

LIPA Strategic Organization Study
Operations Cost Analysis
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Table 1a
LIPA Strategic Organization Study
Summary of Operations Cost Analysis
Privatization Option

	Adjustments to 2010 Baseline			2010 Baseline	
	Operating Costs			Rate	Adjusted
	Low Case (\$000)	Mid Case (\$000)	High Case (\$000)	Impact (¢/kWh)	Rate (¢/kWh)
Direct Labor	(\$13,987)	(\$11,656)	(\$9,324)	-0.056	18.117
Benefits & Pensions	(\$6,453)	(\$5,378)	(\$4,302)	-0.026	18.147
Profits	(\$29,135)	(\$29,135)	(\$29,135)	-0.140	18.033
Non-Labor O&M	(\$14,424)	(\$12,020)	(\$9,616)	-0.058	18.115
Facilities	\$10,000	\$10,000	\$10,000	0.048	18.221
PILOTs / Property Taxes	(\$61,033)	(\$61,033)	(\$61,033)	-0.294	17.879
Depreciation & Amortization	\$8,190	\$10,237	\$12,284	0.049	18.222
Revenue Taxes	\$5,657	\$5,657	\$5,657	0.027	18.200
Total (Including PILOTs Impact)	(\$101,186)	(\$93,328)	(\$85,470)	-0.449	17.724
<u>Rate Impact</u>					
Cents Per kWh	-0.487	-0.449	-0.411		
Adjusted Rate	17.686	17.724	17.762		
% of 2010 Baseline Rate	-2.68%	-2.47%	-2.26%		
Total (Excluding PILOTs Impact)	(\$40,153)	(\$32,295)	(\$24,437)		
<u>Rate Impact</u>					
Cents Per kWh	-0.193	-0.155	-0.118		
Adjusted Rate	17.980	18.018	18.056		
% of 2010 Baseline Rate	-1.06%	-0.85%	-0.65%		
 2010 Baseline Rate (Cents per kWh)					 18.173

Table 1b
LIPA Strategic Organization Study
Summary of Operations Cost Analysis
 ServCo Option

	Adjustments to 2010 Baseline			2010 Baseline	
	Operating Costs			Rate	Adjusted
	Low Case (\$000)	Mid Case (\$000)	High Case (\$000)	Impact (¢/kWh)	Rate (¢/kWh)
Direct Labor	(\$1,400)	\$75	\$1,550	0.000	18.173
Benefits & Pensions	(\$646)	\$35	\$715	0.000	18.173
Profits	\$865	\$865	\$25,865	0.004	18.177
Non-Labor O&M	(\$1,444)	\$78	\$1,599	0.000	18.174
Facilities	\$10,000	\$10,000	\$10,000	0.048	18.221
PILOTs / Property Taxes	(\$40,689)	(\$40,689)	(\$40,689)	-0.196	17.977
Depreciation & Amortization	\$4,061	\$5,076	\$6,092	0.024	18.198
Revenue Taxes	(\$296)	(\$296)	(\$296)	-0.001	18.172
Total (Including PILOTs Impact)	(\$29,548)	(\$24,856)	\$4,837	-0.120	18.054
<u>Rate Impact</u>					
Cents Per kWh	-0.142	-0.120	0.023		
Adjusted Rate	18.031	18.054	18.196		
% of 2010 Baseline Rate	-0.78%	-0.66%	0.13%		
Total (Excluding PILOTs Impact)	\$11,141	\$15,833	\$45,525		
<u>Rate Impact</u>					
Cents Per kWh	0.054	0.076	0.219		
Adjusted Rate	18.227	18.249	18.392		
% of 2010 Baseline Rate	0.29%	0.42%	1.21%		
 2010 Baseline Rate (Cents per kWh)					 18.173

Table 1c
LIPA Strategic Organization Study
Summary of Operations Cost Analysis
Municipalization Option

