
Ending balance at December 31, 2010	$ 45,696
Effect of AMA reclass	3,777
Adjusted ending balance at December 31, 2010	49,473
Transfers out of Level 3	67
Total gains or losses included in regulatory assets and liabilities	(10,577)
Purchases	(436)
Settlements	494
Ending balance at December 31, 2011	$ 39,021
The amount of total gains or losses for the period included in net income attributed to the change in unrealized gains or losses related to derivative assets and liabilities at December 31, 2011	$ -

A transfer into Level 3 represents existing assets or liabilities that were previously categorized at a higher level for which the inputs became unobservable. A transfer out of Level 3 represents assets and liabilities that were previously classified as Level 3 for which the inputs became observable based on the criteria discussed previously for classification in Level 2. These transfers, which are recognized at the end of each period, result from changes in the observability of forward curves from the beginning to the end of each reporting period. There were no transfers between Level 1 and Level 2 during the twelve months ended December 31, 2011 and December 31, 2010.

Long-term Debt

The Company's balance sheets reflect the long-term debt at carrying value. The fair value of this external debt at December 31, 2011 and December 31, 2010 is approximately $2 billion. The fair value is based on quoted market prices where available or calculated prices based on the remaining cash flows of the underlying bond discounted at the Company's incremental borrowing rate.

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Note 8. Debt

Short-term Debt

The Company has regulatory approval from the FERC to issue up to $1 billion of short-term debt. As of December 31, 2011 and December 31, 2010, the Company has no short-term debt outstanding to third parties.

Long-term Debt

Long-term debt consisted of the following at December 31, 2011 and December 31, 2010:

Series	Rate %	Maturity	December 31, 2011	December 31, 2010
			(in thousands of dollars)	
Senior Notes: [1]				
4.88%	4.881	August 15, 2019	$ 750,000	$ 750,000
3.55%	3.553	October 1, 2014	500,000	500,000
State Authority Tax exempt Bonds:				
5.15% [2]	5.150	November 1, 2025	75,000	75,000
2013	Variable	October 1, 2013	45,600	45,600
2029	Variable	July 1, 2029	115,705	115,705
Bonds			1,486,305	1,486,305
State Authority Tax exempt Bonds:				
2015	Variable	July 1, 2015	100,000	100,000
2023	Variable	December 1, 2023	69,800	69,800
2025	Variable	December 1, 2025	75,000	75,000
2026	Variable	December 1, 2026	50,000	50,000
2027	Variable	March 1, 2027	25,760	25,760
2027	Variable	July 1, 2027	93,200	93,200
Other Long-term Debt			413,760	413,760
Niagara Mohawk Holdings, Inc. Note [1]	5.800	November 1, 2012	500,000	500,000
Unamortized discounts			(353)	(415)
Total long-term debt			$ 2,399,712	$ 2,399,650

(1) Currently callable with make-whole provision.
(2) Fixed rate pollution control revenue bonds are callable at par.

Senior Notes

In August 2009, the Company issued $750 million of unsecured long-term debt at 4.881% with a maturity date of August 15, 2019. Additionally, in September 2009 the Company issued $500 million of long-term debt at 3.553% with a maturity date of October 1, 2014. The debt is not registered under the U.S. Securities Act of 1933 ("Securities Act") and was sold in the United States only to qualified institutional buyers in reliance on Rule 144A under the Securities Act and to certain non-U.S. persons in transactions outside the United States in reliance on Regulation S under the Securities Act. The proceeds from the financing were used to: (i) replenish internally generated cash funds that were provided by retained earnings and were used to finance past capital investments in long-lived utility plant assets and refund long-term debt that was issued to finance those investments; (ii) fund future capital expenditures; (iii) term out existing short-term debt so that these financing resources can be made available for ongoing working capital needs, and (iv) pay dividends. The payment of dividends will result in a more optimal and cost efficient capital structure for the Company and result in an appropriate capital structure for the nature of its business and attendant risk profile.

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The following table reflects the maturity schedule for our debt repayment requirements subsequent to December 31, 2011:

(in thousands of dollars)

Year Ended December 31,		
2012	$	500,000
2013		45,600
2014		500,000
2015		-
2016		-
Thereafter		1,354,465
Total	$	2,400,065

State Authority Financing Bonds

Substantially all of the Company's operating properties are subject to mortgage liens securing its mortgage debt. Several series of First Mortgage Bonds amounting to $650 million were issued to secure a like amount of tax-exempt revenue bonds issued by NYSERDA. Approximately $575 million of such securities bear interest at short-term adjustable interest rates (with an option to convert to other rates, including a fixed interest rate) ranging from 0.46% to 0.74%, for the twelve months ended December 31, 2011. The bonds are currently in the auction rate mode and are backed by bond insurance. The recent turmoil in the auction rate markets has led to widespread auction failures. In the case of a failed auction, the resulting interest rate on the bonds would revert to the maximum rate which depends on the current appropriate, short-term benchmark rate and the senior secured rating of the Company or the bond insurer, whichever is greater. The effect on interest expense has not been material at this time.

The Company also has $75 million of 5.15% fixed rate pollution control revenue bonds issued through the New York State Energy Research and Development Authority ("NYSERDA") which are callable at par. Pursuant to agreements between NYSERDA and the Company, proceeds from such issues were used for the purpose of financing the construction of certain pollution control facilities at the Company's generation facilities (which the Company subsequently sold) or to refund outstanding tax-exempt bonds and notes.

Note 9. Commitments and Contingencies

Purchase Commitments

The Company has long-term commitments with a variety of suppliers and pipelines to purchase gas commodity, provide gas storage capability, and transport gas commodity on interstate gas pipelines as well as has several types of long-term contracts for the purchase of electric power. The Company is liable for these payments regardless of the level of service required from third-parties. The Company purchases any additional energy needed to meet its load requirements and can purchase the electricity on the open market through the NYISO at market prices.

The table below sets forth the Company's estimated commitments for years subsequent to December 31, 2011 as follows:

(in thousands of dollars)

Year Ended December 31,		
2012	$	138,896
2013		170,479
2014		127,749
2015		110,163
2016		62,137
Thereafter		65,041

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Legal Matters

The Company is subject to various legal proceedings arising out of the ordinary course of its business. The Company does not consider any of such proceedings to be material to its business, individually or in the aggregate, or likely to result in a material adverse effect on its results of operations, financial condition, or cash flows.

Environmental Matters

The normal ongoing operations and historic activities of the Company are subject to various federal, state, and local environmental laws and regulations. Under federal and state Superfund laws, potential liability for the historic contamination of property may be imposed on responsible parties jointly and severally, without fault, even if the activities were lawful when they occurred.

The U.S. Environmental Protection Agency ("EPA"), and the New York Department of Environmental Conservation ("DEC"), as well as private entities, have alleged that the Company is a potentially responsible party under state or federal law for the remediation of numerous sites. The Company's most significant liabilities relate to former manufactured gas plant ("MGP") facilities formerly owned or operated by the Company. The Company is currently investigating and remediating, as necessary, those MGP sites and certain other properties under agreements with the EPA or the DEC.

The Company believes that obligations imposed on the Company because of the environmental laws will not have a material impact on its operations or financial condition because the Company has a fixed level of $29.8 million annual recovery in base rates. For any annual spend above the fixed level, 80% is deferred for future recovery and 20% is the responsibility of the Company. As a result, the Company has recorded a regulatory asset representing the investigation, remediation, and monitoring obligations it expects to recover from ratepayers.

The Company is pursuing claims against other potentially responsible parties to recover investigation and remediation costs it believes are the obligations of those parties. The Company cannot predict the success of such claims. As of December 31, 2011 and December 31, 2010, the Company had reserves related to its environmental obligations of $454.3 million and $445.2 million, respectively, included as other deferred credits in the accompanying balance sheets. The high end of the range of potential liabilities at December 31, 2011, was estimated at $592.6 million.

Nuclear Contingencies

As of December 31, 2011 and December 31, 2010, the Company had a liability of $167.6 million, in other deferred credits for the disposal of nuclear fuel irradiated prior to 1983. The Nuclear Waste Policy Act of 1982 provides three payment options for liquidating such liability and the Company has elected to delay payment, with interest, until the year in which Constellation Energy Group Inc., which purchased the Company's nuclear assets, initially plans to ship irradiated fuel to an approved DOE disposal facility.

In March 2010, the DOE filed a motion with the Nuclear Regulatory Commission to withdraw the license application for a high-level nuclear waste repository at Yucca Mountain. The DOE's withdrawal motion has been challenged and is being litigated before the NRC and the D.C. Circuit. In January 2010 the US government announced that it has established a Blue Ribbon Commission ("BRC") to perform a comprehensive review and provide recommendations regarding the disposal of the nation's spent nuclear fuel and waste. In January 2012, the BRC issued its report and recommendations which provides for numerous policy recommendations currently under review and consideration by the US Secretary of Energy. Therefore, the Company cannot predict the impact that the recent actions of the DOE and the US government will have on our ability to dispose of the spent nuclear fuel and waste.

Sales and Use Tax Contingencies

The Company is subject to periodic tax audits by federal and state authorities. In 2005, the Company was subject to a sales and use tax audit conducted by the State of New York for the audit period June 2001 through November 2005. The Company's sales and use tax for 2006 and subsequent years remain subject to examination by the state authorities. In June 2010, the State of New York completed its audit and the Company received an assessment based on which the Company reserved $23.6 million as other deferred liabilities at December 31, 2010. The Company actively disputed the findings of the audit report and has reached an agreement which resulted in a decrease of $13.7 million in the reserve at December 31, 2011.

Note 10. Related Party Transactions

Intercompany Money Pool

NGUSA and certain affiliates, including the Company, participate in money pools to more effectively utilize cash resources and to reduce outside short-term borrowings. The money pool in which this Company participates is administered by the NGUSA Service Company as the agent for the participants. Short-term borrowing needs are met first by available funds of the money pool participants. Borrowings from the money pool bear interest in accordance with the money pool agreement. Companies that invest in the pool share the interest earned on a basis proportionate to their average monthly investment in the money pool. Funds may be withdrawn from or repaid to the pool at any time without prior notice. At December 31, 2011, the Company had short-term money pool investments of $95.6 million, which is included as notes receivable to associated companies in the accompanying balance sheets and at December 31, 2010, the Company had short-term money pool borrowings of $1.4 million, which is included as notes payable to associated companies in the accompanying balance sheets. The average interest rates for the money pool were 0.18% and 0.26% for the years ended December 31, 2011 and December 31, 2010, respectively.

Accounts Receivable From / Payable To Associated Companies

The Company engages in various transactions with NGUSA and its affiliates. Certain activities and costs, such as executive and administrative, financial (including accounting, auditing, risk management, tax, and treasury/finance), human resources, information technology, legal, and strategic planning are shared between the companies and charged to each company appropriately. In addition, the Company has a tax sharing agreement with NGHI, a NGUSA affiliate, in filing consolidated tax returns. The Company's share of the tax liability is allocated resulting in a payment to or refund from NGHI.

The Company records short-term payables to and receivables from certain of its associates in the ordinary course of business. The amounts payable to, and receivable from, its associates do not bear interest. At December 31, 2011 and December 31, 2010, the Company had outstanding receivable and payable positions as follows:

	Accounts Receivable From Associated Companies		Accounts Payable To Associated Companies	
	December 31, 2011	December 31, 2010	**December 31, 2011**	December 31, 2010
	(in thousands of dollars)		*(in thousands of dollars)*	
NGUSA (Parent)	**$ 797**	$ 92	**$ 1**	$ 9,841
Massachusetts Electric Company	**1,124**	696	**1,689**	11,898
Opinac NA	**-**	-	**16,999**	17,000
Narragansett Electric Company	**713**	5,419	**1,500**	5,991
NGUSA Service Company	**6,707**	9,313	**7,113**	(9,644)
KeySpan Corporate Services	**-**	-	**5,842**	6,675
Others	**559**	170	**1,509**	3,330
Total	**$ 9,900**	$ 15,690	**$ 34,653**	$ 45,091

Service Company Charges

The affiliated service companies of NGUSA provide certain services to the Company at their cost. The service company costs are generally charged to associated companies through a tiered approach. First and foremost, costs are directly charged to the benefited company whenever practicable. Secondly, in cases where direct charging cannot be readily determined, costs are typically allocated using cost/causation principles linked to the relationship of that type of service, such as meters, square footage, number of employees, etc. Lastly, all other costs are allocated based on a general allocator. These costs include operating and capital expenditures of $275.9 million and $176.4 million for the year ended December 31, 2011 and $317.8 million and $203.2 million for the year ended December

Name of Respondent Niagara Mohawk Power Corporation	This Report is: (1) X An Original (2) _ A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2011/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

31, 2010, respectively.

Note 11. Restriction on Common Dividends

The indenture securing the Company's mortgage debt provides that retained earnings shall be reserved and held unavailable for the payment of dividends on common stock to the extent that expenditures for maintenance and repairs plus provisions for depreciation do not exceed 2.25% of depreciable property as defined therein. These provisions have never resulted in a restriction of the Company's retained earnings.

The Company is limited by the MRP, NYPSC orders, and FERC orders with respect to the amount of dividends the Company can pay. As long as the bond ratings on the least secure forms of debt issued by the Company and National Grid plc remain rated investment grade and do not fall to the lowest investment grade rating (with one or more negative watch downgrade notices issued with respect to such debt), the Company is allowed to pay dividends in an amount up to the pre-merger (between the Company and NGUSA) retained earnings balance plus any earnings subsequent to the merger, together with other adjustments that are authorized under the MRP and other applicable regulatory orders.

Note 12. Subsequent Event

On April 27, 2012, the Company filed to adjust its base electric and gas rates, which, if adopted, would be effective from April 1, 2013 through March 31, 2014. The Company's filing seeks to increase electric delivery base revenues by approximately $130.7 million and gas delivery base revenues by approximately $39.8 million.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Niagara Mohawk Power Corporation	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

STATEMENT OF INCOME

Quarterly
1. Report in column (c) the current year to date balance. Column (c) equals the total of adding the data in column (g) plus the data in column (i) plus the data in column (k). Report in column (d) similar data for the previous year. This information is reported in the annual filing only.
2. Enter in column (e) the balance for the reporting quarter and in column (f) the balance for the same three month period for the prior year.
3. Report in column (g) the quarter to date amounts for electric utility function; in column (i) the quarter to date amounts for gas utility, and in column (k) the quarter to date amounts for other utility function for the current year quarter.
4. Report in column (h) the quarter to date amounts for electric utility function; in column (j) the quarter to date amounts for gas utility, and in column (l) the quarter to date amounts for other utility function for the prior year quarter.
5. If additional columns are needed, place them in a footnote.

Annual or Quarterly if applicable
5. Do not report fourth quarter data in columns (e) and (f)
6. Report amounts for accounts 412 and 413, Revenues and Expenses from Utility Plant Leased to Others, in another utility columnin a similar manner to a utility department. Spread the amount(s) over lines 2 thru 26 as appropriate. Include these amounts in columns (c) and (d) totals.
7. Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.

Line No.	Title of Account (a)	(Ref.) Page No. (b)	Total Current Year to Date Balance for Quarter/Year (c)	Total Prior Year to Date Balance for Quarter/Year (d)	Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
1	UTILITY OPERATING INCOME					
2	Operating Revenues (400)	300-301	3,835,295,565	4,104,800,168		
3	Operating Expenses					
4	Operation Expenses (401)	320-323	2,273,844,599	2,334,269,191		
5	Maintenance Expenses (402)	320-323	224,042,782	204,078,888		
6	Depreciation Expense (403)	336-337	211,096,606	230,379,265		
7	Depreciation Expense for Asset Retirement Costs (403.1)	336-337	23,284	29,616		
8	Amort. & Depl. of Utility Plant (404-405)	336-337	283,418	1,354,070		
9	Amort. of Utility Plant Acq. Adj. (406)	336-337	36,913	36,913		
10	Amort. Property Losses, Unrecov Plant and Regulatory Study Costs (407)					
11	Amort. of Conversion Expenses (407)					
12	Regulatory Debits (407.3)		600,702,305	658,477,256		
13	(Less) Regulatory Credits (407.4)		22,373,361			
14	Taxes Other Than Income Taxes (408.1)	262-263	246,317,517	263,147,921		
15	Income Taxes - Federal (409.1)	262-263	131,532,210	146,425,558		
16	- Other (409.1)	262-263	14,947,038	5,288,899		
17	Provision for Deferred Income Taxes (410.1)	234, 272-277	671,047,037	252,631,290		
18	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234, 272-277	749,727,593	251,111,720		
19	Investment Tax Credit Adj. - Net (411.4)	266				
20	(Less) Gains from Disp. of Utility Plant (411.6)					
21	Losses from Disp. of Utility Plant (411.7)		465,874	465,874		
22	(Less) Gains from Disposition of Allowances (411.8)					
23	Losses from Disposition of Allowances (411.9)					
24	Accretion Expense (411.10)					
25	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 24)		3,602,238,629	3,845,473,021		
26	Net Util Oper Inc (Enter Tot line 2 less 25) Carry to Pg117,line 27		233,056,936	259,327,147		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Niagara Mohawk Power Corporation	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

STATEMENT OF INCOME FOR THE YEAR (Continued)

9. Use page 122 for important notes regarding the statement of income for any account thereof.
10. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in material refund to the utility with respect to power or gas purchases. State for each year effected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power or gas purchases.
11 Give concise explanations concerning significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purches, and a summary of the adjustments made to balance sheet, income, and expense accounts.
12. If any notes appearing in the report to stokholders are applicable to the Statement of Income, such notes may be included at page 122.
13. Enter on page 122 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also, give the appropriate dollar effect of such changes.
14. Explain in a footnote if the previous year's/quarter's figures are different from that reported in prior reports.
15. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles report the information in a footnote to this schedule.

ELECTRIC UTILITY		GAS UTILITY		OTHER UTILITY		
Current Year to Date (in dollars) (g)	Previous Year to Date (in dollars) (h)	Current Year to Date (in dollars) (i)	Previous Year to Date (in dollars) (j)	Current Year to Date (in dollars) (k)	Previous Year to Date (in dollars) (l)	Line No.
						1
3,105,469,534	3,357,497,010	729,181,414	746,702,265	644,617	600,893	2
						3
1,765,128,415	1,792,196,430	508,716,184	542,072,761			4
188,805,237	169,792,396	35,237,545	34,286,492			5
167,045,055	188,620,649	44,051,551	41,758,616			6
10,979	11,097	12,305	18,519			7
277,898	1,330,748	5,520	23,322			8
36,913	36,913					9
						10
						11
585,995,561	643,752,285	14,706,744	14,724,971			12
22,373,361						13
193,724,876	211,381,785	52,592,641	51,766,136			14
75,249,577	115,366,063	56,282,633	31,059,495			15
-1,895,284	3,819,166	16,842,322	1,469,733			16
671,547,263	252,230,136	-500,226	401,154			17
749,757,119	251,402,313	-29,526	-290,593			18
						19
						20
395,993	395,993	69,881	69,881			21
						22
						23
						24
2,874,192,003	3,127,531,348	728,046,626	717,941,673			25
231,277,531	229,965,662	1,134,788	28,760,592	644,617	600,893	26

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Niagara Mohawk Power Corporation	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

STATEMENT OF INCOME FOR THE YEAR (continued)

Line No.	Title of Account (a)	(Ref.) Page No. (b)	TOTAL Current Year (c)	TOTAL Previous Year (d)	Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
27	Net Utility Operating Income (Carried forward from page 114)		233,056,936	259,327,147		
28	Other Income and Deductions					
29	Other Income					
30	Nonutilty Operating Income					
31	Revenues From Merchandising, Jobbing and Contract Work (415)					
32	(Less) Costs and Exp. of Merchandising, Job. & Contract Work (416)					
33	Revenues From Nonutility Operations (417)					
34	(Less) Expenses of Nonutility Operations (417.1)		3,840,977	4,370,252		
35	Nonoperating Rental Income (418)		220,690	284,512		
36	Equity in Earnings of Subsidiary Companies (418.1)	119	-120,272	-104,411		
37	Interest and Dividend Income (419)		4,907,986	5,131,898		
38	Allowance for Other Funds Used During Construction (419.1)		6,061,115	4,082,548		
39	Miscellaneous Nonoperating Income (421)		145,079	138,513		
40	Gain on Disposition of Property (421.1)					
41	TOTAL Other Income (Enter Total of lines 31 thru 40)		7,373,621	5,162,808		
42	Other Income Deductions					
43	Loss on Disposition of Property (421.2)			155,602		
44	Miscellaneous Amortization (425)					
45	Donations (426.1)		2,774,664	2,120,629		
46	Life Insurance (426.2)		3,203,825	2,544,625		
47	Penalties (426.3)		2,146,779	4,163		
48	Exp. for Certain Civic, Political & Related Activities (426.4)		1,617,189	1,583,448		
49	Other Deductions (426.5)		2,815,775	53,323		
50	TOTAL Other Income Deductions (Total of lines 43 thru 49)		12,558,232	6,461,790		
51	Taxes Applic. to Other Income and Deductions					
52	Taxes Other Than Income Taxes (408.2)	262-263	776,036	883,282		
53	Income Taxes-Federal (409.2)	262-263	114,635	796,504		
54	Income Taxes-Other (409.2)	262-263	14,276	186,030		
55	Provision for Deferred Inc. Taxes (410.2)	234, 272-277	-2,924,938			
56	(Less) Provision for Deferred Income Taxes-Cr. (411.2)	234, 272-277		1,733,503		
57	Investment Tax Credit Adj.-Net (411.5)					
58	(Less) Investment Tax Credits (420)		1,983,850	1,663,964		
59	TOTAL Taxes on Other Income and Deductions (Total of lines 52-58)		-4,003,841	-1,531,651		
60	Net Other Income and Deductions (Total of lines 41, 50, 59)		-1,180,770	232,669		
61	Interest Charges					
62	Interest on Long-Term Debt (427)		61,619,469	62,197,273		
63	Amort. of Debt Disc. and Expense (428)		2,464,006	2,434,668		
64	Amortization of Loss on Reaquired Debt (428.1)		1,108,069	6,576,120		
65	(Less) Amort. of Premium on Debt-Credit (429)					
66	(Less) Amortization of Gain on Reaquired Debt-Credit (429.1)		60,460	60,460		
67	Interest on Debt to Assoc. Companies (430)		29,036,033	35,822,750		
68	Other Interest Expense (431)		8,317,921	12,806,036		
69	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)		1,171,431	1,247,967		
70	Net Interest Charges (Total of lines 62 thru 69)		101,313,607	118,528,420		
71	Income Before Extraordinary Items (Total of lines 27, 60 and 70)		130,562,559	141,031,396		
72	Extraordinary Items					
73	Extraordinary Income (434)					
74	(Less) Extraordinary Deductions (435)					
75	Net Extraordinary Items (Total of line 73 less line 74)					
76	Income Taxes-Federal and Other (409.3)	262-263				
77	Extraordinary Items After Taxes (line 75 less line 76)					
78	Net Income (Total of line 71 and 77)		130,562,559	141,031,396		

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Niagara Mohawk Power Corporation	(1) X An Original (2) _ A Resubmission	/ /	2011/Q4

FOOTNOTE DATA

Schedule Page: 114 Line No.: 4 Column: d

The FERC Audit Staff identified errors in the recording of certain amounts in Account 401, Operation Expenses, in an audit of Niagara Mohawk Power Corporation's 2010 FERC Form No. 1 filing. Certain accounts that make up the balance in Account 401 were incorrectly recorded, and $2,336,207,097 of Operation Expenses were reported in the 2010 FERC Form No. 1 filing. The amounts in Account 401 have been corrected here in the 2011 FERC Form No. 1 filing.