	Adjustments to 2010 Baseline			2010 Baseline	
	Operating Costs			Rate	Adjusted
	Low Case	Mid Case	High Case	Impact	Rate
	(\$000)	(\$000)	(\$000)	(¢/kWh)	(¢/kWh)
Direct Labor	\$4,471	\$6,411	\$8,352	0.031	18.204
Benefits & Pensions	\$2,063	\$22,407	\$40,933	0.108	18.281
Profits	(\$29,135)	(\$29,135)	(\$29,135)	-0.140	18.033
Non-Labor O&M	\$4,611	\$6,612	\$8,613	0.032	18.205
Facilities	\$10,000	\$10,000	\$10,000	0.048	18.221
PILOTs / Property Taxes	(\$40,689)	(\$30,517)	(\$30,517)	-0.147	18.026
Depreciation & Amortization	\$6,626	\$7,362	\$9,571	0.035	18.209
Revenue Taxes	\$1,208	\$1,208	\$1,208	0.006	18.179
Total (Including PILOTs Impact)	(\$40,845)	(\$5,651)	\$19,025	-0.027	18.146
<u>Rate Impact</u>					
Cents Per kWh	-0.197	-0.027	0.092		
Adjusted Rate	17.977	18.146	18.265		
% of 2010 Baseline Rate	-1.08%	-0.15%	0.50%		
Total (Excluding PILOTs Impact)	(\$157)	\$24,865	\$49,541		
<u>Rate Impact</u>					
Cents Per kWh	-0.001	0.120	0.238		
Adjusted Rate	18.172	18.293	18.411		
% of 2010 Baseline Rate	0.00%	0.66%	1.31%		
 2010 Baseline Rate (Cents per kWh)					 18.173

Table 2a
LIPA Strategic Organization Study
Operations Cost Analysis
Low Case Comparisons

	Operating Costs Adjusted From 2010 Baseline		
	Privatization Option (\$000)	ServCo Option (\$000)	Municipalization Option (\$000)
Direct Labor	(\$13,987)	(\$1,400)	\$4,471
Benefits & Pensions	(\$6,453)	(\$646)	\$2,063
Profits	(\$29,135)	\$865	(\$29,135)
Non-Labor O&M	(\$14,424)	(\$1,444)	\$4,611
Facilities	\$10,000	\$10,000	\$10,000
PILOTs / Property Taxes	(\$61,033)	(\$40,689)	(\$40,689)
Depreciation & Amortization	\$8,190	\$4,061	\$6,626
Revenue Taxes	\$5,657	(\$296)	\$1,208
Total (Including PILOTs Impact)	(\$101,186)	(\$29,548)	(\$40,845)
<u>Rate Impact</u>			
Cents Per kWh	-0.487	-0.142	-0.197
Adjusted Rate (Cents Per kWh)	17.686	18.031	17.977
% of 2010 Baseline Rate	-2.68%	-0.78%	-1.08%
Total (Excluding PILOTs Impact)	(\$40,153)	\$11,141	(\$157)
<u>Rate Impact</u>			
Cents Per kWh	-0.193	0.054	-0.001
Adjusted Rate (Excluding PILOTs)	17.980	18.227	18.172
% of 2010 Baseline Rate	-1.06%	0.29%	0.00%

Table 2b
LIPA Strategic Organization Study
Operations Cost Analysis
 Mid Case Comparisons

	Operating Costs Adjusted From 2010 Baseline		
	Privatization Option (\$000)	ServCo Option (\$000)	Municipalization Option (\$000)
Direct Labor	(\$11,656)	\$75	\$6,411
Benefits & Pensions	(\$5,378)	\$35	\$22,407
Profits	(\$29,135)	\$865	(\$29,135)
Non-Labor O&M	(\$12,020)	\$78	\$6,612
Facilities	\$10,000	\$10,000	\$10,000
PILOTs / Property Taxes	(\$61,033)	(\$40,689)	(\$30,517)
Depreciation & Amortization	\$10,237	\$5,076	\$7,362
Revenue Taxes	\$5,657	(\$296)	\$1,208
Total (Including PILOTs Impact)	(\$93,328)	(\$24,856)	(\$5,651)
Rate Impact			
Cents Per kWh	-0.449	-0.120	-0.027
Adjusted Rate (Cents Per kWh)	17.724	18.054	18.146
% of 2010 Baseline Rate	-2.47%	-0.66%	-0.15%
Total (Excluding PILOTs Impact)	(\$32,295)	\$15,833	\$24,865
Rate Impact			
Cents Per kWh	-0.155	0.076	0.120
Adjusted Rate (Excluding PILOTs)	18.018	18.249	18.293
% of 2010 Baseline Rate	-0.85%	0.42%	0.66%

Table 2c
LIPA Strategic Organization Study
Operations Cost Analysis
High Case Comparisons

	Operating Costs Adjusted From 2010 Baseline		
	Privatization Option (\$000)	ServCo Option (\$000)	Municipalization Option (\$000)
Direct Labor	(\$9,324)	\$1,550	\$8,352
Benefits & Pensions	(\$4,302)	\$715	\$40,933
Profits	(\$29,135)	\$25,865	(\$29,135)
Non-Labor O&M	(\$9,616)	\$1,599	\$8,613
Facilities	\$10,000	\$10,000	\$10,000
PILOTs / Property Taxes	(\$61,033)	(\$40,689)	(\$30,517)
Depreciation & Amortization	\$12,284	\$6,092	\$9,571
Revenue Taxes	\$5,657	(\$296)	\$1,208
Total (Including PILOTs Impact)	(\$85,470)	\$4,837	\$19,025
Rate Impact			
Cents Per kWh	-0.411	0.023	0.092
Adjusted Rate (Cents Per kWh)	17.762	18.196	18.265
% of 2010 Baseline Rate	-2.26%	0.13%	0.50%
Total (Excluding PILOTs Impact)	(\$24,437)	\$45,525	\$49,541
Rate Impact			
Cents Per kWh	-0.118	0.219	0.238
Adjusted Rate (Excluding PILOTs)	18.056	18.392	18.411
% of 2010 Baseline Rate	-0.65%	1.21%	1.31%

Table 2d
LIPA Strategic Organization Study
Operations Cost Analysis
Rate Comparison Across Strategic Options

	Low Case (¢/kWh)	Mid Case (¢/kWh)	High Case (¢/kWh)
Privatization	17.686	17.724	17.762
ServCo	18.031	18.054	18.196
Municipalization	17.977	18.146	18.265

Note: Includes impact of PILOTs.

Table 3a
LIPA Strategic Organization Study
Operations Cost Analysis
Privatization Option Labor Analysis
2010 Baseline Case

Functional Area	Employee FTEs			2010 Direct Labor Cost (\$000)	2010 Average Labor Rate (\$/FTE)	
	National Grid	LIPA	Total			
EE/DR/Renewables	37	12	49	\$5,519	\$113,047	
Environmental Regulation	10	3	12	\$1,137	\$92,268	
Regulatory, Rates, & Pricing	13	4	17	\$2,035	\$122,082	
Customer Accounts & Services	440	6	446	\$28,967	\$64,997	
Marketing & Sales	30	5	35	\$1,860	\$53,652	
Media/Government Relations	2	7	9	\$1,032	\$112,559	
Accounting & Finance	45	19	64	\$5,748	\$89,808	
Finance: Risk	10	1	11	\$704	\$64,027	
Legal	14	11	25	\$2,831	\$114,299	
Power Markets	58	13	71	\$4,174	\$58,795	
Facilities/procurement	43	3	46	\$5,087	\$110,589	
IT	50	5	55	\$6,007	\$108,566	
HR	28	6	34	\$3,923	\$115,700	
Other/corporate	46	3	49	\$5,677	\$116,239	
T&D Operations & Maintenance - Lines & Subs	522	0	522	\$24,434	\$46,827	
T&D Maintenance - Veg Mgmt	8	0	8	\$833	\$104,452	
T&D Operations - Service	124	0	124	\$14,464	\$116,938	
T&D Operations - General/Other	199	7	206	\$23,511	\$113,859	
T&D Operations - Systems	43	0	43	\$3,084	\$72,307	
T&D Operations - Engineering	115	0	115	\$9,579	\$83,077	
T&D Operations - Planning/Management	77	0	77	\$7,667	\$99,839	
Total	1,913	104	2,017	\$158,274	\$78,475	
	T&D	1,088	7	1,095	\$83,572	\$76,343
	Customer Services and Rates	453	9	462	\$31,002	\$67,055
	Planning, Corporate, and Administrative	372	88	460	\$43,700	\$95,036

Table 3b
LIPA Strategic Organization Study
Operations Cost Analysis
Privatization Option Labor Analysis
Incremental FTEs and Labor Cost/Rates