Schedule Page: 114 Line No.: 5 Column: d

The FERC Audit Staff identified errors in the recording of certain amounts in Account 402, Maintenance Expenses, in an audit of Niagara Mohawk Power Corporation's 2010 FERC Form No. 1 filing. Certain accounts that make up the balance in Account 402 were incorrectly recorded, and $204,545,657 of Maintenance Expenses were reported in the 2010 FERC Form No. 1 filing. The amounts in Account 402 have been corrected here in the 2011 FERC Form No. 1 filing.

Schedule Page: 114 Line No.: 6 Column: h

Includes FERC Account 413 in the amount of $64,266.

Schedule Page: 114 Line No.: 14 Column: d

The FERC Audit Staff identified errors in the recording of certain amounts in Account 408.1, Taxes Other Than Income Taxes, in an audit of Niagara Mohawk Power Corporation's 2010 FERC Form No. 1 filing. Certain amounts that make up the balance in Account 408.1 were incorrectly recorded, and $261,277,684 of Taxes Other Than Income Taxes were reported in the 2010 FERC Form No. 1 filing. The amounts in Account 408.1 have been corrected here in the 2011 FERC Form No. 1 filing.

Schedule Page: 114 Line No.: 45 Column: d

The FERC Audit Staff identified errors in the recording of certain amounts in Account 426.1, Donations, in an audit of Niagara Mohawk Power Corporation's 2010 FERC Form No. 1 filing. Certain amounts that make up the balance in Account 426.1 were incorrectly recorded, and $1,608,544 of Donations were reported in the 2010 FERC Form No. 1 filing. The amounts in Account 426.1 have been corrected here in the 2011 FERC Form No. 1 filing.

Schedule Page: 114 Line No.: 48 Column: d

The FERC Audit Staff identified errors in the recording of certain amounts in Account 426.4, Expenses For Certain Civic, Political & Related Activities, in an audit of Niagara Mohawk Power Corporation's 2010 FERC Form No. 1 filing. Certain amounts that make up the balance in Account 426.4 were incorrectly recorded, and $1,609,870 of Expenses For Certain Civic, Political & Related Activities were reported in the 2010 FERC Form No. 1 filing. The amounts in Account 426.4 have been corrected here in the 2011 FERC Form No. 1 filing.

Schedule Page: 114 Line No.: 69 Column: d

The FERC Audit Staff identified errors in the recording of certain amounts in Account 432, Allowance for Borrowed Funds Used During Construction-Credit, in an audit of Niagara Mohawk Power Corporation's 2010 FERC Form No. 1 filing. Certain amounts that make up the balance in Account 432 were incorrectly recorded, and $1,296,742 was reported in that account in the 2010 FERC Form No. 1 filing. The amounts in Account 432 have been corrected here in the 2011 FERC Form No. 1 filing.

Niagara Mohawk Power Corporation
Notes to Financial Statements
Please refer to Statement AA, Pages 6 – 38, for Notes to Financial Statements

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Niagara Mohawk Power Corporation	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

STATEMENT OF RETAINED EARNINGS

1. Do not report Lines 49-53 on the quarterly version.
2. Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
3. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive). Show the contra primary account affected in column (b)
4. State the purpose and amount of each reservation or appropriation of retained earnings.
5. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
6. Show dividends for each class and series of capital stock.
7. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
8. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
9. If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
	UNAPPROPRIATED RETAINED EARNINGS (Account 216)			
1	Balance-Beginning of Period		883,594,219	943,518,910
2	Changes			
3	Adjustments to Retained Earnings (Account 439)			
4				
5				
6				
7				
8				
9	TOTAL Credits to Retained Earnings (Acct. 439)			
10				
11				
12				
13				
14				
15	TOTAL Debits to Retained Earnings (Acct. 439)			
16	Balance Transferred from Income (Account 433 less Account 418.1)		130,682,831	141,135,807
17	Appropriations of Retained Earnings (Acct. 436)			
18				
19				
20				
21				
22	TOTAL Appropriations of Retained Earnings (Acct. 436)			
23	Dividends Declared-Preferred Stock (Account 437)			
24	(3.4% = $195.6k); (3.6% = $493.7k); (3.9% = $371.2k)		-1,060,497	(1,060,498)
25				
26				
27				
28				
29	TOTAL Dividends Declared-Preferred Stock (Acct. 437)		-1,060,497	(1,060,498)
30	Dividends Declared-Common Stock (Account 438)			
31			-300,000,000	(200,000,000)
32				
33				
34				
35				
36	TOTAL Dividends Declared-Common Stock (Acct. 438)		-300,000,000	(200,000,000)
37	Transfers from Acct 216.1, Unapprop. Undistrib. Subsidiary Earnings			
38	Balance - End of Period (Total 1,9,15,16,22,29,36,37)		713,216,553	883,594,219
	APPROPRIATED RETAINED EARNINGS (Account 215)			
39				
40				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Niagara Mohawk Power Corporation	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

STATEMENT OF RETAINED EARNINGS

1. Do not report Lines 49-53 on the quarterly version.
2. Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
3. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive). Show the contra primary account affected in column (b)
4. State the purpose and amount of each reservation or appropriation of retained earnings.
5. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
6. Show dividends for each class and series of capital stock.
7. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
8. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
9. If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
41				
42				
43				
44				
45	TOTAL Appropriated Retained Earnings (Account 215)			
	APPROP. RETAINED EARNINGS - AMORT. Reserve, Federal (Account 215.1)			
46	TOTAL Approp. Retained Earnings-Amort. Reserve, Federal (Acct. 215.1)			
47	TOTAL Approp. Retained Earnings (Acct. 215, 215.1) (Total 45,46)			
48	TOTAL Retained Earnings (Acct. 215, 215.1, 216) (Total 38, 47) (216.1)		713,216,553	883,594,219
	UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account			
	Report only on an Annual Basis, no Quarterly			
49	Balance-Beginning of Year (Debit or Credit)		-1,842,210	(1,737,799)
50	Equity in Earnings for Year (Credit) (Account 418.1)		-120,272	(104,411)
51	(Less) Dividends Received (Debit)			
52				
53	Balance-End of Year (Total lines 49 thru 52)		-1,962,482	(1,842,210)

Niagara Mohawk Power Corporation

Notes to Financial Statements

Please refer to Statement AA, Pages 6 – 38, for Notes to Financial Statements

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Niagara Mohawk Power Corporation	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS
FOR DEPRECIATION. AMORTIZATION AND DEPLETION

Report in Column (c) the amount for electric function, in column (d) the amount for gas function, in column (e), (f), and (g) report other (specify) and in column (h) common function.

Line No.	Classification (a)	Total Company for the Current Year/Quarter Ended (b)	Electric (c)
1	Utility Plant		
2	In Service		
3	Plant in Service (Classified)	8,942,507,358	6,774,260,364
4	Property Under Capital Leases	1,190,440	
5	Plant Purchased or Sold		
6	Completed Construction not Classified	295,687,133	242,274,453
7	Experimental Plant Unclassified		
8	Total (3 thru 7)	9,239,384,931	7,016,534,817
9	Leased to Others	3,426,118	3,426,118
10	Held for Future Use		
11	Construction Work in Progress	209,679,495	181,332,649
12	Acquisition Adjustments	1,289,132,076	1,061,730,254
13	Total Utility Plant (8 thru 12)	10,741,622,620	8,263,023,838
14	Accum Prov for Depr, Amort, & Depl	3,231,591,817	2,419,486,009
15	Net Utility Plant (13 less 14)	7,510,030,803	5,843,537,829
16	Detail of Accum Prov for Depr, Amort & Depl		
17	In Service:		
18	Depreciation	3,147,973,136	2,345,262,536
19	Amort & Depl of Producing Nat Gas Land/Land Right		
20	Amort of Underground Storage Land/Land Rights		
21	Amort of Other Utility Plant	82,956,121	73,560,913
22	Total In Service (18 thru 21)	3,230,929,257	2,418,823,449
23	Leased to Others		
24	Depreciation	662,560	662,560
25	Amortization and Depletion		
26	Total Leased to Others (24 & 25)	662,560	662,560
27	Held for Future Use		
28	Depreciation		
29	Amortization		
30	Total Held for Future Use (28 & 29)		
31	Abandonment of Leases (Natural Gas)		
32	Amort of Plant Acquisition Adj		
33	Total Accum Prov (equals 14) (22,26,30,31,32)	3,231,591,817	2,419,486,009

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Niagara Mohawk Power Corporation	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS
FOR DEPRECIATION. AMORTIZATION AND DEPLETION

Gas (d)	Other (Specify) (e)	Other (Specify) (f)	Other (Specify) (g)	Common (h)	Line No.
					1
					2
1,867,723,550				300,523,444	3
				1,190,440	4
					5
26,836,482				26,576,198	6
					7
1,894,560,032				328,290,082	8
					9
					10
8,752,447				19,594,399	11
227,401,822					12
2,130,714,301				347,884,481	13
693,731,431				118,374,377	14
1,436,982,870				229,510,104	15
					16
					17
684,336,223				118,374,377	18
					19
					20
9,395,208					21
693,731,431				118,374,377	22
					23
					24
					25
					26
					27
					28
					29
					30
					31
					32
693,731,431				118,374,377	33

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Niagara Mohawk Power Corporation	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106)

1. Report below the original cost of electric plant in service according to the prescribed accounts.
2. In addition to Account 101, Electric Plant in Service (Classified), this page and the next include Account 102, Electric Plant Purchased or Sold; Account 103, Experimental Electric Plant Unclassified; and Account 106, Completed Construction Not Classified-Electric.
3. Include in column (c) or (d), as appropriate, corrections of additions and retirements for the current or preceding year.
4. For revisions to the amount of initial asset retirement costs capitalized, included by primary plant account, increases in column (c) additions and reductions in column (e) adjustments.
5. Enclose in parentheses credit adjustments of plant accounts to indicate the negative effect of such accounts.
6. Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c). Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirements, on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision. Include also in column (d)

Line No.	Account (a)	Balance Beginning of Year (b)	Additions (c)
1	1. INTANGIBLE PLANT		
2	(301) Organization		
3	(302) Franchises and Consents	77,175,727	
4	(303) Miscellaneous Intangible Plant		
5	TOTAL Intangible Plant (Enter Total of lines 2, 3, and 4)	77,175,727	
6	2. PRODUCTION PLANT		
7	A. Steam Production Plant		
8	(310) Land and Land Rights		
9	(311) Structures and Improvements		
10	(312) Boiler Plant Equipment		
11	(313) Engines and Engine-Driven Generators		
12	(314) Turbogenerator Units		
13	(315) Accessory Electric Equipment		
14	(316) Misc. Power Plant Equipment		
15	(317) Asset Retirement Costs for Steam Production		
16	TOTAL Steam Production Plant (Enter Total of lines 8 thru 15)		
17	B. Nuclear Production Plant		
18	(320) Land and Land Rights		
19	(321) Structures and Improvements		
20	(322) Reactor Plant Equipment		
21	(323) Turbogenerator Units		
22	(324) Accessory Electric Equipment		
23	(325) Misc. Power Plant Equipment		
24	(326) Asset Retirement Costs for Nuclear Production		
25	TOTAL Nuclear Production Plant (Enter Total of lines 18 thru 24)		
26	C. Hydraulic Production Plant		
27	(330) Land and Land Rights	8,220	
28	(331) Structures and Improvements		
29	(332) Reservoirs, Dams, and Waterways		
30	(333) Water Wheels, Turbines, and Generators		
31	(334) Accessory Electric Equipment	33,132	-33,132
32	(335) Misc. Power PLant Equipment		
33	(336) Roads, Railroads, and Bridges		
34	(337) Asset Retirement Costs for Hydraulic Production		
35	TOTAL Hydraulic Production Plant (Enter Total of lines 27 thru 34)	41,352	-33,132
36	D. Other Production Plant		
37	(340) Land and Land Rights		
38	(341) Structures and Improvements		
39	(342) Fuel Holders, Products, and Accessories		
40	(343) Prime Movers		
41	(344) Generators		
42	(345) Accessory Electric Equipment		
43	(346) Misc. Power Plant Equipment		
44	(347) Asset Retirement Costs for Other Production		
45	TOTAL Other Prod. Plant (Enter Total of lines 37 thru 44)		
46	TOTAL Prod. Plant (Enter Total of lines 16, 25, 35, and 45)	41,352	-33,132

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Niagara Mohawk Power Corporation	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106) (Continued)

distributions of these tentative classifications in columns (c) and (d), including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Accounts 101 and 106 will avoid serious omissions of the reported amount of respondent's plant actually in service at end of year.
7. Show in column (f) reclassifications or transfers within utility plant accounts. Include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc., and show in column (f) only the offset to the debits or credits distributed in column (f) to primary account classifications.
8. For Account 399, state the nature and use of plant included in this account and if substantial in amount submit a supplementary statement showing subaccount classification of such plant conforming to the requirement of these pages.
9. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchase, and date of transaction. If proposed journal entries have been filed with the Commission as required by the Uniform System of Accounts, give also date

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
					1
					2
			77,175,727		3
					4
			77,175,727		5
					6
					7
					8
					9
					10
					11
					12
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					16
					17
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					19
					20
					21
					22
					23
					24
					25
					26
			8,220		27
					28
					29
					30
					31
					32
					33
					34
			8,220		35
					36
					37
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					44
					45
			8,220		46

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Niagara Mohawk Power Corporation	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106) (Continued)

Line No.	Account (a)	Balance Beginning of Year (b)	Additions (c)
47	3. TRANSMISSION PLANT		
48	(350) Land and Land Rights	96,665,916	113,583
49	(352) Structures and Improvements	31,160,491	767,493
50	(353) Station Equipment	733,063,859	67,814,013
51	(354) Towers and Fixtures	119,528,196	1,558,569
52	(355) Poles and Fixtures	440,368,140	32,844,768
53	(356) Overhead Conductors and Devices	301,080,699	21,313,106
54	(357) Underground Conduit	33,871,174	2,308,642
55	(358) Underground Conductors and Devices	114,001,981	1,857,256
56	(359) Roads and Trails	2,339,016	
57	(359.1) Asset Retirement Costs for Transmission Plant		
58	TOTAL Transmission Plant (Enter Total of lines 48 thru 57)	1,872,079,472	128,577,430
59	4. DISTRIBUTION PLANT		
60	(360) Land and Land Rights	28,239,410	2,421,215
61	(361) Structures and Improvements	36,239,001	-22,042
62	(362) Station Equipment	489,440,132	23,789,346
63	(363) Storage Battery Equipment		
64	(364) Poles, Towers, and Fixtures	881,773,635	27,699,745
65	(365) Overhead Conductors and Devices	963,510,728	44,137,783
66	(366) Underground Conduit	141,735,428	5,827,359
67	(367) Underground Conductors and Devices	451,716,018	26,041,547
68	(368) Line Transformers	755,795,489	39,969,041
69	(369) Services	421,935,755	11,756,805
70	(370) Meters	119,469,499	7,416,844
71	(371) Installations on Customer Premises	8,194,588	62,874
72	(372) Leased Property on Customer Premises		
73	(373) Street Lighting and Signal Systems	208,607,196	20,346,957
74	(374) Asset Retirement Costs for Distribution Plant	37,000	
75	TOTAL Distribution Plant (Enter Total of lines 60 thru 74)	4,506,693,879	209,447,474
76	5. REGIONAL TRANSMISSION AND MARKET OPERATION PLANT		
77	(380) Land and Land Rights		
78	(381) Structures and Improvements		
79	(382) Computer Hardware		
80	(383) Computer Software		
81	(384) Communication Equipment		
82	(385) Miscellaneous Regional Transmission and Market Operation Plant		
83	(386) Asset Retirement Costs for Regional Transmission and Market Oper		
84	TOTAL Transmission and Market Operation Plant (Total lines 77 thru 83)		
85	6. GENERAL PLANT		
86	(389) Land and Land Rights	2,489,984	
87	(390) Structures and Improvements	92,418,119	4,955,590
88	(391) Office Furniture and Equipment	9,639,933	692,413
89	(392) Transportation Equipment	56,363	
90	(393) Stores Equipment	2,143,249	
91	(394) Tools, Shop and Garage Equipment	54,421,306	1,555,877
92	(395) Laboratory Equipment	22,241,736	-604,656
93	(396) Power Operated Equipment	220,444	
94	(397) Communication Equipment	76,013,219	1,132,141
95	(398) Miscellaneous Equipment	49,538,117	
96	SUBTOTAL (Enter Total of lines 86 thru 95)	309,182,470	7,731,365
97	(399) Other Tangible Property		
98	(399.1) Asset Retirement Costs for General Plant	617,950	
99	TOTAL General Plant (Enter Total of lines 96, 97 and 98)	309,800,420	7,731,365
100	TOTAL (Accounts 101 and 106)	6,765,790,850	345,723,137
101	(102) Electric Plant Purchased (See Instr. 8)		
102	(Less) (102) Electric Plant Sold (See Instr. 8)		
103	(103) Experimental Plant Unclassified		
104	TOTAL Electric Plant in Service (Enter Total of lines 100 thru 103)	6,765,790,850	345,723,137

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Niagara Mohawk Power Corporation	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106) (Continued)

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
					47
			96,779,499		48
346,801	9,648		31,590,831		49
26,004,956	59,733		774,932,649		50
517,674			120,569,091		51
5,069,858	-2,380		468,140,670		52
3,322,720			319,071,085		53
			36,179,816		54
292,218			115,567,019		55
			2,339,016		56
					57
35,554,227	67,001		1,965,169,676		58
					59
	30,000		30,690,625		60
313,380	124,799		36,028,378		61
8,571,446	-154,799		504,503,233		62
					63
3,901,657	126,488		905,698,211		64
3,873,131	661,625		1,004,437,005		65
153,117			147,409,670		66
39,994	21,452		477,739,023		67
4,144,296	-807,731		790,812,503		68
1,002,715	124		432,689,969		69
1,055,536			125,830,807		70
357,354			7,900,108		71
					72
10,834,137	422		218,120,438		73
		-4,000	33,000		74
34,246,763	2,380	-4,000	4,681,892,970		75
					76
					77
					78
					79
					80
					81
					82
					83
					84
					85
			2,489,984		86
101,874	37,483		97,309,318		87
1,342,350			8,989,996		88
			56,363		89
			2,143,249		90
20,158,391			35,818,792		91
			21,637,080		92
			220,444		93
3,660,579			73,484,781		94
			49,538,117		95
25,263,194	37,483		291,688,124		96
					97
		-17,850	600,100		98
25,263,194	37,483	-17,850	292,288,224		99
95,064,184	106,864	-21,850	7,016,534,817		100
					101
					102
					103
95,064,184	106,864	-21,850	7,016,534,817		104

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Niagara Mohawk Power Corporation	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

ACCUMULATED PROVISION FOR DEPRECIATION OF ELECTRIC UTILITY PLANT (Account 108)

1. Explain in a footnote any important adjustments during year.
2. Explain in a footnote any difference between the amount for book cost of plant retired, Line 11, column (c), and that reported for electric plant in service, pages 204-207, column 9d), excluding retirements of non-depreciable property.
3. The provisions of Account 108 in the Uniform System of accounts require that retirements of depreciable plant be recorded when such plant is removed from service. If the respondent has a significant amount of plant retired at year end which has not been recorded and/or classified to the various reserve functional classifications, make preliminary closing entries to tentatively functionalize the book cost of the plant retired. In addition, include all costs included in retirement work in progress at year end in the appropriate functional classifications.
4. Show separately interest credits under a sinking fund or similar method of depreciation accounting.