Functional Area	Adjustments to FTEs	2010 Incremental Direct Labor Cost		2010 Average Incremental Labor Rate	2010 Privatization Total Direct Labor Cost	2010 Average Privatization Labor Rate
		(\$000)	(abs \$000)	(\$/FTE)	(\$000)	(\$/FTE)
EE/DR/Renewables	(3)	(\$334)	\$334	(\$111,272)	\$5,186	\$113,163
Environmental Regulation	(3)	(\$334)	\$334	(\$111,272)	\$804	\$86,155
Regulatory, Rates, & Pricing	(5)	(\$570)	\$570	(\$114,044)	\$1,464	\$125,527
Customer Accounts & Services	(31)	(\$2,278)	\$2,278	(\$73,473)	\$26,689	\$64,363
Marketing & Sales	(5)	(\$556)	\$556	(\$111,272)	\$1,304	\$43,941
Media/Government Relations	0	\$0	\$0		\$1,032	\$112,559
Accounting & Finance	0	\$0	\$0		\$5,748	\$89,808
Finance: Risk	(3)	(\$230)	\$230	(\$76,626)	\$474	\$59,302
Legal	(5)	(\$584)	\$584	(\$116,717)	\$2,247	\$113,687
Power Markets	(15)	(\$1,669)	\$1,669	(\$111,272)	\$2,505	\$44,739
Facilities/procurement	(3)	(\$334)	\$334	(\$111,272)	\$4,753	\$110,541
IT	(11)	(\$1,194)	\$1,194	(\$108,550)	\$4,813	\$108,570
HR	(14)	(\$1,634)	\$1,634	(\$116,717)	\$2,289	\$114,985
Other/corporate	(10)	(\$1,160)	\$1,160	(\$116,035)	\$4,517	\$116,291
T&D Operations & Maintenance - Lines & Subs	0	\$0	\$0		\$24,434	\$46,827
T&D Maintenance - Veg Mgmt	0	\$0	\$0		\$833	\$104,452
T&D Operations - Service	0	\$0	\$0		\$14,464	\$116,938
T&D Operations - General/Other	(7)	(\$779)	\$779	(\$111,272)	\$22,732	\$113,950
T&D Operations - Systems	0	\$0	\$0		\$3,084	\$72,307
T&D Operations - Engineering	0	\$0	\$0		\$9,579	\$83,077
T&D Operations - Planning/Management	0	\$0	\$0		\$7,667	\$99,839
Total	(115)	(\$11,656)	\$11,656		\$146,619	\$77,092
T&D	(7)	(\$779)		(\$111,272)	\$82,794	\$76,118
Customer Services and Rates	(36)	(\$2,848)		(\$79,108)	\$28,154	\$66,037
Planning, Corporate, and Administrative	(72)	(\$8,029)		(\$111,511)	\$35,671	\$91,977

Rate Impact	
Cents Per kWh	-0.056
Base Rate: Cents Per kWh	18.173
% of Base Rate	-0.31%

Sensitivities	
Over-stated Cost Impact	20%
Incremental Rate Impact: Cents / kWh	-0.045
Incremental Rate Impact: %	-0.25%
Understated Cost Impact	-20%
Incremental Rate Impact: Cents / kWh	-0.067
Incremental Rate Impact: %	-0.37%
Low/Mid/High Incremental Labor Costs	Low Mid High
	-\$13,987 -\$11,656 -\$9,324

Note: Sensitivities are calculated on the absolute value ("abs") of the incremental direct labor cost.

Table 4a
LIPA Strategic Organization Study
Operations Cost Analysis
 ServCo Option Labor Analysis
 2010 Baseline Case

Functional Area	Employee FTEs			2010 Direct Labor Cost (\$000)	2010 Average Labor Rate (\$/FTE)
	National Grid	LIPA	Total		
EE/DR/Renewables	37	12	49	\$5,519	\$113,047
Environmental Regulation	10	3	12	\$1,137	\$92,268
Regulatory, Rates, & Pricing	13	4	17	\$2,035	\$122,082
Customer Accounts & Services	440	6	446	\$28,967	\$64,997
Marketing & Sales	30	5	35	\$1,860	\$53,652
Media/Government Relations	2	7	9	\$1,032	\$112,559
Accounting & Finance	45	19	64	\$5,748	\$89,808
Finance: Risk	10	1	11	\$704	\$64,027
Legal	14	11	25	\$2,831	\$114,299
Power Markets	58	13	71	\$4,174	\$58,795
Facilities/procurement	43	3	46	\$5,087	\$110,589
IT	50	5	55	\$6,007	\$108,566
HR	28	6	34	\$3,923	\$115,700
Other/corporate	46	3	49	\$5,677	\$116,239
T&D Operations & Maintenance - Lines & Subs	522	0	522	\$24,434	\$46,827
T&D Maintenance - Veg Mgmt	8	0	8	\$833	\$104,452
T&D Operations - Service	124	0	124	\$14,464	\$116,938
T&D Operations - General/Other	199	7	206	\$23,511	\$113,859
T&D Operations - Systems	43	0	43	\$3,084	\$72,307
T&D Operations - Engineering	115	0	115	\$9,579	\$83,077
T&D Operations - Planning/Management	77	0	77	\$7,667	\$99,839
Total	1,913	104	2,017	\$158,274	\$78,475
T&D	1,088	7	1,095	\$83,572	\$76,343
Customer Services and Rates	453	9	462	\$31,002	\$67,055
Planning, Corporate, and Administrative	372	88	460	\$43,700	\$95,036

Table 4b
LIPA Strategic Organization Study
Operations Cost Analysis
 ServCo Option Labor Analysis
 Incremental FTEs and Labor Cost/Rates

Functional Area	Adjustments to FTEs	2010 Incremental Direct Labor Cost (\$000)	2010 Average Incremental Labor Rate (\$/FTE)	2010 ServCo Total Direct Labor Cost (\$000)	2010 Average ServCo Labor Rate (\$/FTE)
EE/DR/Renewables	(3)	(\$334)	\$334	(\$111,272)	\$5,186
Environmental Regulation	3	\$262	\$262	\$87,433	\$1,400
Regulatory, Rates, & Pricing	6	\$681	\$681	\$113,582	\$2,716
Customer Accounts & Services	(26)	(\$1,956)	\$1,956	(\$75,218)	\$27,011
Marketing & Sales	0	\$0	\$0	\$1,860	\$53,652
Media/Government Relations	0	\$0	\$0	\$1,032	\$112,559
Accounting & Finance	10	\$1,113	\$1,113	\$111,272	\$6,860
Finance: Risk	(2)	(\$119)	\$119	(\$59,302)	\$586
Legal	0	\$0	\$0	\$2,831	\$114,299
Power Markets	15	\$1,669	\$1,669	\$111,272	\$5,844
Facilities/procurement	0	\$0	\$0	\$5,087	\$110,589
IT	(6)	(\$659)	\$659	(\$109,775)	\$5,349
HR	(5)	(\$584)	\$584	(\$116,717)	\$3,339
Other/corporate	0	\$0	\$0	\$5,677	\$116,239
T&D Operations & Maintenance - Lines & Subs	0	\$0	\$0	\$24,434	\$46,827
T&D Maintenance - Veg Mgmt	0	\$0	\$0	\$833	\$104,452
T&D Operations - Service	0	\$0	\$0	\$14,464	\$116,938
T&D Operations - General/Other	0	\$0	\$0	\$23,511	\$113,859
T&D Operations - Systems	0	\$0	\$0	\$3,084	\$72,307
T&D Operations - Engineering	0	\$0	\$0	\$9,579	\$83,077
T&D Operations - Planning/Management	0	\$0	\$0	\$7,667	\$99,839
Total	(8)	\$75	\$7,376	\$158,350	\$78,825
T&D	-	\$0		\$83,572	\$76,343
Customer Services and Rates	(20)	(\$1,274)		(\$63,708)	\$29,728
Planning, Corporate, and Administrative	12	\$1,349		\$112,454	\$45,050
				\$45,050	\$95,479

Rate Impact	
Cents Per kWh	0.0004
Base Rate: Cents Per kWh	18.173
% of Base Rate	0.00%

Sensitivities	
Over-stated Cost Impact	20%
Incremental Rate Impact: Cents / kWh	0.007
Incremental Rate Impact: %	0.04%
Understated Cost Impact	-20%
Incremental Rate Impact: Cents / kWh	-0.007
Incremental Rate Impact: %	-0.04%
Low/Mid/High Incremental Labor Costs	Low Mid High
	-\$1,400 \$75 \$1,550

Note: Sensitivities are calculated on the absolute value ("abs") of the incremental direct labor cost.

Table 5a
LIPA Strategic Organization Study
Operations Cost Analysis
Municipalization Option Labor Analysis
2010 Baseline Case