Section A. Balances and Changes During Year

Line No.	Item (a)	Total (c+d+e) (b)	Electric Plant in Service (c)	Electric Plant Held for Future Use (d)	Electric Plant Leased to Others (e)
1	Balance Beginning of Year	2,318,930,547	2,318,289,363		641,184
2	Depreciation Provisions for Year, Charged to				
3	(403) Depreciation Expense	155,634,672	155,634,672		
4	(403.1) Depreciation Expense for Asset Retirement Costs				
5	(413) Exp. of Elec. Plt. Leas. to Others	32,445			32,445
6	Transportation Expenses-Clearing				
7	Other Clearing Accounts				
8	Other Accounts (Specify, details in footnote):				
9					
10	TOTAL Deprec. Prov for Year (Enter Total of lines 3 thru 9)	155,667,117	155,634,672		32,445
11	Net Charges for Plant Retired:				
12	Book Cost of Plant Retired	95,075,272	95,064,184		11,088
13	Cost of Removal	40,266,332	40,266,351		-19
14	Salvage (Credit)	6,669,036	6,669,036		
15	TOTAL Net Chrgs. for Plant Ret. (Enter Total of lines 12 thru 14)	128,672,568	128,661,499		11,069
16	Other Debit or Cr. Items (Describe, details in footnote):				
17					
18	Book Cost or Asset Retirement Costs Retired				
19	Balance End of Year (Enter Totals of lines 1, 10, 15, 16, and 18)	2,345,925,096	2,345,262,536		662,560
	Section B. Balances at End of Year According to Functional Classification				
20	Steam Production				
21	Nuclear Production				
22	Hydraulic Production-Conventional	637,543	-24,675		662,218
23	Hydraulic Production-Pumped Storage	342			342
24	Other Production				
25	Transmission	517,099,949	517,099,949		
26	Distribution	1,658,010,817	1,658,010,817		
27	Regional Transmission and Market Operation				
28	General	170,176,445	170,176,445		
29	TOTAL (Enter Total of lines 20 thru 28)	2,345,925,096	2,345,262,536		662,560

FERC Docket No.ER13-
EXH No. ___ (NMP-4)
Statement AF

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Niagara Mohawk Power Corporation	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255)

Report below information applicable to Account 255. Where appropriate, segregate the balances and transactions by utility and nonutility operations. Explain by footnote any correction adjustments to the account balance shown in column (g).Include in column (i) the average period over which the tax credits are amortized.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	Deferred for Year Account No. (c)	Deferred for Year Amount (d)	Allocations to Current Year's Income Account No. (e)	Allocations to Current Year's Income Amount (f)	Adjustments (g)
1	Electric Utility						
2	3%						
3	4%						
4	7%						
5	10%	20,943,098			420	1,707,913	-272,720
6							
7							
8	TOTAL	20,943,098				1,707,913	-272,720
9	Other (List separately and show 3%, 4%, 7%, 10% and TOTAL)						
10							
11							
12	4%	132,090			420	19,316	19,090
13	10%	4,323,945			420	256,621	253,630
14							
15	TOTAL	4,456,035				275,937	272,720
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
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48							

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Niagara Mohawk Power Corporation	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255) (continued)

Balance at End of Year (h)	Average Period of Allocation to Income (i)	ADJUSTMENT EXPLANATION	Line No.
			1
			2
			3
			4
18,962,465	35 years		5
			6
			7
18,962,465			8
			9
			10
			11
131,864	44 years		12
4,320,954	44 years		13
			14
4,452,818			15
			16
			17
			18
			19
			20
			21
			22
			23
			24
			25
			26
			27
			28
			30
			31
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			46
			47
			48

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Niagara Mohawk Power Corporation	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

OTHER DEFFERED CREDITS (Account 253)

1. Report below the particulars (details) called for concerning other deferred credits.
2. For any deferred credit being amortized, show the period of amortization.
3. Minor items (5% of the Balance End of Year for Account 253 or amounts less than $100,000, whichever is greater) may be grouped by classes.

Line No.	Description and Other Deferred Credits (a)	Balance at Beginning of Year (b)	DEBITS Contra Account (c)	DEBITS Amount (d)	Credits (e)	Balance at End of Year (f)
1	Energy Service Company Deposits	1,497,925	232	9,032	209,032	1,697,925
2						
3	Unregulated Generator Capital					
4	Capital Work Reimb. - Oneida	6,694,440	456	258,173	341,427	6,777,694
5						
6	Capital Work Reimb. - Salamanca	705,693				705,693
7						
8	Demutualization - UMICO Holdings	1,128,420				1,128,420
9						
10	Liability for Environmental					
11	Restoration Costs	445,184,690	182	32,796,221	41,903,687	454,292,156
12						
13	Supplemental Executive					
14	Retirement Plan Liability	3,713,135	242	1,217,151	561,036	3,057,020
15						
16	FAS 106	866,824,043	131/128/182	252,872,314	84,290,361	698,242,090
17						
18	Liability for Nuclear Fuel					
19	Disposal Costs	167,483,073			103,858	167,586,931
20						
21	KS- Deriv MTM Regulated- LT	1,409,405	182	2,428,532	2,707,184	1,688,057
22						
23	Pension Cost	-174,260,671	926/131	160,016,672	14,105,636	-320,171,707
24						
25	Other Post Employment Benefit					
26	Liability	27,492,517	926	2,787,542	3,883,000	28,587,975
27						
28	Def Incentive Comp - Pensions	2,316,912	128	670,606	3,030,621	4,676,927
29						
30	Fin48Sit - Timing Issues	1,177,042	431	1,177,042		
31	Fin48Sit - Permanent Issues	224	409	224		
32	Long Term Interest Payable	13,196,757	431	552,157	9,437,095	22,081,695
33	NYPA-Tri-Lakes	38,773,343	232	38,773,343		
34						
35	Large Project Salvage	612,393	143	482,861	169,862	299,394
36						
37	Sales Tax Exposure	23,598,721	431	17,866,723	2,883,459	8,615,457
38						
39	All Other	180,771	Various	15,621,323	24,369,171	8,928,619
40						
41						
42						
43						
44						
45						
46						
47	TOTAL	1,427,728,833		527,529,916	187,995,429	1,088,194,346

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Niagara Mohawk Power Corporation	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

ACCUMULATED DEFFERED INCOME TAXES - OTHER PROPERTY (Account 282)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes rating to property not subject to accelerated amortization
2. For other (Specify),include deferrals relating to other income and deductions.

Line No.	Account (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR Amounts Debited to Account 410.1 (c)	Amounts Credited to Account 411.1 (d)
1	Account 282			
2	Electric	1,162,666,592	148,196,751	193,923,772
3	Gas	388,177,987	37,049,188	48,480,943
4				
5	TOTAL (Enter Total of lines 2 thru 4)	1,550,844,579	185,245,939	242,404,715
6				
7				
8				
9	TOTAL Account 282 (Enter Total of lines 5 thru	1,550,844,579	185,245,939	242,404,715
10	Classification of TOTAL			
11	Federal Income Tax	1,422,883,032	129,794,074	222,315,282
12	State Income Tax	127,961,547	55,451,864	20,089,433
13	Local Income Tax			

NOTES

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Niagara Mohawk Power Corporation	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

ACCUMULATED DEFERRED INCOME TAXES - OTHER PROPERTY (Account 282) (Continued)

3. Use footnotes as required.

CHANGES DURING YEAR		ADJUSTMENTS					
Amounts Debited to Account 410.2	Amounts Credited to Account 411.2	Debits		Credits		Balance at End of Year	Line No.
		Account Credited	Amount	Account Debited	Amount		
(e)	(f)	(g)	(h)	(i)	(j)	(k)	
							1
				283	67,020,883	1,183,960,454	2
		283	80,648,626			296,097,606	3
							4
			80,648,626		67,020,883	1,480,058,060	5
							6
							7
							8
			80,648,626		67,020,883	1,480,058,060	9
							10
				283	18,193,982	1,348,555,806	11
		283	31,821,724			131,502,254	12
							13

NOTES (Continued)

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Niagara Mohawk Power Corporation	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

ACCUMULATED DEFFERED INCOME TAXES - OTHER (Account 283)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to amounts recorded in Account 283.
2. For other (Specify),include deferrals relating to other income and deductions.

Line No.	Account (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR Amounts Debited to Account 410.1 (c)	CHANGES DURING YEAR Amounts Credited to Account 411.1 (d)
1	Account 283			
2	Electric			
3	Regulatory Assets - Meger rat	201,952,838	6,277,885	232,783,781
4	Regulatory Assets - Environmen	180,077,621	23,993,246	55,471,340
5	Regulatory Assets - Other	273,772,263	569,096,394	763,569,946
6	Other items	77,318,704	442,265,063	133,219,067
7				
8				
9	TOTAL Electric (Total of lines 3 thru 8)	733,121,426	1,041,632,588	1,185,044,134
10	Gas			
11	Regulatory Assets - Environmen	36,883,369		
12	Regulatory Assets - Other	56,073,837	64,024,550	85,902,946
13	Other items	15,836,357		
14				
15				
16				
17	TOTAL Gas (Total of lines 11 thru 16)	108,793,563	64,024,550	85,902,946
18				
19	TOTAL (Acct 283) (Enter Total of lines 9, 17 and 18)	841,914,989	1,105,657,138	1,270,947,080
20	Classification of TOTAL			
21	Federal Income Tax	708,265,173	941,471,918	1,046,059,826
22	State Income Tax	133,649,816	164,185,220	224,887,254
23	Local Income Tax			

NOTES

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ACCUMULATED DEFERRED INCOME TAXES - OTHER (Account 283) (Continued)

3. Provide in the space below explanations for Page 276 and 277. Include amounts relating to insignificant items listed under Other.
4. Use footnotes as required.

CHANGES DURING YEAR		ADJUSTMENTS					
Amounts Debited to Account 410.2	Amounts Credited to Account 411.2	Debits		Credits		Balance at End of Year	Line No.
		Account Credited	Amount	Account Debited	Amount		
(e)	(f)	(g)	(h)	(i)	(j)	(k)	
							1
							2
				282	24,553,058		3
				282	36,883,369	185,482,896	4
				282	98,374,015	177,672,726	5
		190	203,136,548	282	39,162,084	222,390,236	6
							7
							8
			203,136,548		198,972,526	585,545,858	9
							10
		190	36,883,369				11
				282	24,364,171	58,559,612	12
		190	15,836,357	282	31,769,957	31,769,957	13
							14
							15
							16
			52,719,726		56,134,128	90,329,569	17
							18
			255,856,274		255,106,654	675,875,427	19
							20
			23,940,995		18,193,981	597,930,251	21
			134,350		5,131,744	77,945,176	22
							23

NOTES (Continued)

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Niagara Mohawk Power Corporation	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

OTHER REGULATORY LIABILITIES (Account 254)

1. Report below the particulars (details) called for concerning other regulatory liabilities, including rate order docket number, if applicable.
2. Minor items (5% of the Balance in Account 254 at end of period, or amounts less than $100,000 which ever is less), may be grouped by classes.
3. For Regulatory Liabilities being amortized, show period of amortization.

Line No.	Description and Purpose of Other Regulatory Liabilities (a)	Balance at Begining of Current Quarter/Year (b)	DEBITS Account Credited (c)	DEBITS Amount (d)	Credits (e)	Balance at End of Current Quarter/Year (f)
1	Federal Reg. Liab (SFAS 109)	16,727,452	190	744,170		15,983,282
2	Miscellaneous Liabilities		426	14,753	1,457,155	1,442,402
3	Renewable Portfolio Surcharge Program Cost Deferr		456	366,629	1,089,893	723,264
4	Medicare Act Tax Benefit	2,033,033	182/431/456	22,447,333	20,414,300	
5	Electric R&D Ventures Deferral	28,707	182	28,707		
6	Consumer Service Advocate		431	37	117,537	117,500
7	Deferral Carry Chrg 10-E-0050		431	147	1,606,169	1,606,022
8	Revenue Decoupling Mechanism - Electric		456	24,968,312	50,334,485	25,366,173
9	Rate Subject to Refund				50,000,000	50,000,000
10	Proceeds from Sale of Emissions Allowan	1,953,835			31,300	1,985,135
11	Clean Air Act - Roseton	183,880			2,400	186,280
12	Purchase of Emission Reduction Credits	951,300	182	951,300		
13	Gain on Redemption of 8.35 Series Bond	300,926	429.1	60,460		240,466
14	CSS Conv Savings Dist	1,439,824	182	1,439,824		
15	CSS Conv Savings Gas	242,613			1,980	244,593
16	IRS Audit Refund (83-84)	307,485	182	307,485		
17	Unbilled Gas Revenue	19,044,000	173	17,251,000	16,300,000	18,093,000
18	Gas Non-core Revenue Sharing	2,738,697	242	5,849,190	5,157,155	2,046,662
19	Electric Customer Service Penalty	23,998,971	182/456	24,000,073	2,000,018	1,998,916
20	Gas Contingency Reserve	1,423,288			11,658	1,434,946
21	Environment Insurance Recoveries	4,741,379				4,741,379
22	Gas Customer Service Penalty	83,743			2	83,745
23	Powerchoice Appendix E Netting Proposal	79,599,407	182	79,599,407		
24	Electric Revenue Property Tax Credit	4,024,661	182	4,024,968	307	
25	Loss on Sale of Building	3,433,266	182/431/456	3,473,485	42,488	2,269
26	System Benefit Charge Program Deferred	600,663	232	4,877	895,866	1,491,652
27	Master Restructuring Agreement Interest Rate Savi	92,534,022	182	92,534,022		
28	Petroleum Bus Tax Audit Refund (90-96)	5,752,659	182	5,752,659		
29	Exit Fees	1,360,568	456	1,629,193	268,625	
30	Affiliate Rule Employee Transfer Credit	166,725	182	166,725		
31	Pension / OPEB Curtailment Gains	25,552,091	182/254	26,047,226	495,135	
32	IRS Audit Refund (89-90)	48,100	182	48,100		
33	State Reg. Liability (SFAS 109)	32,664,135				32,664,135
34	Diana Dolgeville - IPP Settlement	4,922,128				4,922,128
35	Electric Service Reestablishment Charges	464,158	182	464,158		
36	Merchant Function Charge	208,018	495	514,270	492,225	185,973
37	Site Investigation and Remediation Expenditure De		930	1,447,849	2,953,364	1,505,515
38	System Benefit Charge Program Cost - Electric	31,305,161	456	26,508,210	20,842,610	25,639,561
39	System Benefit Charge Program Cost - Gas		182/495	3,621,305	10,287,252	6,665,947
40	Transm Revenue Adj Clause		182	11,766,696	12,053,417	286,721
41	TOTAL	607,574,059		908,027,306	650,447,991	349,994,744

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OTHER REGULATORY LIABILITIES (Account 254)

1. Report below the particulars (details) called for concerning other regulatory liabilities, including rate order docket number, if applicable.
2. Minor items (5% of the Balance in Account 254 at end of period, or amounts less than $100,000 which ever is less), may be grouped by classes.
3. For Regulatory Liabilities being amortized, show period of amortization.

Line No.	Description and Purpose of Other Regulatory Liabilities	Balance at Begining of Current Quarter/Year	DEBITS		Credits	Balance at End of Current Quarter/Year
			Account Credited	Amount		
	(a)	(b)	(c)	(d)	(e)	(f)
1	Commodity Adj Clause		182	19,304,529	38,507,100	19,202,571
2	Merger Rate Plan Delay	12,555,000	182	12,555,000		
3	OPEB Exp Deferred - Gas		182	23,437	5,602,762	5,579,325
4	New York State Sales Tax Refund (92-98)	1,477,332	182	1,477,332		
5	Economic Development Fund	37,491,700	182/456/909	46,396,800	15,553,349	6,648,249
6	Incidental Service Revenues Deferred	544,927	142/182	715,915	170,988	
7	Gross Receipts Tax Customer Refund - Gas	54,386				54,386
8	Meter Read Connect/Disconnect Serv. Chg	131,645	182	131,645		
9	Gas Millenium Fund Deferral	149,473	182/885	657,878	508,405	
10	NYPA Residential Hydropower Benefit	12,731,811	456	21,062,221	10,630,498	2,300,088
11	NYPA ISO Memorandum of Understanding	16,676,906	182	16,676,906		
12	Bonus Depreciation Adjustment	27,840,881	182	27,762,984		77,897
13	Pension/OPEB Interest on Recovery	4,145,621	182	4,145,621		
14	Station Service Sale Growth Deferral	2,350,188	182	2,350,188		
15	Gross Receipts Tax Aud Ref (91-94) Electric	3,300,423	182	3,300,423		
16	Mandatory Hourly Pricing Program Deferral	575,975	182/431/456	612,281	36,306	
17	Service Aggreg Lost Revenues	77,322	456	78,536	1,214	
18	New England Merger Savings	8,288,718	182	8,288,718		
19	KeySpan Merger Savings - Electric	25,727,260	182	25,727,260		
20	Gas Futures - Gas Supply	1,631,096	175/182/186	5,822,539	6,001,011	1,809,568
21	KeySpan Merger Savings - Gas	220,806				220,806
22	Electric Swaps - Electric Supply	50,992,433	175/182	336,769,857	326,115,525	40,338,101
23	Voltage Migration Fee Deferral	17,080	456	5,277	3,909	15,712
24	Long Term Debt True Up	15,072,800			3,764,109	18,836,909
25	Gratwick Park Prop Transfer	34,229	182	34,229		
26	Fed Tax Refund 1991-1995	26,651,152	182	18,095,160	773,151	9,329,143
27	Curtailment				495,134	495,134
28	Pension Exp Deferred - Electric				1,070,613	1,070,613
29	OPEB Exp Deferred - Electric				30,780,363	30,780,363
30	Low Income Allow Discount Prog				395,837	395,837
31	Site Investigation and Remediation Expenditures D				13,182,376	13,182,376
32						
33						
34						
35						
36						
37						
38						
39						
40						
41	TOTAL	607,574,059		908,027,306	650,447,991	349,994,744

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FOOTNOTE DATA

Schedule Page: 278 Line No.: 3 Column: a

Pursuant to the Commission's September 24, 2004 Order in Case No. 03-E-0188: The Renewable Portfolio Surcharge "RPS" is a mechanism which permits the Company to recover from customers costs associated with providing financial incentives for the development of renewable resources in New York State

Schedule Page: 278 Line No.: 4 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 278 Line No.: 5 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 278 Line No.: 6 Column: a

Per NIMO Rate Case 10-E-0050 the Company will hire one additional Consumer Advocate at an annual cost of $117,500. In the event that the Company does not hire an additional Consumer Advocate, the allowance will be deferred for future ratepayer use (or prorated dependent on hire date) (LI/ED Stipulation p.1 A)

Schedule Page: 278 Line No.: 7 Column: a

In accordance with NIMO Rate Case 10-E-0050 rate order pages 102 through 104 the Company is required to record carrying charges on new and existing deferrals recorded after December 31, 2010. The carrying charges will be calculated at the pretax WACC (9.4527%) based on the approved stay out Return On Equity ("ROE") of 9.3%.

Schedule Page: 278 Line No.: 9 Column: a

In accordance with NIMO Rate Case 10-E-0050 order pages 8 through 10, $50 million of revenue is subject to refund based on the findings of a Service Company allocation audit. To the extent that the PSC audit determines that certain allocated costs charged to NIMO were unreasonable they will be refunded to customers and this can only be fully realized upon a satisfactory completion of the audit by the NYPSC. As such we have determined that the revenue should not be realized for USGAAP and will be deferred as a regulatory liability. Amortization period: January 2012 - December 2012

Schedule Page: 278 Line No.: 10 Column: a

Niagara Mohawk Power Corporation PSC Case no. 08-G-0609, Merger Joint Proposal

Schedule Page: 278 Line No.: 11 Column: a

Amounts are accounted for in accordance with: 09-M-0727

Schedule Page: 278 Line No.: 12 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 278 Line No.: 13 Column: a

Amortization period: October 2002 - December 2015

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Schedule Page: 278 Line No.: 14 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 278 Line No.: 15 Column: a

Pursuant to order in Case 07-M-0943: The Customer Service System (CSS) was developed by Niagara Mohawk pre-merger and was originally paid for by NY ratepayers. Since the merger, CSS has been implemented for other National Grid Companies. This deferral is a result of allocating costs to the National Grid Companies utilizing CSS. The allocation method was agreed to with the NY PSC to appropriately allocate CSS cost and credit chargeback. This account carries the GAS allocation, with Electric accounted for via account 254506.

Schedule Page: 278 Line No.: 16 Column: a

This account was authorized by the Commission in Section 2.6.5 of the PowerChoice Agreement in Case 94-E-0098.

Schedule Page: 278 Line No.: 18 Column: a

Account relates to relevant invoicing for an Oil Infrastructure Study referenced to Case 00-G-0096. Additional schedules also indicate margin calculations referenced to NYSERDA.

Schedule Page: 278 Line No.: 19 Column: a

Section 1.2.4.8 of the Joint Proposal: The Joint Proposal prescribes a comprehensive list of Service Quality Standards, and a schedule of penalties in the event Niagara Mohawk fails to meet the Standards. Under most circumstances, the penalties are included as an offset to the deferral account. Section 1.2.4.8 of the Joint Proposal provides that: "Niagara Mohawk shall include in the Deferral Account any penalties associated with failure to meet the Service Quality standards set forth in Attachment 9, not otherwise credited to customers under Section 1.2.3.7." The Stipulation included adjustments of $1.7 million that increased electric. This account comprises those allotted to Electric, and account # 254517 those recognized as GAS.

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 278 Line No.: 20 Column: a

Per the Commission's February 14, 2000 Order in Case 99-G-1369

Schedule Page: 278 Line No.: 22 Column: a

As per 254513 account results, Section 1.2.4.8 of the Joint Proposal: The Joint Proposal prescribes a comprehensive list of Service Quality Standards, and a schedule of penalties in the event Niagara Mohawk fails to meet the Standards. Under most circumstances, the penalties are included as an offset to the deferral account. Section 1.2.4.8 of the Joint Proposal provides that: "Niagara Mohawk shall include in the Deferral Account any penalties associated with failure to meet the Service Quality standards set forth in Attachment 9, not otherwise credited to customers under Section 1.2.3.7." The Stipulation included adjustments of $1.7 million that increased electric. This account comprises those allotted to GAS, and account # 254513 those recognized as Electric.

Schedule Page: 278 Line No.: 23 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment

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Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 278 Line No.: 24 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 278 Line No.: 25 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 278 Line No.: 26 Column: a

Case 05-M-0090 orders in the matter of the System Benefits Charge, Order Constituting the System Benefots Charge (SBC) and the SBC-Funded Public Benefit Programs

Schedule Page: 278 Line No.: 27 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 278 Line No.: 28 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 278 Line No.: 29 Column: a

Pursuant to Rule 52 of the Tariff, in the event that a customer totally bypasses the Company's retail distribution system, the customer is required to pay a lump sum payment of transition costs. The purpose of this provision is to discourage total bypass of the Company's retail distribution services and charges where such bypass is not economic from society's standpoint and to prevent the shifting of the Company's Transition costs to other stakeholders. Amorization period: April 2005 - December 2011

Schedule Page: 278 Line No.: 30 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492,

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which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 278 Line No.: 31 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 278 Line No.: 32 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 278 Line No.: 35 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 278 Line No.: 38 Column: a

Amounts relate to the Enhanced SBC Electric component program which falls under the NYSERDA Agreement dated as of March 1, 2006 as amended on January 22, 2009, September 1, 2009 and February 26, 2010. Amounts correspond to relevant SBC Payment Schedule amounts based on this NYSERDA Agreement.

Schedule Page: 278 Line No.: 39 Column: a

Case 07-M-0548: Per the order, the Company shall implement an EEPS Fast Track program and defer any over or under collections.

Schedule Page: 278 Line No.: 40 Column: a

Decrease was due to over collection from rate payers as compared prior year end, where we were in a receivable position. This account works in conjunction with 254541.

Schedule Page: 278.1 Line No.: 1 Column: a

Niagara Mohawk Power Corporation Statement of Commodity Adjustment Charge (CAC) P.S.C. No. 220 - Rule 29.2

Schedule Page: 278.1 Line No.: 2 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 278.1 Line No.: 3 Column: a

Case 08-G-0609, Section 4.1.1: The company will defer and reconcile its actual annual OPEB Expenses to the level allowed in rates. See Appendix L-1 and JE 6264D for detailed calculation

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Schedule Page: 278.1 Line No.: 4 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 278.1 Line No.: 5 Column: a

Under the Rate Plan, Niagara Mohawk increased the funding for economic development in base rates, and the parties agreed that actual expenditures and economic development discounts above or below the rate allowance would be included in the deferral account under the methodology set forth in Section 1.2.4.7 of the Rate Plan. The reconciliation associated with the Economic Development Plan includes the following components: (1) Empire Zone Rider (EZR) discounts for new and expanding customers; (2) the discounts associated with flex rate contracts signed under SC-11 or SC-12; (3) the funding associated with incremental economic development initiatives in Niagara Mohawk's Economic Development Plan approved by the Commission and the DPS Staff pursuant to Section 1.2.10.2 of the Rate Plan; and (4) incremental expenditures for non-labor spending on new economic development initiatives. Section 1.2.4.7 requires that Niagara Mohawk complete a monthly reconciliation of the actual economic development discounts provided to customers and the actual incremental non-labor economic development spending to the allowance in rates for these activities. The allowance in rates is set forth in Attachment 15 to the Rate Plan.

Schedule Page: 278.1 Line No.: 6 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 278.1 Line No.: 7 Column: a

Rate Case 09-M-0727, Merger Joint Proposal

Schedule Page: 278.1 Line No.: 8 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 278.1 Line No.: 9 Column: a

Pursuant to Tariff Rule 30 and the Commission's February 14, 2000 Order in Case 99-G-1369: Niagara Mohawk is to recover and reconcile research and development Millenium Fund Costs in accordance with these rules. The order was Issued & Effective February 14, 2000

Schedule Page: 278.1 Line No.: 10 Column: a

Per the Statement of Adjustment to Charges Pursuant to the New York Power Authority (NYPA) Hydropower Benefit Reconciliation Mechanism Statement No. 21 To P.S.C. No. 220 Electricity, Effective: December 1, 2010, the purpose of the filing was to implement the reconciliation mechanism associated with Schedule PSC No. 220 Electricity, Rule 40 - Adjustment to Changes Pursuant to the New York Power Authority (NYPA) Hydropower Benefit Reconciliation Mechanism. This rule was established in accordance with Section 1.2.3.2 and Attachment 6 of the Joint Proposal in P.S.C. Case No. 01-M-0075 as approved by the Commission in its Opinion No. 01-6, Opinion and Order Authorizing Merger and Adopting Rate

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Plan, issued and effective December 3, 2001, and subsequently amended by the Commission in its Order Approving Tariff Amendments, issued and effective August, 28, 2003 in Case No. 03-E-0905 and Order issued and effective December 17, 2007 in Case No. 01-M-0075

Schedule Page: 278.1 Line No.: 11 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 278.1 Line No.: 12 Column: a

Section 1.2.4.2.1 of the Joint Proposal: A 2002 amendment to section 168 of Internal Revenue Code authorized additional first year tax depreciation for qualified property. Such accelerated depreciation has the effect of reducing the Company's revenue requirements by increasing deferred income taxes, which in turn results in a reduction to rate base. As noted above, section 1.2.4.2.1 of the Joint Proposal provides that the effect of such tax law changes be included in the Deferral Account if it exceeds $2.0 million per year. Section 3.4 of the Stipulation addresses the process for recording deferrals for bonus depreciation in several ways. First, that section clarifies that Niagara Mohawk may defer the effects of bonus depreciation only where it is associated with the forecasted construction budget and plant additions underlying the Joint Proposal rates. Second, it requires Niagara Mohawk to develop with Staff, and then, within 120 days of the Commission order on the Stipulation, file with the Commission, a methodology for determining the bonus depreciation benefit attributable to forecasted construction budget and plant additions. Finally, it specifically provides for adjustments to the deferral account following final IRS audit adjustments. Niagara Mohawk and Staff have not yet had the opportunity to jointly develop such a methodology; the methodology underlying the forecast is Niagara Mohawk's.

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 278.1 Line No.: 13 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 278.1 Line No.: 14 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

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In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 278.1 Line No.: 16 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 278.1 Line No.: 17 Column: a

Aggregation fee accounting treatment is referenced to Rule 47 in sighted correspondence, with such indicating treatment is similar to that adopted for exit fees (although these are specifically ruled not to be exit fees) which is itself referenced to part 1.2.17.3.4 of the Joint Proposal. Amortization referenced as ratable over the plan period. Balances will be fully amortized at the end of Dec 2011. Amortization period: August 2007 - December 2011.

Schedule Page: 278.1 Line No.: 18 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 278.1 Line No.: 19 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 278.1 Line No.: 21 Column: a

As per a/c 254568, The Rate Plan, at Section 1.2.4.19: provides that in the event National Grid closes any additional mergers or acquisitions within the United States, Niagara Mohawk shall implement a Follow-on Merger Credit calculated pursuant to methodology set forth in Attachment 10, which is designed to credit the deferral Account by fifty percent of the additional synergies (net of costs to achieve) produced by the follow-on merger and allocable to Niagara Mohawk electric operations. On July 20, 2006, National Grid and KeySpan filed with the NYPSC a joint petition of a proposed acquisition of the stock of KeySpan by National Grid. Case 06-M-0878 was instituted to provide a process for the NYPSC to consider the petition. On July 6, 2007, a Merger and Gas Revenue Requirement Joint Proposal ("KS Joint Proposal") by and among KeySpan, National Grid, DPS Staff, the Consumer Protection Board and other signatory parties, was submitted to the Commission. The KS Joint Proposal specifies an annual level of mature synergy savings of $156 million.

In its Orders of August 23, 2007 and September 17, 2007 approving National Grid's merger with KeySpan Corporation, the Commission approved $156 million in mature synergy savings

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associated with the merger. By its Order of May 29, 2008, the Commission determined that the NMPC share of synergy savings from the KeySpan merger to be $52 million for the period August 2007 through December 2011.

Schedule Page: 278.1 Line No.: 23 Column: a

Pursuant to Rule 44 of the Tariff: in the event of any increase in a customer's delivery voltage pursuant to Rule 44.1.2, the customer shall be required to pay the difference between the distribution and CTC charges applicable to the customer's former delivery voltage and the distribution and CTC charges applicable to the higher delivery voltage at which the customer is to be served after the voltage increase. Amortization period: July 2008 - June 2023.

Schedule Page: 278.1 Line No.: 24 Column: a

This account represents relevant deferrals in relation to NYSERDA Promissory Notes, and Floating Series A and K, for which Interest and Amortization is calculated as relevant. Deferral schedule on file also references to "NYSERDA Auction Rate Debt (4.4.6)".

Schedule Page: 278.1 Line No.: 25 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 278.1 Line No.: 26 Column: a

In proceeding 09-M-0554, dated July 14, 2009: NMPC d/b/a National Grid provides notice and seeks commission approval necessary for the disposition of the federal income tax refund and the associated interest pursuant to Section 113(2) of the NY PSL. This gives the Commission the authority to determine whether the refund should be passed through, in whole or in part, to the customers and to order the manner and the extent of such a distribution.

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 278.1 Line No.: 28 Column: a

The Joint Proposal Section 1.2.4.13: provides that Niagara Mohawk will reconcile its allowed and actual pension expense in accordance with the Commission's Statement of Policy, with the noted section specifically providing that Niagara Mohawk is to include any under or over-recoveries of pension expense in the Deferral Account. The procedures for the reconciliation are set forth in Attachment 16 to the Joint Proposal, and the documentation for the pension expense reconciliation is provided in Attachment 6, Schedule 12. The Stipulation prescribes methodologies for determining (1) the percentage of pension costs that will be capitalized (section 3.8.1), and (2) the credit to be recorded for deferred pension costs associated with employees who transfer between Niagara Mohawk and National Grid USA Service Co. after the pension plan valuation for a given year (section 3.8.2).

Schedule Page: 278.1 Line No.: 29 Column: a

As with account 182554, The Joint Proposal: provides for the reconciliation of allowed and actual OPEB expense and for deferral of variances in accordance with the Statement of Policy. The procedures for OPEB reconciliation, which are included in Attachment 16 to the Joint Proposal, directly parallel the pension reconciliation set forth in the prior section. Documentation for OPEB expense reconciliation is included in Attachment 6, Schedule 13. Parallel treatment of pensions and OPEBs extends to the Stipulation, which

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makes OPEB expense subject to the same provisions that govern pension expense. These include the establishment of methodologies for determining capitalization and for capturing the impact of employee transfers between Niagara Mohawk and National Grid USA Service Co., as well as the provisions that do not directly affect the present filing.

Schedule Page: 278.1 Line No.: 30 Column: a

Under Section 1.2.9 of the Joint Proposal, Niagara Mohawk agreed to implement a Low Income Rate that consisted of a $5.00 per month discount from the customer charge for residential low income customers. The details of the program are set forth in Attachment 19, Section 2 to the Joint Proposal. The allowance in rates for the program was $2.0 million per year. On December 27, 2005, the Commission approved the Company's proposal to continue and expand the low income rate program for calendar years 2006 through 2009. The Commission authorized the Company to expand participation in the program to include all electric customers for whom the Company received a payment from the Home Energy Assistance Program ("HEAP") over the preceding fourteen (14) months. The Commission approved an increase of $2.4 million in base rates to fund the expanded program and authorized Niagara Mohawk to "defer any difference between the total discounts provided and the rate allowance in each calendar year".

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OTHER REGULATORY ASSETS (Account 182.3)

1. Report below the particulars (details) called for concerning other regulatory assets, including rate order docket number, if applicable.
2. Minor items (5% of the Balance in Account 182.3 at end of period, or amounts less than $100,000 which ever is less), may be grouped by classes.
3. For Regulatory Assets being amortized, show period of amortization.

Line No.	Description and Purpose of Other Regulatory Assets (a)	Balance at Beginning of Current Quarter/Year (b)	Debits (c)	CREDITS Written off During the Quarter/Year Account Charged (d)	CREDITS Written off During the Period Amount (e)	Balance at end of Current Quarter/Year (f)
1	Regulatory Tax Asset (FAS 109)	183,860,430		283	3,194,449	180,665,981
2	Deferred Environmental Restoration Costs	436,567,319	50,351,411	253	32,761,570	454,157,160
3	Storm Restoration Costs Deferred	173,066,712	135,650,000	571/593	296,717,732	11,998,980
4	Enhanced Severance Plan	30,569		926	30,569	
5	Pension Settlement Loss FY 2003	31,225,615		182	31,225,615	
6	Asset Retirement Obligation Reg Asset	9,245,291	509,926	230	1,851,055	7,904,162
7	Gas Futures - Gas Supply	25,221,960	48,718,617	245/253	56,824,830	17,115,747
8	Elec Swaps - Elec Supply	35,178,345	82,914,834	244/245	97,838,746	20,254,433
9	Deferred Loss - Sale of Oswego	465,875	38,823	411	504,698	
10	Temp State Assessment 18-A	23,291,705	5,544,260	419/431	27,197,616	1,638,349
11	Medicare Act tax benefit defer		11,468,756			11,468,756
12	FAS 158 - Pension	389,568,331	8,116,184	253/926	100,431,017	297,253,498
13	FAS 158 - OPEB	275,469,070	30,567,239	926	110,260,469	195,775,840
14	Debt True Up - Electric		432,387	456	8,502	423,885
15	Def Sum Case 10-E-0050		236,199,430	182	53,470	236,145,960
16	Merchant Function Charge - Electric		1,122,258	456	172,620	949,638
17	Fuel Cost Deferred	924,400				924,400
18	Gas Adjustment Clause	52,023,606	36,064,880	142/804	61,143,486	26,945,000
19	Renewable Portfolio Surcharge Program Cost Deferred	1,057,646	1,385,341	456	2,442,987	
20	Excess AFUDC - Electric Plant in Service	213,500		406	17,242	196,258
21	Commodity Adjustment Clause	13,655,737	85,959,572	254/431	99,615,309	
22	Other Post Retirement Benefits - Electric	6,016,639		926	2,766,000	3,250,639
23	Other Post Retirement Benefits - Gas	308,559		926	308,559	
24	Electric Plant in Service Excess AFUDC	537,673		406	19,671	518,002
25	Power For Jobs Tax Credit	3,633,275		182	3,633,275	
26	NIMO Case 08-G-0609 JP Amort	22,811,267		407	14,706,744	8,104,523
27	Customer Service Backout Credit	10,309,579		182	10,309,579	
28	NYPA Transmission Access Charge (NTAC)	13,050,967		182	13,050,967	
29	NYISO Tariff Schedule 1 Costs	85,451,012		182	85,451,012	
30	NYISO Tariff Schedule 2 Costs	13,296,552		182	13,296,552	
31	Fossil / Hydro Auction Incentive	18,556,040		182	18,556,040	
32	State Regulatory Asset (SFAS 109)	(63,106,598)	8,582,945	182/283	21,807,008	-76,330,661
33	80/20 Revenue Sharing Mechanism	1,189,910	723,956	495	1,338,100	575,766
34	Site Investigation and Remediation Expenditures Def	1,242,597	136,311	930	1,378,908	
35	System Benefit Charge Program Cost Deferred - Gas	(934,770)	8,293,782	495	7,359,012	
36	Transmission Revenue Adjustment Clause	4,017,784	26,213,687	456	30,231,471	
37	Elevated Voltage Deferral	19,304,521		182/583	19,304,521	
38	Low Income Allowance Discount Program	6,363,943	662,704	182/456	7,026,647	
39	Customer Service Backout Credit	117,020,407	984,321	182/456	118,004,728	
40	Electronic Data Interchange (EDI) Costs	3,849,301		182/431	3,849,301	
41	Pension Settlement Loss	44,022,432		926	44,022,432	
42	Voluntary Early Retirement Offer (VERO)	1,188,104		926	1,188,104	
43	Merger Rate Plan Stranded Costs	557,105,345		407	557,105,345	
44	TOTAL	2,631,642,271	1,558,865,373		2,771,497,342	1,419,010,302

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OTHER REGULATORY ASSETS (Account 182.3)

1. Report below the particulars (details) called for concerning other regulatory assets, including rate order docket number, if applicable.
2. Minor items (5% of the Balance in Account 182.3 at end of period, or amounts less than $100,000 which ever is less), may be grouped by classes.
3. For Regulatory Assets being amortized, show period of amortization.

Line No.	Description and Purpose of Other Regulatory Assets (a)	Balance at Beginning of Current Quarter/Year (b)	Debits (c)	CREDITS Written off During the Quarter/Year Account Charged (d)	CREDITS Written off During the Period Amount (e)	Balance at end of Current Quarter/Year (f)
1	Pension Expense Deferred - Electric	196,540,961	13,920,852	182/431	210,461,813	
2	OPEB Expense Deferred - Electric	339,662,995	33,146,280	182/926	372,809,275	
3	Religious Rate Revenue	4,174,457		182	4,174,457	
4	City of Buffalo Settlement Agreement	684,320		182	684,320	
5	SC7 Standby Service Lost Revenue	1,655,200	132,768	182/456	1,787,968	
6	SIR Expenditures Deferred - Electric	103,012,436	21,606,660	182/930	124,619,096	
7	Generation Stranded Costs Adjustments	37,938,771	5,395,597	131/182	42,172,578	1,161,790
8	OPEB Expense Deferred - Gas	2,727,430	3,137,720	926	5,865,150	
9	Pension Expense Deferred - Gas	5,023,611	2,362,440	431/926	1,848,350	5,537,701
10	Incentive Return on Retirement Funding	84,663,649	17,658,093	182	102,199,251	122,491
11	Amortization of Deferral Recoveries	(670,764,334)	670,764,334			
12	Gas Millenium Fund Deferral		320,710	495	148,879	171,831
13	Revenue Decoupling Mechanism	8,953,013	8,097,235	419/495	7,571,600	9,478,648
14	NIMO - Low Income Program	1,079,112	1,681,060	495	158,647	2,601,525
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43						
44	TOTAL	2,631,642,271	1,558,865,373		2,771,497,342	1,419,010,302

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Per Attachment 14, Joint Proposal dated October 11, 2001: Original approval obtained; Per order in the NIMO Gas Rate Case 08-G-0609 modifications were made for the gas business.