Functional Area	Employee FTEs			2010 Direct Labor Cost (\$000)	2010 Average Labor Rate (\$/FTE)	
	National Grid	LIPA	Total			
EE/DR/Renewables	37	12	49	\$5,519	\$113,047	
Environmental Regulation	10	3	12	\$1,137	\$92,268	
Regulatory, Rates, & Pricing	13	4	17	\$2,035	\$122,082	
Customer Accounts & Services	440	6	446	\$28,967	\$64,997	
Marketing & Sales	30	5	35	\$1,860	\$53,652	
Media/Government Relations	2	7	9	\$1,032	\$112,559	
Accounting & Finance	45	19	64	\$5,748	\$89,808	
Finance: Risk	10	1	11	\$704	\$64,027	
Legal	14	11	25	\$2,831	\$114,299	
Power Markets	58	13	71	\$4,174	\$58,795	
Facilities/procurement	43	3	46	\$5,087	\$110,589	
IT	50	5	55	\$6,007	\$108,566	
HR	28	6	34	\$3,923	\$115,700	
Other/corporate	46	3	49	\$5,677	\$116,239	
T&D Operations & Maintenance - Lines & Subs	522	0	522	\$24,434	\$46,827	
T&D Maintenance - Veg Mgmt	8	0	8	\$833	\$104,452	
T&D Operations - Service	124	0	124	\$14,464	\$116,938	
T&D Operations - General/Other	199	7	206	\$23,511	\$113,859	
T&D Operations - Systems	43	0	43	\$3,084	\$72,307	
T&D Operations - Engineering	115	0	115	\$9,579	\$83,077	
T&D Operations - Planning/Management	77	0	77	\$7,667	\$99,839	
Total	1,913	104	2,017	\$158,274	\$78,475	
	T&D	1,088	7	1,095	\$83,572	\$76,343
	Customer Services and Rates	453	9	462	\$31,002	\$67,055
	Planning, Corporate, and Administrative	372	88	460	\$43,700	\$95,036

Table 5b
LIPA Strategic Organization Study
Operations Cost Analysis
Municipalization Option Labor Analysis
Incremental FTEs and Labor Cost/Rates

Functional Area	Adjustments to FTEs	2010 Incremental Direct Labor Cost (\$000)	2010 Average Incremental Labor Rate (\$/FTE)	2010 Muni Total Direct Labor Cost (\$000)	2010 Average Muni Labor Rate (\$/FTE)
EE/DR/Renewables	(3)	(\$334)	\$334	(\$111,272)	\$113,163
Environmental Regulation	3	\$262	\$262	\$87,433	\$91,321
Regulatory, Rates, & Pricing	6	\$681	\$681	\$113,582	\$119,832
Customer Accounts & Services	(16)	(\$1,312)	\$1,312	(\$81,978)	\$64,365
Marketing & Sales	0	\$0	\$0	\$1,860	\$53,652
Media/Government Relations	0	\$0	\$0	\$1,032	\$112,559
Accounting & Finance	15	\$1,669	\$1,669	\$111,272	\$93,883
Finance: Risk	3	\$178	\$178	\$59,302	\$63,015
Legal	0	\$0	\$0	\$2,831	\$114,299
Power Markets	15	\$1,669	\$1,669	\$111,272	\$67,948
Facilities/procurement	2	\$223	\$223	\$111,272	\$110,618
IT	15	\$1,624	\$1,624	\$108,278	\$108,505
HR	10	\$1,167	\$1,167	\$116,717	\$115,931
Other/corporate	5	\$583	\$583	\$116,564	\$116,269
T&D Operations & Maintenance - Lines & Subs	0	\$0	\$0	\$24,434	\$46,827
T&D Maintenance - Veg Mgmt	0	\$0	\$0	\$833	\$104,452
T&D Operations - Service	0	\$0	\$0	\$14,464	\$116,938
T&D Operations - General/Other	0	\$0	\$0	\$23,511	\$113,859
T&D Operations - Systems	0	\$0	\$0	\$3,084	\$72,307
T&D Operations - Engineering	0	\$0	\$0	\$9,579	\$83,077
T&D Operations - Planning/Management	0	\$0	\$0	\$7,667	\$99,839
Total	55	\$6,411	\$9,702	\$164,686	\$79,487
T&D	-	\$0		\$83,572	\$76,343
Customer Services and Rates	(10)	(\$630)		(\$63,015)	\$67,144
Planning, Corporate, and Administrative	65	\$7,041		\$108,327	\$96,682

Rate Impact	
Cents Per kWh	0.031
Base Rate: Cents Per kWh	18.173
% of Base Rate	0.17%

Sensitivities	
Over-stated Cost Impact	20%
Incremental Rate Impact: Cents / kWh	0.040
Incremental Rate Impact: %	0.22%
Understated Cost Impact	-20%
Incremental Rate Impact: Cents / kWh	0.022
Incremental Rate Impact: %	0.12%
Low/Mid/High Incremental Labor Costs	Low Mid High
	\$4,471 \$6,411 \$8,352

Note: Sensitivities are calculated on the absolute value ("abs") of the incremental direct labor cost.