Schedule Page: 232 Line No.: 3 Column: a

Under Section 1.2.4.5 of the Rate Plan, Niagara Mohawk is allowed to defer and recover the Incremental costs that exceed $2.0 million from any individual major storm as defined under NYCRR Part 97, provided that NIMO has first spent a total of $6.0 million on Incremental costs of Major Storms in that year, which has not been included in the deferral. Case 01-M-0075 - Rate Plan 1.2.4.5 - Niagara Mohawk shall include in the Deferral Account any Incremental Costs that exceed $2.0 million from any individual Major Storm occurring in a calendar year, provided that Niagara Mohawk has first spent a total of $6.0 million on Incremental Costs of Major Storms in that year, which has not been included in the Deferral Account. A Major Storm shall be defined in accordance with the Commission's definition in 16 NYCRR Part 97.

Schedule Page: 232 Line No.: 4 Column: a

Pursuant to Attachment 16 of the Merger Rate Plan, Niagara Mohawk records an offsetting regulatory asset equal to Separation and Early Retirement Costs and amortizes that balance by the established percentages (January 2002-December 2011).

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In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

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Pursuant to the Commission's Order in Case 07-M-0704, the Company absorbed the entire net book loss associated with the sale of Oswego Fire School. The Commission approved the sale of property and authorized the Company to amortize the net book loss over the term of the Merger Rate Plan (September 2008 - January 2011).

Schedule Page: 232 Line No.: 10 Column: a

Case 09-M-0311, dated June 19, 2009: Provides authorization to defer the difference between total assessment expense (Temporary State Assessment and General Assessment) and the amount collected from customers. Carrying charges should be calculated by applying the corporations' authorized pre-tax rate of return to the net of tax un-recovered Temporary State Assessment payments. The deferred assessment expense and accrued carrying charges are to be recovered through the Temporary State Assessment surcharge or adjustment and reconciliation mechanism over 5 years, 7/1/2009 through 6/30/14.

Schedule Page: 232 Line No.: 11 Column: a

Section 1.2.4.2 of the Joint Proposal: The Medicare Reform Act reduces the Company's tax expense. The reduction in tax expense is reflected in the deferral account under Section 1.2.4.2 of the Joint Proposal, which is quoted in connection with the Bonus Tax Depreciation discussed under Schedule 37 of Attachment 6.

Schedule Page: 232 Line No.: 14 Column: a

In accordance with NIMO Rate Case 10-E-0050 order page 86 a deferral mechanism has been established for NIMO's variable rate pollution control revenue bonds. On a monthly basis Accounting will compare the actual interest, expenses and associated DD&E amortization to a default interest rate of 1.26% and forecasted expenses per exhibit AED-1, Schedule 1, page 1 of 2 (variable debt only). The difference will be recorded as either a regulatory asset or liability. Key assumption - the expenses included in the true up calculation include interest and related debt fees and expenses. The mechanism is modeled after the previously PSC approved NIMO gas auction rate debt true up (Case 08-G-0609).

Schedule Page: 232 Line No.: 15 Column: a

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In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was created to house the transfer/collapsing of balances, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 232 Line No.: 16 Column: a

In accordance with the NIMO Rate Case 10-E-0050 order pages 97 through 99 a true up will take place to reconcile MFC revenue to the revenue requirement in rates. Any over or under collection will be factored into the following years MFC rate calculation. It should be noted that this mechanism is replacing the Customer Service Backout Credit ("CSBC") as the means to fairly distribute the cost burden of commodity procurement between full service customers and those who receive their electric commodity from an Energy Service Companies ("ESCO"). As rates have not been changed in the CSS billing system for the month of January it was determined to continue the CSBC deferral through January 31, 2011 with the MFC true up effective February 1, 2011. Key Assumption - the true up will be based on the revenue requirement and not actual cost. This is in accordance with conversations held with the NYPSC and is consistent with our previously established gas MFC methodology.
On a monthly basis MFC revenue as derived from a revenue data warehouse Business Objects query of cons types "VC" and "VD" will be conducted and compared to the revenue requirement as stated in the tariff. The following schedules illustrate the monthly calculation:

Schedule Page: 232 Line No.: 17 Column: a

Memorandum of Agreement dated 3/31/03

Schedule Page: 232 Line No.: 18 Column: a

PSC No: 219 GAS, Initial Effective Date 08/1/03

Schedule Page: 232 Line No.: 19 Column: a

Pursuant to the Commission's September 24, 2004 Order in Case No. 03-E-0188: The Renewable Portfolio Surcharge "RPS" is a mechanism which permits the Company to recover from customers costs associated with providing financial incentives for the development of renewable resources in New York State

Schedule Page: 232 Line No.: 20 Column: a

Amortization period: April 2004-June 2023

Schedule Page: 232 Line No.: 21 Column: a

Niagara Mohawk Power Corporation Statement of Commodity Adjustment Charge (CAC) P.S.C. No. 220 - Rule 29.2

Schedule Page: 232 Line No.: 22 Column: a

Merger Joint Proposal incl Attachment 1, Page 6, Line 11

Schedule Page: 232 Line No.: 23 Column: a

Merger Joint Proposal; Rate Plan 08-G-0609

Schedule Page: 232 Line No.: 24 Column: a

Amortization period: April 2004 - April 2038

Schedule Page: 232 Line No.: 25 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 232 Line No.: 26 Column: a

Amortization period: April 2009 - July 2012

Schedule Page: 232 Line No.: 27 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover

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Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 232 Line No.: 28 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 232 Line No.: 29 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 232 Line No.: 30 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 232 Line No.: 31 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 232 Line No.: 33 Column: a

Rate Case 08-G-0609: The Revenue Sharing Targets are set within this case

Schedule Page: 232 Line No.: 34 Column: a

Rate Case 08-G-0609: Extract paragraph "2.2 Site Investigation and Remediation (SIR) Costs"

Schedule Page: 232 Line No.: 35 Column: a

Case 07-M-0548: Per the order, the Company shall implement an EEPS Fast Track program and defer any over or under collections.

Schedule Page: 232 Line No.: 36 Column: a

Per P.S.C. No. 207 Electricity Fourth Revised Leaf No. 71-Q1, Superseding Third Revised Leaf No. 71-Q1.

Schedule Page: 232 Line No.: 37 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment

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Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 232 Line No.: 38 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 232 Line No.: 39 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 232 Line No.: 40 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 232 Line No.: 41 Column: a

Hewitt Report, Merger Joint Proposal: Opening balances are based on the "Hewitt Report", with straight line methodology adopted per the Merger Joint Proposal.

Schedule Page: 232 Line No.: 42 Column: a

Pursuant to Attachment 16 of the Merger Rate Plan, Niagara Mohawk records an offsetting regulatory asset equal to Separation and Early Retirement Costs and amortizes that balance by the established percentages.

Schedule Page: 232 Line No.: 43 Column: a

Pursuant to the Merger Rate Plan: the Company is authorized to recover certain deferred Fixed Competitive Transition Charges ("CTC") associated with the divestiture of generation (referred to as "stranded" or "fixed" costs).

Schedule Page: 232.1 Line No.: 1 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 232.1 Line No.: 2 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492,

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which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 232.1 Line No.: 3 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 232.1 Line No.: 4 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 232.1 Line No.: 5 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 232.1 Line No.: 6 Column: a

In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 232.1 Line No.: 7 Column: a

Under Section 1.2.4.11 of the Rate Plan, Niagara Mohawk is authorized to include in the deferral account "any reductions or additions to stranded costs associated with the implementation of the Niagara Mohawk Joint Proposal for Nine Mile Point (Case No. 01-E-0011), and the implementation of any of Niagara Mohawk's other agreements for the sale of the fossil and hydro generating assets to the extent allowed by the orders in those cases". The Stipulation provided for the resolution of all but two issues associated with Niagara Mohawk's March 27, 2006 Supplemental Compliance Filing in Case No. 01-E-0011, the Nine Mile divestiture proceeding. Specifically, Section 7 of the Stipulation included an agreement to settle a number of issues the net adjustments for which amounted to a net reduction in generation stranded costs of $39.1 million recognized effective June 30, 2005. At the same time, Section 2.1 of the Stipulation authorized Niagara Mohawk to record in the Deferral Account an increase of $38.9 million in nuclear-related SFAS 109 costs that had not previously been recorded.
The net effect of these agreed-upon adjustments was less than $200,000 for the year ending June 30, 2005.
The unresolved issues include (1) pension fair value deferral adjustment associated with Nine Mile, and (2) quantification of a nuclear transmission-related SFAS 109 adjustment, both as described in Section 2.4.1 of the Stipulation.

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In accordance with CASE 10-E-0050 - Compliance Filing of Niagara Mohawk Power Corporation to Eliminate Competitive Transition Charges from Electric Rates and Petition to Recover Certain Deferral Balances and CASE 07-E-1533 - Petition of Niagara Mohawk Power Corporation for Authorization to Defer Electric Transmission and Distribution Investment Costs. This account was involved in a balance transfer transaction which moved all or a portion of the account balance to create the newly formed Regulatory Asset account 182492, which will be amortized over a 15 month period beginning in January 2012, as per the aforementioned Orders.

Schedule Page: 232.1 Line No.: 8 Column: a

Case 08-G-0609, Section 4.1.1: The company will defer and reconcile its actual annual OPEB Expenses to the level allowed in rates. See Appendix L-1 and JE 6264D for detailed calculation

Schedule Page: 232.1 Line No.: 9 Column: a

Rate Plan, Section 1.2.4.15: Niagara Mohawk is authorized to defer any "refunds or revenue effects associated with the resolution of Case No. 99-E-0503" which involves the application of Section 76 of Public Service Law to religious institutions. Section 76 allows certain facilities owned or leased by a "corporation or association organized and conducted in good faith for religious purposes" to obtain electric service "for such religious purposes" at residential rates. The interpretation and application of this provision was subject to a long history of disputes that have been addressed by the Commission in Case No. 99-E-0503. The revenue effects of those decisions, either via refund, rate reclassification, or both are included in the deferral account.

Schedule Page: 232.1 Line No.: 10 Column: a

Sections 1.1.2 and 1.1.3 of the Memorandum of Agreement: Among the most significant issues involved in the Memorandum of Agreement that was reached between the Staff and Niagara Mohawk on March 31, 2003 was the funding for pension costs that had been recognized but not recovered from customers during the Power Choice period, and for an early retirement program that Niagara Mohawk had completed in 1994, but for which it had never received rate recovery. The funding requirements for the one-time costs associated with unrecovered pension costs during Power Choice totaled $40.0 million. The costs associated with the early retirement program minus offsets agreed to in the Memorandum of Agreement equaled $169.7 million, for a total of $209.7 million. Niagara Mohawk had not funded these amounts in its pension and OPEB plans. Under Sections 1.1.2 and 1.1.3 of the Memorandum of Agreement, Niagara Mohawk agreed to fund these amounts by the end of the Rate Plan Period, but was also given the flexibility to complete the funding earlier during the Rate Plan Period. In the latter event, Niagara Mohawk was allowed to include a limited return on the funding in the deferral account.
Specifically, clause (2) of Section 1.1.2 and (3) of Section 1.1.3 provide that: "Niagara Mohawk shall be allowed to include in the deferral account
established under Section 1.2.4 of the Rate Plan or any extensions thereof a return on this incremental . . . investment from the date at which it is
made, which return shall be calculated in accordance with Attachment 5."

Schedule Page: 232.1 Line No.: 11 Column: a

Under the Fourth CTC Reset's alternative recovery method / Case 01-M-0075: the Company was allowed to recover $123.6 million in 2010 and 123.6 million in 2011.

Schedule Page: 232.1 Line No.: 12 Column: a

Pursuant to Tariff Rule 30 and the Commission's February 14, 2000 Order in Case 99-G-1369: Niagara Mohawk is to recover and reconcile research and development Millenium Fund Costs in accordance with these rules. The order was Issued & Effective February 14, 2000

Schedule Page: 232.1 Line No.: 13 Column: a

Case 08-G-0609, Section 2.2.5: Applies to service classes SC1, 2 and 7 and will reconcile actual delivery service revenues to allowed delivery service revenues. Any shortfall or excess will be refunded or surcharged (with interest) to customers in the next calendar year. That volumetric transaction will also be subject to reconciliation.

Schedule Page: 232.1 Line No.: 14 Column: a

Case 08-G-0609, Section 4.4.4 (appendix L-8): The Company will defer and reconcile the amount of low income program costs recovered in rates (Section 6.1) to the actual costs of

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the program. The Company is only allowed to establish a deferred debit for actual costs greater than those recovered in rates if its actual annual earnings result in a return on equity that does not exceed 10.2%. The establishment of a deferred credit is not subject to an earnings test.

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ACCUMULATED DEFERRED INCOME TAXES (Account 190)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes.
2. At Other (Specify), include deferrals relating to other income and deductions.

Line No.	Description and Location (a)	Balance of Begining of Year (b)	Balance at End of Year (c)
1	Electric		
2	Pensions, OPEB and other employee benefits	292,565,066	170,923,438
3	Reserve - Environmental	162,912,183	160,655,879
4	Allowance for uncollectible accounts	70,253,489	63,646,056
5	Other items	94,034,768	57,949,101
6			
7	Other		
8	TOTAL Electric (Enter Total of lines 2 thru 7)	619,765,506	453,174,474
9	Gas		
10	Pensions, OPEB and other employee benefits	44,017,193	35,733,447
11	Reserve - Environmental	24,510,572	30,601,120
12	Allowance for uncollectible accounts	10,569,824	14,929,322
13	Other items	14,147,781	30,842,995
14			
15	Other		
16	TOTAL Gas (Enter Total of lines 10 thru 15	93,245,370	112,106,884
17	Other (Specify)		
18	TOTAL (Acct 190) (Total of lines 8, 16 and 17)	713,010,876	565,281,358

Notes

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ELECTRIC OPERATION AND MAINTENANCE EXPENSES

If the amount for previous year is not derived from previously reported figures, explain in footnote.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
1	1. POWER PRODUCTION EXPENSES		
2	A. Steam Power Generation		
3	Operation		
4	(500) Operation Supervision and Engineering		
5	(501) Fuel		
6	(502) Steam Expenses		
7	(503) Steam from Other Sources		
8	(Less) (504) Steam Transferred-Cr.		
9	(505) Electric Expenses		
10	(506) Miscellaneous Steam Power Expenses		
11	(507) Rents		
12	(509) Allowances		
13	TOTAL Operation (Enter Total of Lines 4 thru 12)		
14	Maintenance		
15	(510) Maintenance Supervision and Engineering		
16	(511) Maintenance of Structures		
17	(512) Maintenance of Boiler Plant		
18	(513) Maintenance of Electric Plant		
19	(514) Maintenance of Miscellaneous Steam Plant		
20	TOTAL Maintenance (Enter Total of Lines 15 thru 19)		
21	TOTAL Power Production Expenses-Steam Power (Entr Tot lines 13 & 20)		
22	B. Nuclear Power Generation		
23	Operation		
24	(517) Operation Supervision and Engineering		
25	(518) Fuel		
26	(519) Coolants and Water		
27	(520) Steam Expenses		
28	(521) Steam from Other Sources		
29	(Less) (522) Steam Transferred-Cr.		
30	(523) Electric Expenses		
31	(524) Miscellaneous Nuclear Power Expenses		
32	(525) Rents		
33	TOTAL Operation (Enter Total of lines 24 thru 32)		
34	Maintenance		
35	(528) Maintenance Supervision and Engineering		
36	(529) Maintenance of Structures		
37	(530) Maintenance of Reactor Plant Equipment		
38	(531) Maintenance of Electric Plant		
39	(532) Maintenance of Miscellaneous Nuclear Plant		
40	TOTAL Maintenance (Enter Total of lines 35 thru 39)		
41	TOTAL Power Production Expenses-Nuc. Power (Entr tot lines 33 & 40)		
42	C. Hydraulic Power Generation		
43	Operation		
44	(535) Operation Supervision and Engineering		
45	(536) Water for Power		
46	(537) Hydraulic Expenses		
47	(538) Electric Expenses		
48	(539) Miscellaneous Hydraulic Power Generation Expenses		
49	(540) Rents		
50	TOTAL Operation (Enter Total of Lines 44 thru 49)		
51	C. Hydraulic Power Generation (Continued)		
52	Maintenance		
53	(541) Mainentance Supervision and Engineering		
54	(542) Maintenance of Structures		
55	(543) Maintenance of Reservoirs, Dams, and Waterways		
56	(544) Maintenance of Electric Plant		
57	(545) Maintenance of Miscellaneous Hydraulic Plant		
58	TOTAL Maintenance (Enter Total of lines 53 thru 57)		
59	TOTAL Power Production Expenses-Hydraulic Power (tot of lines 50 & 58)		

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ELECTRIC OPERATION AND MAINTENANCE EXPENSES (Continued)

If the amount for previous year is not derived from previously reported figures, explain in footnote.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
60	D. Other Power Generation		
61	Operation		
62	(546) Operation Supervision and Engineering		
63	(547) Fuel		
64	(548) Generation Expenses		
65	(549) Miscellaneous Other Power Generation Expenses		
66	(550) Rents		
67	TOTAL Operation (Enter Total of lines 62 thru 66)		
68	Maintenance		
69	(551) Maintenance Supervision and Engineering		
70	(552) Maintenance of Structures		
71	(553) Maintenance of Generating and Electric Plant		
72	(554) Maintenance of Miscellaneous Other Power Generation Plant		
73	TOTAL Maintenance (Enter Total of lines 69 thru 72)		
74	TOTAL Power Production Expenses-Other Power (Enter Tot of 67 & 73)		
75	E. Other Power Supply Expenses		
76	(555) Purchased Power	896,865,534	982,545,653
77	(556) System Control and Load Dispatching		
78	(557) Other Expenses		
79	TOTAL Other Power Supply Exp (Enter Total of lines 76 thru 78)	896,865,534	982,545,653
80	TOTAL Power Production Expenses (Total of lines 21, 41, 59, 74 & 79)	896,865,534	982,545,653
81	2. TRANSMISSION EXPENSES		
82	Operation		
83	(560) Operation Supervision and Engineering	872,817	2,182,199
84	(561) Load Dispatching	2,375,753	2,862,601
85	(561.1) Load Dispatch-Reliability		
86	(561.2) Load Dispatch-Monitor and Operate Transmission System	2,759,628	2,572,962
87	(561.3) Load Dispatch-Transmission Service and Scheduling	155	
88	(561.4) Scheduling, System Control and Dispatch Services	4,109,374	4,438,211
89	(561.5) Reliability, Planning and Standards Development	1,274,783	1,303,697
90	(561.6) Transmission Service Studies	686	
91	(561.7) Generation Interconnection Studies	11,646	9,511
92	(561.8) Reliability, Planning and Standards Development Services	884,641	1,162,814
93	(562) Station Expenses	3,211,119	3,415,617
94	(563) Overhead Lines Expenses	4,751,287	3,856,268
95	(564) Underground Lines Expenses	27,871	27,605
96	(565) Transmission of Electricity by Others	3,900	282,774
97	(566) Miscellaneous Transmission Expenses	8,289,818	25,522,579
98	(567) Rents	10,774,612	10,228,227
99	TOTAL Operation (Enter Total of lines 83 thru 98)	39,348,090	57,865,065
100	Maintenance		
101	(568) Maintenance Supervision and Engineering	2,391,426	1,903,396
102	(569) Maintenance of Structures	19,525	28,404
103	(569.1) Maintenance of Computer Hardware	574,725	370,808
104	(569.2) Maintenance of Computer Software	927,002	670,570
105	(569.3) Maintenance of Communication Equipment	45,404	26,882
106	(569.4) Maintenance of Miscellaneous Regional Transmission Plant		
107	(570) Maintenance of Station Equipment	6,709,501	8,472,573
108	(571) Maintenance of Overhead Lines	22,462,501	23,688,962
109	(572) Maintenance of Underground Lines	468,429	277,896
110	(573) Maintenance of Miscellaneous Transmission Plant	588,252	267,484
111	TOTAL Maintenance (Total of lines 101 thru 110)	34,186,765	35,706,975
112	TOTAL Transmission Expenses (Total of lines 99 and 111)	73,534,855	93,572,040

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ELECTRIC OPERATION AND MAINTENANCE EXPENSES (Continued)

If the amount for previous year is not derived from previously reported figures, explain in footnote.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
113	3. REGIONAL MARKET EXPENSES		
114	Operation		
115	(575.1) Operation Supervision		
116	(575.2) Day-Ahead and Real-Time Market Facilitation		
117	(575.3) Transmission Rights Market Facilitation		
118	(575.4) Capacity Market Facilitation		
119	(575.5) Ancillary Services Market Facilitation		5,337,363
120	(575.6) Market Monitoring and Compliance		
121	(575.7) Market Facilitation, Monitoring and Compliance Services	4,278,588	
122	(575.8) Rents		
123	Total Operation (Lines 115 thru 122)	4,278,588	5,337,363
124	Maintenance		
125	(576.1) Maintenance of Structures and Improvements		
126	(576.2) Maintenance of Computer Hardware		
127	(576.3) Maintenance of Computer Software		
128	(576.4) Maintenance of Communication Equipment		
129	(576.5) Maintenance of Miscellaneous Market Operation Plant		
130	Total Maintenance (Lines 125 thru 129)		
131	TOTAL Regional Transmission and Market Op Expns (Total 123 and 130)	4,278,588	5,337,363
132	4. DISTRIBUTION EXPENSES		
133	Operation		
134	(580) Operation Supervision and Engineering	3,357,801	5,378,035
135	(581) Load Dispatching	11,441,447	12,784,898
136	(582) Station Expenses	7,409,892	10,917,829
137	(583) Overhead Line Expenses	12,526,027	9,829,323
138	(584) Underground Line Expenses	5,613,627	5,633,218
139	(585) Street Lighting and Signal System Expenses	1,399,573	860,676
140	(586) Meter Expenses	9,862,708	8,256,248
141	(587) Customer Installations Expenses	6,203,060	6,199,516
142	(588) Miscellaneous Expenses	39,964,152	51,715,210
143	(589) Rents	419,795	308,067
144	TOTAL Operation (Enter Total of lines 134 thru 143)	98,198,082	111,883,020
145	Maintenance		
146	(590) Maintenance Supervision and Engineering	174,867	353,426
147	(591) Maintenance of Structures	809,310	762,699
148	(592) Maintenance of Station Equipment	9,341,317	9,659,964
149	(593) Maintenance of Overhead Lines	128,084,363	101,670,913
150	(594) Maintenance of Underground Lines	4,831,703	3,412,018
151	(595) Maintenance of Line Transformers	2,730,233	3,069,252
152	(596) Maintenance of Street Lighting and Signal Systems	4,910,308	6,096,288
153	(597) Maintenance of Meters	1,012,990	1,067,484
154	(598) Maintenance of Miscellaneous Distribution Plant	426,675	243,643
155	TOTAL Maintenance (Total of lines 146 thru 154)	152,321,766	126,335,687
156	TOTAL Distribution Expenses (Total of lines 144 and 155)	250,519,848	238,218,707
157	5. CUSTOMER ACCOUNTS EXPENSES		
158	Operation		
159	(901) Supervision	2,655,777	3,052,521
160	(902) Meter Reading Expenses	3,805,945	4,175,481
161	(903) Customer Records and Collection Expenses	39,150,652	43,630,168
162	(904) Uncollectible Accounts	35,301,601	48,936,729
163	(905) Miscellaneous Customer Accounts Expenses	473,677	648,887
164	TOTAL Customer Accounts Expenses (Total of lines 159 thru 163)	81,387,652	100,443,786

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ELECTRIC OPERATION AND MAINTENANCE EXPENSES (Continued)

If the amount for previous year is not derived from previously reported figures, explain in footnote.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
165	6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
166	Operation		
167	(907) Supervision	79,282	4,291
168	(908) Customer Assistance Expenses	156,921,205	162,903,803
169	(909) Informational and Instructional Expenses	975,773	1,089,715
170	(910) Miscellaneous Customer Service and Informational Expenses	2,978,821	3,620,133
171	TOTAL Customer Service and Information Expenses (Total 167 thru 170)	160,955,081	167,617,942
172	7. SALES EXPENSES		
173	Operation		
174	(911) Supervision	5,921	514
175	(912) Demonstrating and Selling Expenses	485,674	537
176	(913) Advertising Expenses	4,124	
177	(916) Miscellaneous Sales Expenses	1,764	6,081
178	TOTAL Sales Expenses (Enter Total of lines 174 thru 177)	497,483	7,132
179	8. ADMINISTRATIVE AND GENERAL EXPENSES		
180	Operation		
181	(920) Administrative and General Salaries	60,524,181	68,425,814
182	(921) Office Supplies and Expenses	50,268,178	54,562,365
183	(Less) (922) Administrative Expenses Transferred-Credit	94,072	-2,882
184	(923) Outside Services Employed	24,943,794	11,418,463
185	(924) Property Insurance	1,074,523	889,665
186	(925) Injuries and Damages	14,852,481	13,369,280
187	(926) Employee Pensions and Benefits	193,585,551	99,370,088
188	(927) Franchise Requirements	1,090	1,128
189	(928) Regulatory Commission Expenses	97,986,380	98,609,735
190	(929) (Less) Duplicate Charges-Cr.	272,238	
191	(930.1) General Advertising Expenses	585,803	325,409
192	(930.2) Miscellaneous General Expenses	35,058,785	16,402,424
193	(931) Rents	5,083,449	8,456,579
194	TOTAL Operation (Enter Total of lines 181 thru 193)	483,597,905	371,833,832
195	Maintenance		
196	(935) Maintenance of General Plant	2,296,706	2,412,371
197	TOTAL Administrative & General Expenses (Total of lines 194 and 196)	485,894,611	374,246,203
198	TOTAL Elec Op and Maint Expns (Total 80,112,131,156,164,171,178,197)	1,953,933,652	1,961,988,826

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DISTRIBUTION OF SALARIES AND WAGES

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided. In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll charged for Clearing Accounts (c)	Total (d)
1	Electric			
2	Operation			
3	Production	33,742		
4	Transmission	9,430,249		
5	Regional Market			
6	Distribution	60,994,723		
7	Customer Accounts	20,608,389		
8	Customer Service and Informational	5,092,769		
9	Sales	6,695		
10	Administrative and General	40,673,620		
11	TOTAL Operation (Enter Total of lines 3 thru 10)	136,840,187		
12	Maintenance			
13	Production			
14	Transmission	8,799,817		
15	Regional Market			
16	Distribution	65,720,158		
17	Administrative and General	1,618,459		
18	TOTAL Maintenance (Total of lines 13 thru 17)	76,138,434		
19	Total Operation and Maintenance			
20	Production (Enter Total of lines 3 and 13)	33,742		
21	Transmission (Enter Total of lines 4 and 14)	18,230,066		
22	Regional Market (Enter Total of Lines 5 and 15)			
23	Distribution (Enter Total of lines 6 and 16)	126,714,881		
24	Customer Accounts (Transcribe from line 7)	20,608,389		
25	Customer Service and Informational (Transcribe from line 8)	5,092,769		
26	Sales (Transcribe from line 9)	6,695		
27	Administrative and General (Enter Total of lines 10 and 17)	42,292,079		
28	TOTAL Oper. and Maint. (Total of lines 20 thru 27)	212,978,621	5,511,683	218,490,304
29	Gas			
30	Operation			
31	Production-Manufactured Gas			
32	Production-Nat. Gas (Including Expl. and Dev.)			
33	Other Gas Supply			
34	Storage, LNG Terminaling and Processing			
35	Transmission			
36	Distribution	7,189,240		
37	Customer Accounts	6,091,659		
38	Customer Service and Informational	622,959		
39	Sales	7,070		
40	Administrative and General	3,219,180		
41	TOTAL Operation (Enter Total of lines 31 thru 40)	17,130,108		
42	Maintenance			
43	Production-Manufactured Gas			
44	Production-Natural Gas (Including Exploration and Development)			
45	Other Gas Supply			
46	Storage, LNG Terminaling and Processing			
47	Transmission			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Niagara Mohawk Power Corporation	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

DISTRIBUTION OF SALARIES AND WAGES (Continued)

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll charged for Clearing Accounts (c)	Total (d)
48	Distribution	18,168,842		
49	Administrative and General	16,964		
50	TOTAL Maint. (Enter Total of lines 43 thru 49)	18,185,806		
51	Total Operation and Maintenance			
52	Production-Manufactured Gas (Enter Total of lines 31 and 43)			
53	Production-Natural Gas (Including Expl. and Dev.) (Total lines 32,			
54	Other Gas Supply (Enter Total of lines 33 and 45)			
55	Storage, LNG Terminaling and Processing (Total of lines 31 thru			
56	Transmission (Lines 35 and 47)			
57	Distribution (Lines 36 and 48)	25,358,082		
58	Customer Accounts (Line 37)	6,091,659		
59	Customer Service and Informational (Line 38)	622,959		
60	Sales (Line 39)	7,070		
61	Administrative and General (Lines 40 and 49)	3,236,144		
62	TOTAL Operation and Maint. (Total of lines 52 thru 61)	35,315,914	1,254,627	36,570,541
63	Other Utility Departments			
64	Operation and Maintenance			
65	TOTAL All Utility Dept. (Total of lines 28, 62, and 64)	248,294,535	6,766,310	255,060,845
66	Utility Plant			
67	Construction (By Utility Departments)			
68	Electric Plant	72,720,399	4,804,808	77,525,207
69	Gas Plant	17,470,541	1,083,076	18,553,617
70	Other (provide details in footnote):			
71	TOTAL Construction (Total of lines 68 thru 70)	90,190,940	5,887,884	96,078,824
72	Plant Removal (By Utility Departments)			
73	Electric Plant	10,925,973	538,924	11,464,897
74	Gas Plant	1,510,334	87,901	1,598,235
75	Other (provide details in footnote):			
76	TOTAL Plant Removal (Total of lines 73 thru 75)	12,436,307	626,825	13,063,132
77	Other Accounts (Specify, provide details in footnote):			
78	Other Work In Progress	3,863,345	62,442	3,925,787
79	Preliminary Survey and Investigation	1,361,250	1,790	1,363,040
80	Misc AP and Accruals	5,735,356		5,735,356
81	Expense of Non Utility Operation	963,340	1,601	964,941
82	Misc Income Deduction	241,354		241,354
83	Donations	14,880	75	14,955
84				
85				
86				
87				
88				
89				
90				
91				
92				
93				
94				
95	TOTAL Other Accounts	12,179,525	65,908	12,245,433
96	TOTAL SALARIES AND WAGES	363,101,307	13,346,927	376,448,234

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Niagara Mohawk Power Corporation	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

DEPRECIATION AND AMORTIZATION OF ELECTRIC PLANT (Account 403, 404, 405)
(Except amortization of aquisition adjustments)

1. Report in section A for the year the amounts for : (b) Depreciation Expense (Account 403; (c) Depreciation Expense for Asset Retirement Costs (Account 403.1; (d) Amortization of Limited-Term Electric Plant (Account 404); and (e) Amortization of Other Electric Plant (Account 405).
2. Report in Section 8 the rates used to compute amortization charges for electric plant (Accounts 404 and 405). State the basis used to compute charges and whether any changes have been made in the basis or rates used from the preceding report year.
3. Report all available information called for in Section C every fifth year beginning with report year 1971, reporting annually only changes to columns (c) through (g) from the complete report of the preceding year.
Unless composite depreciation accounting for total depreciable plant is followed, list numerically in column (a) each plant subaccount, account or functional classification, as appropriate, to which a rate is applied. Identify at the bottom of Section C the type of plant included in any sub-account used.
In column (b) report all depreciable plant balances to which rates are applied showing subtotals by functional Classifications and showing composite total. Indicate at the bottom of section C the manner in which column balances are obtained. If average balances, state the method of averaging used.
For columns (c), (d), and (e) report available information for each plant subaccount, account or functional classification Listed in column (a). If plant mortality studies are prepared to assist in estimating average service Lives, show in column (f) the type mortality curve selected as most appropriate for the account and in column (g), if available, the weighted average remaining life of surviving plant. If composite depreciation accounting is used, report available information called for in columns (b) through (g) on this basis.
4. If provisions for depreciation were made during the year in addition to depreciation provided by application of reported rates, state at the bottom of section C the amounts and nature of the provisions and the plant items to which related.

A. Summary of Depreciation and Amortization Charges

Line No.	Functional Classification (a)	Depreciation Expense (Account 403) (b)	Depreciation Expense for Asset Retirement Costs (Account 403.1) (c)	Amortization of Limited Term Electric Plant (Account 404) (d)	Amortization of Other Electric Plant (Acc 405) (e)	Total (f)
1	Intangible Plant				-358,371	-358,371
2	Steam Production Plant					
3	Nuclear Production Plant					
4	Hydraulic Production Plant-Conventional	32,445				32,445
5	Hydraulic Production Plant-Pumped Storage					
6	Other Production Plant					
7	Transmission Plant	39,795,779	3,014	358,126		40,156,919
8	Distribution Plant	103,327,521	7,965	278,143		103,613,629
9	Regional Transmission and Market Operation					
10	General Plant	11,557,082				11,557,082
11	Common Plant-Electric	12,332,228				12,332,228
12	TOTAL	167,045,055	10,979	636,269	-358,371	167,333,932

B. Basis for Amortization Charges

404 Depreciation Rate:

Description	Depreciation Base	Depreciation Rate
35040	27,182,843.12	.0131
36015	4,720,006.94	.0133
36025	16,603,553.15	.0133

405 Depreciation Rate:

Description	Depreciation Base	Depreciation Rate
30200	70,817,949.37	.001607

No changes were made to the basis or rates used in the preceeding report year to calculate amortization charges for electric plant (Accounts 404 and 405).

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Niagara Mohawk Power Corporation	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

DEPRECIATION AND AMORTIZATION OF ELECTRIC PLANT (Continued)

C. Factors Used in Estimating Depreciation Charges

Line No.	Account No. (a)	Depreciable Plant Base (In Thousands) (b)	Estimated Avg. Service Life (c)	Net Salvage (Percent) (d)	Applied Depr. rates (Percent) (e)	Mortality Curve Type (f)	Average Remaining Life (g)
12	Transmission:						
13	352	29,880	65.00		1.54	R1.5	45.40
14	353	702,022	45.00		2.22	R2	31.70
15	353.1	3,152	45.00		2.22	R2	35.87
16	353.55	48,428	30.00		3.33	R2	18.36
17	354	120,569	70.00		1.42	R3	33.56
18	355	468,141	65.00		1.54	S2	48.93
19	356.10	126,579	75.00		1.33	R2.5	55.12
20	356.20	191,819	75.00		1.33	R2.5	56.65
21	357.1	9,049	75.00		1.33	R4	52.09
22	357.2	27,131	75.00		1.33	R4	51.17
23	358	115,567	75.00		1.33	R1.0	59.53
24	359	2,339	75.00		1.33	R3	64.19
25	Subtotal	1,844,676					
26							
27	Distribution:						
28	360.25	16,604	75.00		1.33	R2	69.19
29	361	36,028	75.00		1.34	R1.5	56.10
30	362	470,092	60.00		1.66	R1.5	55.21
31	362.1	2,266	60.00		1.66	R1.5	46.60
32	362.55	32,145	30.00		3.27	R1.5	18.20
33	364	905,698	65.00		1.54	S-5	18.20
34	365	1,004,431	50.00		2.00	R4	34.10
35	366.1	79,899	75.00		1.34	R1.5	57.73
36	366.2	67,510	75.00		1.34	R1.5	53.11
37	367.1	477,739	75.00		1.33	R1.5	62.73
38	368.1	40,224	45.00		2.23	L1.5	37.08
39	368.2	478,790	45.00		2.23	L1.5	32.43
40	368.3	271,799	45.00		2.23	L1.5	33.83
41	369.10	301,499	50.00		2.00	R2	33.54
42	369.20	9,687	75.00		1.34	R1.0	58.09
43	369.21	121,503	75.00		1.33	R1.5	63.27
44	370.10	52,994	20.00		5.00	S1.5	13.30
45	370.20	33,024	20.00		5.00	R3	13.81
46	370.3	8,527	20.00		5.00	R3	12.91
47	370.35	31,286	20.00		5.00	R3	11.55
48	371	7,900	40.00		2.50	SC	29.75
49	373.1	76,836	50.00		2.00	L0.5	39.06
50	373.2	141,285	70.00		1.43	L0.5	59.86

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Niagara Mohawk Power Corporation	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

DEPRECIATION AND AMORTIZATION OF ELECTRIC PLANT (Continued)

C. Factors Used in Estimating Depreciation Charges

Line No.	Account No. (a)	Depreciable Plant Base (In Thousands) (b)	Estimated Avg. Service Life (c)	Net Salvage (Percent) (d)	Applied Depr. rates (Percent) (e)	Mortality Curve Type (f)	Average Remaining Life (g)
12	Subtotal	4,667,766					
13							
14	General:						
15	390	91,536	55.00		1.82	S0	40.27
16	391	5,031	22.00		4.55	R2.5	9.99
17	391.10	2,811	22.00		4.55	L1	11.91
18	391.20	1,148	5.00		17.40	R3	2.90
19	393	2,143	22.00		4.55	L1.5	10.79
20	394	3,897	22.00		4.54	S1	15.43
21	394.10	6,369	22.00		4.54	S1	11.65
22	394.20	25,552	22.00		4.54	L0	19.03
23	395	21,593	22.00		4.55	L1.5	12.28
24	395.1	44	22.00		4.55	L1.5	10.73
25	396	221	14.00		7.14	L3	12.50
26	397.2	50,298	22.00		4.52	L1	15.03
27	397.3	5,359	22.00		4.52	L1	14.87
28	397.4	32	8.00		0.21	S2	3.24
29	397.5	6,682	22.00		4.55	L1	16.09
30	397.6	10,955	22.00		4.55	L1	12.72
31	398	8,627	22.00		4.54	L3	7.66
32	398.1	468	22.00		4.54	L0.5	12.94
33	398.55	494	22.00		4.54	L3	10.62
34	398.56	13,727	22.00		4.54	L0	14.04
35	Subtotal	256,987					
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Niagara Mohawk Power Corporation	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

COMMON UTILITY PLANT AND EXPENSES

1. Describe the property carried in the utility's accounts as common utility plant and show the book cost of such plant at end of year classified by accounts as provided by Plant Instruction 13, Common Utility Plant, of the Uniform System of Accounts. Also show the allocation of such plant costs to the respective departments using the common utility plant and explain the basis of allocation used, giving the allocation factors.
2. Furnish the accumulated provisions for depreciation and amortization at end of year, showing the amounts and classifications of such accumulated provisions, and amounts allocated to utility departments using the Common utility plant to which such accumulated provisions relate, including explanation of basis of allocation and factors used.
3. Give for the year the expenses of operation, maintenance, rents, depreciation, and amortization for common utility plant classified by accounts as provided by the Uniform System of Accounts. Show the allocation of such expenses to the departments using the common utility plant to which such expenses are related. Explain the basis of allocation used and give the factors of allocation.
4. Give date of approval by the Commission for use of the common utility plant classification and reference to order of the Commission or other authorization.

Departmental Allocation of Common Items

Allocation to Electric	85%
Allocation to Gas	15%

RESERVE FOR DEPRECIATION OF COMMON UTILITY PLANT

Balance January 1, 2011		107,880,579
Depreciation and Amortization Provisions for year charged to:		
Depreciation - Electric	12,332,228	
Depreciation - Gas	2,176,276	
Amortization - Electric		
Amortization - Gas		
Transportation - Clearing Account		
Total Depreciation and Amortization Provisions	14,508,504	
Net Charges for Plant Retired:		
Book Cost of Plant Retired	(3,484,633)	
Cost of Removal	(1,194,947)	
Salvage (Credit)	0	
Net Charges for Plant Retired	(4,679,579)	
Other Debit or Credit Items:		
Net increase in Retirement Work in Progress	219,878	
Transfer of Provisions to Electric Department	(444,995)	
Accum. Amortization-Limited Term Property-Johnson Bldg.		
Balance December 31, 2011	$118,374,377	

Common Utility Expenses and Departmental Allocation

The basis for the allocation of Common Plant is 85% of Common Plant is allocated to Electric Plant and 15% of Common Plant is allocated to Gas Plant.

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TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR

1. Give particulars (details) of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual, or estimated amounts of such taxes are know, show the amounts in a footnote and designate whether estimated or actual amounts.
2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes.) Enter the amounts in both columns (d) and (e). The balancing of this page is not affected by the inclusion of these taxes.
3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b)amounts credited to proportions of prepaid taxes chargeable to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.
4. List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained.

Line No.	Kind of Tax (See instruction 5) (a)	BALANCE AT BEGINNING OF YEAR Taxes Accrued (Account 236) (b)	Prepaid Taxes (Include In Account 165) (c)	Taxes Charged During Year (d)	Taxes Paid During Year (e)	Adjust-ments (f)
1	FEDERAL					
2	Income Taxes	98,067,252		126,713,403	138,742,024	-3,652,136
3	FICA Contribution	1,996,875		30,721,664	28,898,185	
4	Unemployment	1,640		180,645	221,540	
5	Other					
6	SUBTOTAL	100,065,767		157,615,712	167,861,749	-3,652,136
7						
8	STATE					
9	Franchise - Gross Income		11,948,387	16,133,774	3,433,873	3,652,136
10	Franchise - Gross Earnings	-2,300,471		26,935,185	23,141,261	
11	Franchise - Excess Dividends					
12	Temporary Surcharges					
13	Sec. 186a (Gross Inc)					
14	Sec. 186 (Gross Earnings)					
15	Sec. 186 (Excess Dividends)					
16	MTA Surcharge					
17	Unemployment Insurance	2,979		508,746	503,967	
18	Disability Insurance					
19	Sales and Use	989,501	9,209,960	4,385,243	1,325,428	
20	Petroleum Business Tax - NY					
21	Other					
22	SUBTOTAL	-1,307,991	21,158,347	47,962,948	28,404,529	3,652,136
23						
24	LOCAL					
25	Real Estate			182,657,606	182,657,606	
26	Special Franchise					
27	Municipal Gross Income	1,789,954		124,801,987	125,004,335	
28	NYC Special Franchise					
29	Public Utility Excise					
30	Sales and Use	716,536	6,669,281	3,175,521	959,793	
31	Other					
32	SUBTOTAL	2,506,490	6,669,281	310,635,114	308,621,734	
33						
34	OTHER					
35	New Jersey Unemployment					
36	Non - NY Franchise Tax					
37	Use Tax from STS	7,092,562		15,244,968	21,172,926	
38	Miscellaneous				2,296	
39						
40						
41	TOTAL	108,356,828	27,827,628	531,458,742	526,063,234	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Niagara Mohawk Power Corporation	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR (Continued)

5. If any tax (exclude Federal and State income taxes)- covers more then one year, show the required information separately for each tax year, identifying the year in column (a).
6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a foot- note. Designate debit adjustments by parentheses.
7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.
8. Report in columns (i) through (l) how the taxes were distributed. Report in column (l) only the amounts charged to Accounts 408.1 and 409.1 pertaining to electric operations. Report in column (l) the amounts charged to Accounts 408.1 and 109.1 pertaining to other utility departments and amounts charged to Accounts 408.2 and 409.2. Also shown in column (l) the taxes charged to utility plant or other balance sheet accounts.
9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.