Table 6a
LIPA Strategic Organization Study
Operations Cost Analysis
Non-Labor O&M Expenses Baseline Analysis
2009 Expenses Broken Down By Cost Area and Source
National Grid

2009 NATIONAL GRID									
	Materials / expenses (\$000)	Outside services / contractors (\$000)	Systems (\$000)	Rents / leases (\$000)	Fleet leases (\$000)	Tax (\$000)	Other costs (\$000)	2009 TOTAL Non-Labor (\$000)	2010 Total (Labor + Non- Labor) O&M (\$000)
EE/DR/Renewables	\$177	\$951	\$0	\$4	\$3	\$6	\$46	\$1,187	\$6,150
Environmental Regulation	\$251	\$56	\$0	\$0	\$22	\$72	\$28	\$429	\$1,942
Regulatory, Rates, & Pricing	\$41	\$197	\$1	\$10	\$13	\$79	\$6	\$346	\$2,800
Customer Accounts & Services	\$2,857	\$3,360	\$68	\$52	\$657	\$1,966	\$1,126	\$10,085	\$58,721
Marketing & Sales	\$48	\$139	\$1	\$24	\$1	\$113	\$81	\$407	\$2,803
Media/Government Relations	\$218	\$30	\$0	\$0	\$6	\$18	\$16	\$289	\$750
Accounting & Finance	\$430	\$2,907	\$27	\$0	\$0	\$282	\$536	\$4,182	\$10,573
Finance: Risk	\$46	\$108	\$0	\$0	\$0	\$42	\$2	\$197	\$1,242
Legal	\$345	\$754	\$4	\$0	\$20	\$133	\$1,162	\$2,418	\$5,511
Power Markets	\$192	\$409	\$45	\$5	\$0	\$135	\$264	\$1,051	\$5,246
Facilities/procurement	\$99	\$1,428	\$0	\$842	\$168	\$497	\$5,911	\$8,945	\$18,597
IT	\$1,161	\$2,561	\$3,611	\$0	\$4	\$705	\$1,427	\$9,468	\$20,337
HR	\$517	\$1,784	\$2	\$6	\$26	\$486	\$18	\$2,839	\$25,824
Other/corporate	\$1,734	\$4,047	\$61	\$10	\$2	\$341	\$23,809	\$30,003	\$92,099
T&D Operations & Maintenance - Lines & Subs	\$3,700	\$2,356	\$167	\$1,313	\$4,970	\$1,168	\$262	\$13,936	\$45,729
T&D Maintenance - Veg Mgmt	\$42	\$9,102	\$0	\$5	\$36	\$602	(\$271)	\$9,515	\$12,215
T&D Operations - Service	\$2,992	\$6,430	\$2	\$18	\$1,146	\$772	\$523	\$11,885	\$29,809
T&D Operations - General/Other	\$1,361	\$2,721	\$8	\$33	\$285	\$515	\$2,231	\$7,155	\$33,468
T&D Operations - Systems	\$212	\$7	\$1	\$1	\$110	\$35	(\$487)	(\$119)	\$3,449
T&D Operations - Engineering	\$449	\$208	\$151	\$4	\$243	\$440	\$30	\$1,526	\$13,469
T&D Operations - Planning/Management	\$483	\$2,785	\$41	\$5	\$35	\$476	(\$224)	\$3,601	\$16,406
Total	\$17,354 15%	\$42,340 35%	\$4,191 4%	\$2,329 2%	\$7,747 6%	\$8,886 7%	\$36,496 31%	\$119,343	\$407,139

Table 6b
LIPA Strategic Organization Study
Operations Cost Analysis
Non-Labor O&M Expenses Baseline Analysis
2009 Expenses Broken Down By Cost Area and Source
LIPA