BALANCE AT END OF YEAR		DISTRIBUTION OF TAXES CHARGED				Line No.
(Taxes accrued Account 236) (g)	Prepaid Taxes (Incl. in Account 165) (h)	Electric (Account 408.1, 409.1) (i)	Extraordinary Items (Account 409.3) (j)	Adjustments to Ret. Earnings (Account 439) (k)	Other (l)	
						1
82,386,495		72,383,762			54,215,006	2
3,820,355		19,285,759			11,435,904	3
-39,256		180,645				4
						5
86,167,594		91,850,166			65,650,910	6
						7
						8
4,403,649		-2,060,538			18,180,035	9
1,493,453		22,002,280			4,932,905	10
						11
						12
						13
						14
						15
						16
7,758		508,187			559	17
						18
7,682	5,168,324	51,936			4,333,306	19
						20
						21
5,912,542	5,168,324	20,501,865			27,446,805	22
						23
						24
		143,020,905			39,636,700	25
						26
1,587,607		97,853,056			26,948,931	27
						28
						29
5,562	3,742,580	37,609			3,137,912	30
						31
1,593,169	3,742,580	240,911,570			69,723,543	32
						33
						34
						35
						36
1,164,604					15,244,968	37
-2,296						38
						39
						40
94,835,613	8,910,904	353,263,601			178,066,226	41

Niagara Mohawk Power Corporation
Transmission Working Capital

Line No.	Description	Source	December 31, 2011
1	Materials and Supplies	Schedule B	8,730,185
2	Prepayments	Schedule C	7,871,447
3	Cash Working Capital	Schedule D	7,728,845

Niagara Mohawk Power Corporation

Transmission Materials and Supplies

Line No.	Description	Source	December 31, 2011
1	Total Materials and Supplies (154)	Statement AA/FF1 48.c	33,466,311
2	Materials and Supplies Directly assigned to Transmission		
3	% Directly Assigned to Transmission		10.00%
4	Materials and Supplies allocated to Transmission	Line 3 * Line 1	3,346,631
5	Materials and Supplies Directly assigned to Distribution		
6	% Assigned to Electric Distribution		17.46%
7	Materials and Supplies allocated to Distribution	Line 6 * Line 1	5,843,218
8	Percentage not directly assigned	1 - Line 3 - Line 6	72.54%
9	Materials and Supplies not directly assigned	Line 8 * Line 1	24,276,462
10	Gross Electric Plant Allocation Factor		78.91%
11	Transmission Plant Allocation Factor		28.10%
12	Remainder Construction Materials & Supplies Allocated	Line 9 * Line 10 * Line 11	5,383,554
13	Total Transmission Materials & Supplies	Line 4 + Line 12	8,730,185

Niagara Mohawk Power Corporation
Transmission Prepayments

Line No.	Description	Source	December 31, 2011
1	Total Prepayments	Statement AA/FF1 57.c	35,495,304
2	Less Prepayments for Federal and State Income Tax		0
3	Subtotal of Prepayments	Line 1 - Line 2	35,495,304
4	% Assigned to Electric		78.91%
5	Materials and Supplies allocated to Electric	Line 4 * Line 5	28,008,800
6	% Assigned to Transmission		28.10%
7	Materials and Supplies allocated to Transmission	Line 5 * Line 6	7,871,447

Niagara Mohawk Power Corporation

Transmission Cash Working Capital

Line No.	Description	Source	December 31, 2011
1	Transmission Operations and Maintenance Expense	Statement AH/FF1 112.b	73,534,855
2	Less Load Dispatching	Acct # 561	11,416,666
3	Less Write off of Regional Delivery Venture Capital	Exhibit NMP-4 Schedule 9	287,429
4	Less Write off of Tonawanda Project		0
5	Subtotal	Line 1 - Line 2 - Line 3 - Line 4	61,830,760
6	Allocation Factor (45 days / 360 days = 1 month times 1.5)		12.50%
7	Transmission Cash Working Capital	Line 5 * Line 6	7,728,845

Niagara Mohawk Power Corporation
Construction Work In Progress

This statement is not applicable. The Company's revenue requirement formula under Attachment H of the NYISO OATT does not rely on data and supporting assumptions relating to construction work in progress amounts. In addition, the Company is not requesting inclusion of Construction Work in Progress in its revenue requirement formula in the RR component of Attachment H.

Niagara Mohawk Power Corporation
Notes Payable

This statement is not applicable. The Company's revenue requirement formula under Attachment H of the NYISO OATT does not rely on data and supporting assumptions relating to notes payable amounts. In addition, the Company is not requesting inclusion of Notes Payable in its revenue requirement formula in the RR component of Attachment H.

Niagara Mohawk Power Corporation
Rate for Allowance for Funds used During Construction

This statement is not applicable. The Company's revenue requirement formula under Attachment H of the NYISO OATT does not rely on data and supporting assumptions relating to rates for allowance for funds used during construction. In addition, the Company is not requesting inclusion of AFUDC in its revenue requirement formula in the RR component of Attachment H.

Niagara Mohawk Power Corporation
Federal Income Tax Deduction – Interest
(000)

Line No.		
1	Interest for Borrowed Funds Used for Electric Utility Construction - Account 432	$1,171
2		
3	Interest on Debt to Associated Companies	
4	Money Pool Interest Expense	$15
5	Niagara Mohawk Holdings, Inc.	$29,021
6	Total Account 430	$29,036
7		
8	Other Interest	
9	Miscellaneous Interest	($1,161)
10	Interest Expense - Tax	$9,438
11	Interest on Customer Deposits	$0
12	Interest on Nuclear Fuel Disposal Costs	$0
13	Interest on OATT Deposits	$0
14	Interest on Deferred Compensation	$0
15	Other Interest - Commitment Fee	$40
16	Total Account 431	$8,317
17		
18		
19	Interest on Long Term Debt	
20	Rate Base	$1,152,172
21	Weighted Long Term Debt Rate	$0
22	Interest on Long Term Debt	$45,666

Niagara Mohawk Power Corporation
Federal Income Tax Deduction – Other Than Interest
(000)

Line No.			
1	(I) Difference Between Tax and Book Depreciation 1/		$153,737
2	(II) Taxes, Insurance and Pension Costs Capitalized		$0
3	(III) Cost of Removal		$44,780
4	Preferred Dividend Paid Deduction		$297
5	**Total Other**		$45,077
6	**1/ Tax Depreciation and Amortization Under IRC:**		
7	Straight Line	$0	
8	ADR System	$0	
9	ACRS	$696	
10	MACRS	$364,481	
11	**Total Tax Depreciation and Amortization**		$365,177
12	Book Depreciation and Amortization:		
13	Book Depreciation	$211,440	
14	Total Book Depreciation and Amortization		$211,440
15	Difference Between Tax and Book Depreciation		$153,737
16	Note: Amounts represent combined electric and gas business and tie to FERC Form 1 page 261-A.		

Niagara Mohawk Power Corporation
Federal Income Tax Expense
FERC Form 1 12/31/11

Line No.		Electric	Gas	Other	Total
1	**410**				
2	**Contra Account 282**				
3	Property Related Differences	90,015,946	28,426,088	0	118,442,034
4	**Contra Account 283**				
5	Property Taxes	533,889	109,351	0	643,240
6	Regulatory Asset - Environmental	(0)	0	0	(0)
7	Regulatory Asset - Pension	(3,689,321)	(755,644)	0	(4,444,965)
8	Regulatory Asset - Other	469,188,080	(166,486,093)	0	302,701,987
9	Regulatory Asset - Not in Rate Base	(8,004,427)	0	0	(8,004,427)
10	Unamortized Debt Discount	0	0	0	0
11	**Subtotal**	**458,028,221**	**(167,132,386)**	**0**	**290,895,835**
12	**Contra Account 190**				
13	FIT on Deferred SIT	0	0	0	0
14	Accrued Interest	0	0	0	0
15	Bad Debts	1,345,558	523,273	0	1,868,831
16	Deferred Compensation	(661,339)	(135,455)	0	(796,794)
17	Employee Compensation and Benefits	0	0	0	0
18	Hedging	0	0	0	0
19	OPEB Liability	50,737,810	10,392,082	0	61,129,892
20	Other Items	0	0	0	0
21	Pension Liability	82,785,655	16,956,098	0	99,741,753
22	Regulatory Liability - Other	6,801,931	2,915,113	0	9,717,044
23	Reserve - Environmental	(1,248,482)	0	0	(1,248,482)
24	Reserve - Other	3,317,689	679,527	0	3,997,216
25	Unbilled Revenue	0	0	0	0
26	**Subtotal**	**143,078,823**	**31,330,637**	**0**	**174,409,460**
27	**Total 410**	**691,122,990**	**(107,375,660)**	**0**	**583,747,330**
28	**Below the Line Reclass (410.2)**	2,427,699	497,239		2,924,938
29	**Adjusted Total 410**	**693,550,689**	**(106,878,421)**		**586,672,268**

Niagara Mohawk Power Corporation
Federal Income Tax Expense
FERC Form 1 12/31/11

Line No.		Electric	Gas	Other	Total
1	**411**				
2	**Contra Account 282**				
3	Property Related Differences	0	0	0	0
4	**Contra Account 283**				
5	Executive Deferred Compensation Liability	(6,034)	(1,236)	0	(7,270)
6	Regulatory Asset - Environmental	(65,518,887)	35,186,069	0	(30,332,818)
7	Regulatory Asset - Merger Rate Stranded	(194,986,871)	0	0	(194,986,871)
8	Regulatory Asset - Pension	(43,593,555)	(8,928,801)	0	(52,522,356)
9	Regulatory Asset - OPEB	(40,747,025)	(8,345,776)	0	(49,092,801)
10	Regulatory Asset - Storm Costs	(56,373,706)	0	0	(56,373,706)
11	Regulatory Asset - Other	(87,384,392)	31,007,365	0	(56,377,027)
12	Regulatory Asset - Not in Rate Base	(220,902,115)	0	0	(220,902,115)
13	Unamortized Debt Discount	(1,174,752)	(240,612)	0	(1,415,363)
14	**Subtotal**	**(710,687,337)**	**48,677,009**	**0**	**(662,010,328)**
15	**Contra Account 190**				
16	FIT on Deferred SIT	(3,262,606)	(58,375)	0	(3,320,981)
17	Accrued Interest	(2,312,088)	(990,895)	0	(3,302,983)
18	Bad Debts	0	0	0	0
19	Deferred Compensation	(3,689,172)	(755,613)	0	(4,444,785)
20	Employee Compensation and Benefits	(225,677)	(46,223)	0	(271,900)
21	Hedging	0	(24,010,360)	0	(24,010,360)
22	OPEB Liability	22,245,713	4,556,351	0	26,802,064
23	Other Items	(9,860,172)	(2,019,553)	0	(11,879,725)
24	Pension Liability	13,916,843	2,850,438	0	16,767,281
25	Regulatory Liability - Other	(0)	(0)	0	(1)
26	Reserve - Environmental	(1,939,131)	0	0	(1,939,131)
27	Reserve - Other	0	0	0	0
28	Unbilled Revenue	(5,626,212)	0		(5,626,212)
29	**Subtotal**	**9,247,499**	**(20,474,231)**	**0**	**(11,226,732)**
30	**Total 411**	**(701,439,838)**	**28,202,778**	**0**	**(673,237,060)**
31	**Below the Line Reclass (411.2)**	0	0		0
32	**Adjusted Total 411**	**(701,439,838)**	**28,202,778**	**0**	**(673,237,060)**

Niagara Mohawk Power Corporation
Additional State Income Tax Deductions
($000)

Line No.		
1	**New York State Franchise Tax**	
2	Additional New York State Depreciation	$13,667
3	Regulatory Asset Amortization	$463,996
4	Additional New York State Loss on Asset Disposition	$349
5	Total Additional State Tax Deductions (L2 + L3 + L4)	$478,012
6	Tax Exempt Interest Income	($322)
7	Dividends Received Deduction	($69)
8	Bonus Depreciation	($184,536)
9	State Tax Expense	($13,532)
10	Total State Tax Unallowable Deductions (L6 + L7+L8 + L9)	($198,459)

NOTE: Amounts represent combined electric and gas business.

Niagara Mohawk Power Corporation
State Income Tax Expense
FERC Form 1 12/31/11

Line No.		Electric	Gas	Other	Total
1	**410**				
2	**Contra Account 282**				
3	Property Related Differences	6,742,728	2,129,282	0	8,872,010
4	**Contra Account 283**				
5	Property Taxes	0	0	0	0
6	Regulatory Asset - Environmental	(1)	0	0	(0)
7	Regulatory Asset - Merger Rate Stranded	0	0	0	0
8	Regulatory Asset - Pension	(748,405)	(153,288)	0	(901,693)
9	Regulatory Asset - Other	65,608,084	(23,280,288)	0	42,327,796
10	Regulatory Asset - Not in Rate Base	(1,578,431)	0	0	(1,578,431)
11	Unamortized Debt Discount	0	0	0	0
12	**Subtotal**	**63,281,247**	**(23,433,575)**	**0**	**39,847,672**
13	**Contra Account 190**				
14	Accrued Interest	0	0	0	0
15	Bad Debts	272,956	106,150	0	379,106
16	Deferred Compensation	(134,157)	(27,478)	0	(161,636)
17	Employee Compensation and Benefits	36,221	7,419	0	43,639
18	Hedging	0	2,902,996	0	2,902,996
19	OPEB Liability	10,158,125	2,080,580	0	12,238,704
20	Pension Liability	14,790,042	3,029,286	0	17,819,328
21	Other Items	0	0	0	0
22	Regulatory Liability - Other	1,379,820	591,352	0	1,971,172
23	Reserve - Environmental	(253,264)	0	0	(253,264)
24	Reserve - Other	593,485	121,557	0	715,042
25	Unbilled Revenue	0	0	0	0
26	**Subtotal**	**26,843,227**	**8,811,860**	**0**	**35,655,087**
27	**Total 410**	**96,867,202**	**(12,492,432)**	**0**	**84,374,769**

Niagara Mohawk Power Corporation
State Income Tax Expense
FERC Form 1 12/31/11

Line No.		Electric	Gas	Other	Total
1	**411**				
2	**Contra Account 282**				
3	Property Related Differences	0	0	0	0
4	**Contra Account 283**				
5	Regulatory Asset - Environmental	(2,473,796)	1,328,520	0	(1,145,276)
6	Regulatory Asset - Merger Rate Stranded	(3,414,070)	0	0	(3,414,070)
7	Regulatory Asset - Pension	(8,641,370)	(1,769,919)	0	(10,411,289)
8	Regulatory Asset - OPEB	(8,265,825)	(1,693,000)	0	(9,958,825)
9	Regulatory Asset - Storm Costs	(11,435,809)	0	0	(11,435,809)
10	Regulatory Asset - Other	0	0	0	0
11	Regulatory Asset - Not in Rate Base	(44,654,090)	0	0	(44,654,090)
12	Property Taxes	(172,827)	(35,398)	0	(208,225)
13	Unamortized Debt Discount	(383,655)	(78,580)	0	(462,235)
14	**Subtotal**	**(79,441,441)**	**(2,248,377)**	**0**	**(81,689,819)**
15	**Contra Account 190**				
16	Net Operating Loss	0	0	0	0
17	Accrued Interest	(509,225)	(160,808)	0	(670,033)
18	Bad Debts	0	0	0	0
19	Deferred Compensation	(408,091)	(83,585)	0	(491,676)
20	Employee Compensation and Benefits	0	0	0	0
21	Hedging	0	0	0	0
22	OPEB Liability	3,593,310	735,979	0	4,329,289
23	Other Items	(810,322)	(165,969)	0	(976,291)
24	Pension Liability	2,823,131	578,232	0	3,401,362
25	Regulatory Liability - Other	(0)	(0)	0	(0)
26	Reserve - Environmental	(393,367)	0	0	(393,367)
27	Reserve - Other	0	0	0	0
28	**Subtotal**	**4,295,435**	**903,848**	**0**	**5,199,284**
29	**Total 411**	**(75,146,006)**	**(1,344,529)**	**0**	**(76,490,535)**

Niagara Mohawk Power Corporation
Transmission Revenue Credit

Line No.		Source	Calender Year 11
1	Transmission of Electricity for Others (456.1)	FF 1 300.22b	109,604,995
2	Less: Transmission of Electricity by ISO (ECR, CRR, SR)		42,691,419
3	Subtotal	Line 1 - Line 2	66,913,576
4			
5	Less:		
6	TSC Customers		20,591,932
7	Green Island & Richmondville		196,499
8	Subtotal Deductions	Line 6 + Line 7	20,788,431
9			
10	Subtotal Transmission Revenue Credit	Line 3 + Line 8	46,125,145
11			
12	Transmission Support Revenue (456010 & 456040)		1,249,832
13			
14	Total Transmission Revenue Credit	Line 10 + Line 12	47,374,977
15			

Niagara Mohawk Power Corporation
Transmission Rate of Return
December 31, 2011

Line No.		Source	Amount	Percent of Total	Rate	Return
1	Long Term Debt	Statement AA/FF1 112.24c	2,399,711,594			
2	Less Unamortized Loss on Reacquired Debt	Statement AA/FF1 111.81c	24,128,513			
3	Long Term Debt	Line 1 - Line 2	2,375,583,081	49.53%	3.96%	1.96%
4	Preferred Stock	Statement AA/FF1 112.3c	28,984,701	0.47%	3.66%	0.02%
5	Common Stock Issued	Statement AA/FF1 112.2c	187,364,863			
6	Other Paid in Capital	Statement AA/FF1 112.7c	2,913,140,406			
7	Retained Earnings	Statement AA/FF1 112.11c	713,216,553			
8	Common Equity	Lines 5 thru 7	3,813,721,822	50.00%	11.50%	5.75%
9						
10	Total Investment Return	Line 3 + Line 4 + Line 8	6,218,289,604			7.73%

Niagara Mohawk Power Corporation
Cost of Money
Twelve Months Ending December 31, 2011

Line No.		Source	Beginning Balance	Ending Balance	Average	2011
1	**Interest on Long Term Debt**					
2						
3	Total Niagara Mohawk Interest on Long Term Debt	Statement AB FF1/117 62c + 67c				90,619,469
4	Amortization of Debt Discount Expense	Statement AB/FF1 117 63c				2,464,006
5	Amortization of Loss on Reacquired Debt	Statement AB/FF1 117 64c				1,108,069
6	Less: Amortization of Premium on Debt	Statement AB/FF1 117 65c				
7	Less: Amortization of Gain on Reacquired Debt	Statement AB/FF1 117 66c				60,460
8	**Interest Costs plus Expense**	Sum Lines 3-7				94,131,084
9						
10	**Total Long Term Debt**					
11						
12	Total Niagara Mohawk Long Term Outstanding Debt	Statement AA/FF1 112.18 thru .21	2,400,065,000	2,400,065,000	2,400,065,000	
13	Unamortized Premium on Long Term Debt	Statement AA/FF1 112.22			0	
14	Less Unamortized Debt Discount Expense	Statement AA/FF1 112.23	415,359	353,406	384,383	
15	Less: Unamortized Loss on Reacquired Debt	Statement AA/FF1 111.81	25,339,795	24,128,513	24,734,154	
16	**Total Long Term Debt**	Sum Lines 12-15	2,374,309,846	2,375,583,081	2,374,946,464	
17	**Debt Cost as % of Debt**	Line 8 / Line 16 Average			3.96%	
18						
19						
20	**Preferred Stock**					
21						
22	Total Niagara Mohawk Dividends Declared	Statement AC/FF1 118 29c				1,060,497
23	Total Niagara Mohawk Preferred Stock	Statement AA/FF1 112.3c				28,984,701
24	**Preferred Stock Cost**	Line 22 / Line 23				3.66%

NIAGARA MOHAWK POWER CORPORATION
Cost of short-term debt

This statement is not applicable. The Company's revenue requirement formula under Attachment H of the NYISO OATT does not rely on data and supporting assumptions relating to cost of short term debt amounts. In addition, the Company is not requesting inclusion of Cost of Short Term Debt in its revenue requirement formula under Attachment H.

Recent and Pending Rate Changes

The following reflects recent and pending rate changes of Niagara Mohawk Power Corporation d/b/a National Grid ("NMPC" or "Company") describing the extent to which operating revenues are subject to refund since the start date of Period I on January 1, 2011:

Transmission ROE Complaint

On September 11, 2012, in Docket No. EL12-101-000, the New York Association of Public Power ("NYAPP") filed with the Commission a complaint under Section 206 of the Federal Power Act against Niagara Mohawk Power Corporation to lower the base ROE for transmission service under the TSC Rate from the Commission-approved rate of 11.5% which includes a NYISO participation incentive adder, to 9.49 percent. Similarly, on November 2, 2012 the Municipal Electric Utilities Association ("MEUA") filed a Section 206 complaint in Docket No. EL13-16-000 seeking to lower the Company's ROE to 9.25% including the NYISO participation adder. MEUA also challenges certain aspects of the Company's TSC transmission formula rate. As of the date of the Company's filing in this proceeding, both of the complaint proceedings are currently pending. Accordingly, the Company's revenues under the TSC rate are subject to refund on an effective date that could occur as early as September 11, 2012, depending on the Commission's decisions in the complaint proceedings.

Retail Rate Proceedings

NYPSC Case 10-E-0050

In January 2010, the Company filed an application with the New York Public Service Commission ("NYPSC") in Case 10-E-0050 for new electricity base rates, effective January 2011, which would terminate its then-existing Merger Rate Plan ("MRP") one year early. In correspondence dated January 31, 2011, the Company advised the NYPSC that it accepted the conditions set forth in the NYPSC's January 24, 2011 Order Establishing Rates for Electric Service and filed tariffs to reflect a 9.3% ROE, which would result in a revenue requirement increase totaling approximately $119 million. Of the increase granted, $50 million in revenue was established as temporary rates subject to the results of the NYPSC's audit of service company costs allocated to the Company. The NYPSC also established a fixed level of $29.8 million per year for the Company's costs associated with site investigation and remediation ("SIR") of former manufactured gas plants ("MGPs") and other environmental sites. While the Company had previously recovered all prudently incurred SIR costs, for any annual spend above the fixed level, 80% will now be placed into a deferral account for recovery in a future rate case and the other 20% will be the responsibility of the Company. For any annual spend below the fixed level, a credit will be applied to the deferral account.

The NYPSC adopted the capital expenditures stipulation entered into between the Company, Department of Public Service ("DPS") Staff, and Multiple Intervenors in the rate case, which addresses, among other things, the Company's capital budget and investments for fiscal years 2011 and 2012. The revenue requirement associated with the amount of capital reflected in the Company's rates for calendar year 2011 is subject to refund to customers, through a regulatory liability, if the Company fails to invest up to the levels agreed in the stipulation. Based on calendar year 2011 actual results, the Company has determined that the combined plant in service and depreciation levels approved in the rate case were exceeded and that no refund is required. In addition, the NYPSC approved the revenue decoupling stipulation entered into between the Company, DPS Staff, the New York Power Authority, and Natural Resources Defense Council /Pace Energy Project which allows for the implementation of a revenue decoupling mechanism whereby the Company implements a surcharge or credit as a result of the reconciliation between allowed revenue and billed revenue. A copy of the NYPSC's order from that proceeding, issued and effective January 24, 2011, is attached to this Statement AX as Attachment 1.

NYPSC Cases 12-E-0201 and 12-G-0202

On April 27, 2012, the Company filed with the NYPSC to adjust its base electric and gas rates. The Company's filing sought to increase electric delivery base revenues by approximately $130.7 million and gas delivery base revenues by approximately $39.8 million. In October 2012, the Department of Public Service Staff, the Company and other parties reached a comprehensive agreement to settle the both cases. A joint proposal formalizing the settlement agreement was filed December 7, 2012. On March 15, 2013 the NYPSC issued its Order Approving Electric and Gas Rate Plans in Accord with Joint Proposal, adopting the terms of the new rate plan with minor modifications effective April 1, 2013. The Company is directed to file such further electric and gas tariff revisions as are necessary to effectuate the provisions adopted by this order to go into effect on a temporary basis on April 1, 2013, subject to refund if any showing is made that the revised rates are not in compliance with the NYPSC's order. A copy of the NYPSC order is attached to this Statement AX as Attachment 2.

NIAGARA MOHAWK POWER CORPORATION
Income & Revenue Tax Rate Data

FEDERAL INCOME TAX RATE	35.00%
STATE INCOME TAX RATE	7.10%
PROPORTION OF FED INC TAX DEDUCTIBLE	NONE
REVENUE TAX RATE	N/A

Wholesale Customer Rate Group

Municipals

Village of Akron
Village of Andover
Village of Arcade
Municipal Commission of Boonville
Village of Brocton
Village of Churchville
Village of Frankfort
Village of Holley
Village of Ilion
Village of Little Valley
Village of Mohawk
Village of Philadelphia
City of Salamanca
Village of Skaneateles
Village of Springville
Village of Theresa
Village of Wellsville
Village of Westfield
Village of Fairport
New York Municipal Power Agency
Bergen
Lake Placid
Oneida Madison
Tupper Lake
Jamestown
Green Island
Richmondville
Griffiss Local Development Corp.

Other

Barclays Bank PLC
BP Energy Company
BNP Paribas Energy
Brookfield Energy Marketing, Inc.

Other (Cont.)

Bruce Power Inc.
Cargill Alliant, LLC
Centre Lane Trading
Citigroup Energy
ConocoPhillips Company
Consolidated Edison Energy, Inc.
Constellation Energy Commondities Group
Constellation New Energy
DB Energy Trading, LLC
DC Energy LLC
DTE Energy Trading
EDF Trading North America LLC
Emera Energy Services
Endure Energy, LLC
Exelon Generation LLC (formerly PECO)
Capital Power Corporation
Gotham Energy marketing
Hess Corporation
HQ Energy Services (US)
Integrys (formerly WPS) Energy Services
J.P. Morgan Venture Energy Corporation
Macquarie Energy LLC
MAG Energy Solutions
Merrill Lynch Commodities, Inc.
Morgan Stanley
NexEra Energy Power Marketing LLC
North Point Energy
NRG Power Marketing
NYPA
NYSEG (LSE)
Noble Americas Gas and Power Corp.
Ontario Power Generation
Ontario Power Generation Energy Trading, Inc.

<u>Other (Cont.)</u>

Powerex Corporation
PP&L Energy Plus Co
Pure Energy, Inc.
PSEG Energy Resources & Trading, LLC
Rainbow Energy Marketing Corporation
Iberdrola Renewables, Inc
RBC Energy Services
Rochester Gas and Electric
Saracen Merchant Energy LP
SESCO Enterprises LLC
Sempra Energy Trading LLC
Shell Energy North America (US) L.P.
Silverhell Ltd.
Trademark Merchant Energy, LLC
TransAlta Energy Mar
TransCanada Power Marketing LTD.
Twin Cities Energy LLC
Twin Cities Power Generation
Vitol Inc.
West Oaks Energy NY NE LP

NIAGARA MOHAWK POWER CORPORATION
Allocation Demand and Capability Data

This statement is not applicable as the allocation of demand and capability data are not provided because they are not used as a basis for allocating related costs or charges in Niagara Mohawk's component RR of Attachment H of the NYISO OATT in this proceeding.

NIAGARA MOHAWK POWER CORPORATION
Reliability Data

This statement is not applicable as it relates to reference standards of the filing utility for electric power supply reliability, and to information designed to reflect monthly availability of generating capacity reserves. Cost support for this transmission tariff filing does not rely on such data.

NIAGARA MOHAWK POWER CORPORATION
Allocation Energy and Supporting Data

This statement is not applicable as it contains information relating to electric utility energy data to be considered as bases for allocating energy related costs to the wholesale services subject to the changed rate. Cost support for this transmission rate does not rely on energy data.

NIAGARA MOHAWK POWER CORPORATION
Specific Assignment Data

This statement is not applicable as it lists specific components of the cost of service that do not rely on (a) demand, capability or energy, (b) a proportional relationship based on select plant or expense categories, or (c) an exclusive use commitment. This filing does not include such components.

NIAGARA MOHAWK POWER CORPORATION
Exclusive-Use Commitments of Major Power Supply Facilities

This statement is not applicable as it describes and justifies the commitment to exclusive-use for particular services of all or a stated portion of electric utility generation units or plants, or major transmission facilities. There is no specific exclusive-use of major transmission facilities under this tariff.

Niagara Mohawk Power Corporation

Summary of Present and Proposed Revenues - CY 2011

Line No.		Billing Units	Proposed Rate	Proposed Revenue	Current Rate	Current Revenue	Change in Revenue	% Change in Revenue
1	January-11	336,241		2,821,381		2,661,525		
2	Februay-11	335,482		2,815,007		2,655,512		
3	March-11	282,708		2,372,185		2,237,780		
4	April-11	276,492		2,320,025		2,188,576		
5	May-11	250,007		2,097,791		1,978,933		
6	June-11	232,907		1,954,308		1,843,579		
7	July-11	230,442		1,933,624		1,824,067		
8	August-11	254,890		2,138,765		2,017,585		
9	September-11	237,518		1,992,997		1,880,077		
10	October-11	227,201		1,906,430		1,798,415		
11	November-11	265,733		2,229,748		2,103,413		
12	December-11	247,451		2,076,345		1,958,702		
13	Total	3,177,070	8.39094	26,658,606	7.91552	25,148,163	1,510,443	6.01%

Current Rate from Statement BJ/BK/BL, Line 1, Column (g).

Proposed Rate from Statement BJ/BK/BL, Line 2, Column (g).

Niagara Mohawk Power Corporation

Summary of Present and Proposed Revenues - CY 2011

Line No.	Customer Impacts	Billing Units	Proposed Rate	Proposed Revenue CY 2011	Current Rate	Current Revenue CY 2011	Change
1	Municipals						
2	Customer 1	59,197		496,720		468,577	28,144
3	Customer 2	8,842		74,194		69,990	4,204
4	Customer 3	165,054		1,384,957		1,306,487	78,470
5	Customer 4	87,174		731,470		690,026	41,444
6	Customer 5	16,483		138,308		130,471	7,836
7	Customer 6	24,785		207,967		196,184	11,783
8	Customer 7	474,858		3,984,508		3,758,751	225,757
9	Customer 8	29,666		248,921		234,818	14,104
10	Customer 9	34,968		293,417		276,792	16,625
11	Customer 10	71,943		603,667		569,464	34,203
12	Customer 11	15,723		131,929		124,454	7,475
13	Customer 12	24,719		207,413		195,661	11,752
14	Customer 13	25,345		212,671		200,621	12,050
15	Customer 14	10,924		91,662		86,469	5,193
16	Customer 15	129,125		1,083,482		1,022,093	61,389
17	Customer 16	34,790		291,918		275,378	16,540
18	Customer 17	68,852		577,730		544,997	32,733
19	Customer 18	8,177		68,610		64,723	3,887
20	Customer 19	67,714		568,188		535,995	32,193
21	Customer 20	84,883		712,249		671,894	40,355
22	Customer 21	8,311		69,735		65,784	3,951
23	Customer 22	31,248		262,199		247,343	14,856
24	Customer 23	165,747		1,390,774		1,311,974	78,799
25	Customer 24	83,275		698,755		659,164	39,591
26	Customer 25	401,434		3,368,408		3,177,558	190,850
27	Customer 26	5,488		46,051		43,442	2,609
28	Customer 26	17		146		138	8
29	Total Municipals	2,138,741	8.3909	17,946,049	7.9155	16,929,249	1,016,800
30							
31	Other						
32	Customer 27	2,646		22,202		20,944	1,258
33	Customer 28	544		4,565		4,306	259
34	Customer 29	599		5,026		4,741	285
35	Customer 30	17,059		143,141		135,031	8,110
36	Customer 31	2,057		17,260		16,282	978
37	Customer 32	3,198		26,834		25,314	1,520
38	Customer 33	4,244		35,611		33,593	2,018
39	Customer 34	0		0		0	0
40	Customer 35	3,639		30,535		28,805	1,730
41	Customer 36	346		2,907		2,742	165
42	Customer 37	0		0		0	0
43	Customer 38	2,420		20,306		19,156	1,151

Niagara Mohawk Power Corporation
Summary of Present and Proposed Revenues - CY 2011

Line No.	Customer Impacts	Billing Units		Proposed Revenue CY 2011	Current Rate	Current Revenue CY 2011	Change
	Other Continued						
1	Customer 38	4,154		34,856		32,881	1,975
2	Customer 39	42		353		333	20
3	Customer 40	3,478		29,184		27,530	1,654
4	Customer 41	4		34		32	2
5	Customer 42	1,938		16,262		15,340	921
6	Customer 43	0		0		0	0
7	Customer 44	222		1,863		1,757	106
8	Customer 45	561		4,707		4,441	267
9	Customer 46	0		0		0	0
10	Customer 47	854		7,166		6,760	406
11	Customer 48	31,945		268,049		252,861	15,187
12	Customer 49	3,785		31,760		29,960	1,799
13	Customer 50	67		562		530	32
14	Customer 51	0		0		0	0
15	Customer 52	25		210		198	12
16	Customer 53	308		2,584		2,438	146
17	Customer 54	22,999		192,983		182,049	10,934
18	Customer 55	25		210		198	12
19	Customer 56	0		0		0	0
20	Customer 57	0		0		0	0
21	Customer 58	51		428		404	24
22	Customer 59	480		4,028		3,799	228
23	Customer 60	218		1,829		1,726	104
24	Customer 61	216,890		1,819,911		1,716,797	103,114
25	Customer 62	0		0		0	0
26	Customer 63	25		210		198	12
27	Customer 64	355		2,979		2,811	169
28	Customer 65	4,270		35,829		33,799	2,030
29	Customer 66	0		0		0	0
30	Customer 67	1,613		13,535		12,768	767
31	Customer 68	7,075		59,366		56,002	3,364
32	Customer 69	1,812		15,204		14,343	861
33	Customer 70	0		0		0	0
34	Customer 71	1,528		12,821		12,095	726
35	Customer 72	8,391		70,408		66,419	3,989
36	Customer 73	0		0		0	0
37	Customer 74	0		0		0	0
38	Customer 75	4,630		38,850		36,649	2,201
39	Customer 76	0		0		0	0
40	Customer 77	39		327		309	19
41	Customer 78	1,605		13,467		12,704	763
42	Customer 79	2,148		18,024		17,003	1,021
43	Customer 80	970		8,139		7,678	461
44	Customer 81	8,538		71,642		67,583	4,059
45	Customer 82	549		4,607		4,346	261
46	Customer 83	67		566		534	32
47	Customer 84	669,915		5,621,217		5,302,726	318,491
48	Customer 85	1,038,329	8.3909	8,712,556	7.9155	8,218,914	493,642
49							
50	Total increase	3,177,070	8.3909	26,658,607	7.9155	25,148,164	1,510,443

Customer detail has not been provided in order to protect customer confidentiality.

NIAGARA MOHAWK POWER CORPORATION
Fuel Cost Adjustment Factors

This statement is not applicable as The Company's revenue requirement formula under the NYISO OATT Attachment H does not rely on fuel cost adjustment factors to drive rates for the transmission service included in this filing.

Niagara Mohawk Power Corporation Wholesale TSC Calculation Information — **Attachment 1**

2012 Forecast using 2011 Historical Data and 2012 Forecast — **Schedule 4**

Shading denotes an input

			2011					
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
Line No.	**Description**	**Historical Transmission Revenue Requirement (Historical TRR)**	**Forecasted Transmission Revenue Requirement**	**Annual True Up**	**Revenue Requirement (RR)**	**Scheduling System Control and Dispatch Costs (CCC)**	**Annual Billing Units (BU) MWh**	**Rate $/MWh (*)**
1	Current Year Rates Effective July 1, 2012	279,004,169	16,691,390	- 7,560,961	288,134,598	6,422,651	37,212,621	7.91552
2	Proposed Rates With Capacity Payments To NRG	279,004,169	16,691,390	- 7,560,961	288,134,598	24,114,276	37,212,621	8.39094
3	Increase due to 2012 Capacity Payments to NRG				-	17,691,625	-	0.47542
4	Percentage Increase/(Decrease)							6%

1.) Information directly from Niagara Mohawk Prior Year Informational Filing adjusted per the Nov 30, 2009 Filing to reflect changes in the debt rate calculation.

2.)

(a) Schedule 1, Line 24

(b) Schedule 2, Line 14

(c) Schedule 3, Line 30

(d) Attachment H, Section 14.1.9.2 The RR Component shall equal Col (a) Historical Transmission Revenue Requirement plus Col (b) the Forecasted Transmission Revenue Requirement plus Col (c) the Annual True-Up

(e) Schedule 11 - Annual Scheduling, System Control and Dispatch Costs. (i.e. the Transmission Component of control center costs) as recorded in FERC Account 561 and its associated sub-accounts from the prior calendar year excluding any NY Independent System Operating (NYISO) system control and load dispatch expenses already recovered under Schedule 1 of the NYISO Tariff.

(f) Schedule 12 - Billing Units shall be the total Niagara Mohawk load as reported to the NYISO for the calendar year prior to the Forecast Period, including the load for customers taking service under Niagara Mohawk's TSC rate. The total Niagara Mohawk load will be adjusted to exclude (i) load associated with wholesale transactions being revenue credited through the WR, CRR, SR, ECR, and Reserved components of Attachment H of the NYISO TSC rate including Niagara Mohawk's external sales, load associated with grandfathered OATT agreements, and any load related to pre-OATT grandfathered agreements; (ii) load associated with transactions being revenue credited under Historical TRR Component J; and (iii) load associated with netted station service.

(g) (Col (d) + Col (e)) / Col (f)

(*) The rate column represents the unit rate prior to adjustments; the actual rate will be determined pursuant to the applicable TSC formula rate.

Niagara Mohawk Power Corporation — **Attachment 1**
System, Control, and Load Dispatch Expenses (CCC) — **Schedule 11**
Attachment H, Section 14.1.9.5 — **Page 1 of 1**

Shading denotes an input

The CCC shall equal the annual Scheduling, System Control and Dispatch Costs (i.e., the transmission component of control center costs) as recorded in FERC Account 561 and its associated sub-accounts using information from the prior calendar year, excluding NYISO system control and load dispatch expense already recovered under Schedule 1 of the NYISO Tariff.

Line No.			**Scheduling and Dispatch Expenses**	**2011**	Increase due to 2012 Capacity Payments to NRG	**2011 plus Capacity payments to NRG**	**Source**
1							
2							
3	Accounts	561	Load Dispatching	$2,375,753		$2,375,753	FF1 321.84b
4	Accounts	561.1	Reliability	$0	$17,691,625	$17,691,625	FF1 321.85b
5	Accounts	561.2	Monitor and Operate Transm. System	2,759,628		$2,759,628	FF1 321.86b
6	Accounts	561.3	Transmission Service and Schedule	155		$155	FF1 321.87b
7	Accounts	561.4	Scheduling System Control and Dispatch	4,109,374		$4,109,374	FF1 321.88b
8	Accounts	561.5	Reliability, Planning and Standards Development	1,274,783		$1,274,783	FF1 321.89b
9	Accounts	561.6	Transmission Service Studies	686		$686	FF1 321.90b
10	Accounts	561.7	Generation Interconnection Studies	11,646		$11,646	FF1 321.91b
11	Accounts	561.8	Reliability, Planning and Standards Dev. Services	884,641		$884,641	FF1 321.92b
12							
13		Total Load Dispatch Expenses (sum of Lines 3 - 11)		$11,416,665	$17,691,625	$29,108,290	
14							
15	Less Account 561 directly recovered under Schedule 1 of the NY ISO Tariff						
16							
17	Accounts	561.4	Scheduling System Control and Dispatch	$4,109,374		$4,109,374	Line 7
18	Accounts	561.8	Reliability, Planning and Standards Dev. Services	$884,641		$884,641	Line 11
19		Total NYISO Schedule 1		$4,994,014		$4,994,014	Line 17 + Line 18
20							
21	Total CCC Component			$6,422,651	$17,691,625	$24,114,276	Line 13 - Line 19

Accounts 561.1 shall include the costs of labor, materials used and expenses incurred by a regional transmission service provider or other transmission provider to manage the reliability coordination function as specified by the North American Electric Reliability Council (NERC) and individual reliability organizations. These activities shall include performing current and next day reliability analysis. This account shall include the costs incurred to calculate load forecasts, and performing contingency analysis. This account shall also include "Reliability Support Services Expenses" which shall be defined as expenses incurred pursuant to agreements entered into with generators or other similiar resources for the purpose of supporting transmission reliability

NIAGARA MOHAWK POWER CORPORATION
Construction Program Statement

This statement is not applicable as it contains a summary of data and supporting assumptions relating to the economics of any construction program to replace or expand the utility's power supply that shall be filed if the utility is filing for construction work in progress in rate base. Cost support for this filing does not rely on such data.