2009 LIPA									
	Materials / expenses (\$000)	Outside services / contractors (\$000)	Systems (\$000)	Rents / leases (\$000)	Fleet leases (\$000)	Tax (\$000)	Other costs (\$000)	2009 TOTAL Non-Labor (\$000)	2010 Total (Labor + Non- Labor) O&M (\$000)
EE/DR/Renewables	\$58,918	\$0	\$0	\$192		\$0	\$166	\$59,277	\$72,327
Environmental Regulation	\$0	\$0	\$0	\$42		\$0	\$36	\$78	\$532
Regulatory, Rates, & Pricing	\$0	\$0	\$0	\$61		\$0	\$53	\$114	\$780
Customer Accounts & Services	\$0	\$0	\$235	\$95		\$0	\$82	\$412	\$1,484
Marketing & Sales	\$0	\$0	\$0	\$78		\$0	\$67	\$145	\$993
Media/Government Relations	\$0	\$0	\$0	\$117		\$0	\$1,034	\$1,151	\$2,596
Accounting & Finance	\$0	\$2,400	\$0	\$318		\$0	\$275	\$2,992	\$6,888
Finance: Risk	\$0	\$0	\$0	\$17		\$0	\$14	\$31	\$213
Legal	\$0	\$0	\$0	\$184		\$0	\$1,944	\$2,128	\$4,457
Power Markets	\$0	\$0	\$0	\$217		\$0	\$188	\$405	\$2,765
Facilities/procurement	\$0	\$0	\$0	\$56		\$0	\$48	\$104	\$709
IT	\$0	\$0	\$0	\$89		\$0	\$77	\$166	\$1,135
HR	\$0	\$0	\$0	\$106		\$0	\$92	\$197	\$1,347
Other/corporate	\$4,739	\$11,289	\$0	\$50		\$0	\$196	\$16,274	\$19,829
T&D Operations & Maintenance - Lines & Subs	\$0	\$0	\$0	\$0		\$0	\$0	\$0	\$0
T&D Maintenance - Veg Mgmt	\$0	\$0	\$0	\$0		\$0	\$0	\$0	\$0
T&D Operations - Service	\$0	\$0	\$0	\$0		\$0	\$0	\$0	\$0
T&D Operations - General/Other	\$0	\$0	\$0	\$117		\$0	\$101	\$218	\$1,489
T&D Operations - Systems	\$0	\$0	\$0	\$0		\$0	\$0	\$0	\$0
T&D Operations - Engineering	\$0	\$0	\$0	\$0		\$0	\$0	\$0	\$0
T&D Operations - Planning/Management	\$0	\$2,400	\$0	\$0		\$0	\$0	\$2,400	\$2,847
Total	\$63,657 74%	\$16,089 19%	\$235 0%	\$1,738 2%	\$0 0%	\$0 0%	\$4,374 5%	\$86,094	\$120,390

Table 6c
LIPA Strategic Organization Study
Operations Cost Analysis
Non-Labor O&M Expenses Baseline Analysis
2009 Expenses Broken Down By Cost Area and Source
Total

2009 TOTAL (LIPA AND NATIONAL GRID)										
	Materials / expenses (\$000)	Outside services / contractors (\$000)	Systems (\$000)	Rents / leases (\$000)	Fleet leases (\$000)	Tax (\$000)	Other costs (\$000)	2009 TOTAL Non-Labor (\$000)	2010 Total Non- Labor O&M (\$000)	2010 Total (Labor + Non- Labor) O&M (\$000)
EE/DR/Renewables	\$59,095	\$951	\$0	\$196	\$3	\$6	\$212	\$60,464	\$71,713	\$78,476
Environmental Regulation	\$251	\$56	\$0	\$42	\$22	\$72	\$65	\$507	\$601	\$2,473
Regulatory, Rates, & Pricing	\$41	\$197	\$1	\$71	\$13	\$79	\$59	\$460	\$546	\$3,580
Customer Accounts & Services	\$2,857	\$3,360	\$303	\$146	\$657	\$1,966	\$1,208	\$10,497	\$12,450	\$60,205
Marketing & Sales	\$48	\$139	\$1	\$102	\$1	\$113	\$149	\$552	\$655	\$3,796
Media/Government Relations	\$218	\$30	\$0	\$117	\$6	\$18	\$1,050	\$1,440	\$1,708	\$3,345
Accounting & Finance	\$430	\$5,307	\$27	\$318	\$0	\$282	\$811	\$7,174	\$8,509	\$17,462
Finance: Risk	\$46	\$108	\$0	\$17	\$0	\$42	\$16	\$229	\$271	\$1,455
Legal	\$345	\$754	\$4	\$184	\$20	\$133	\$3,106	\$4,546	\$5,391	\$9,969
Power Markets	\$192	\$409	\$45	\$222	\$0	\$135	\$452	\$1,456	\$1,727	\$8,011
Facilities/procurement	\$99	\$1,428	\$0	\$897	\$168	\$497	\$5,959	\$9,049	\$10,732	\$19,306
IT	\$1,161	\$2,561	\$3,611	\$89	\$4	\$705	\$1,504	\$9,634	\$11,427	\$21,471
HR	\$517	\$1,784	\$2	\$112	\$26	\$486	\$109	\$3,036	\$3,601	\$27,171
Other/corporate	\$6,473	\$15,336	\$61	\$60	\$2	\$341	\$24,004	\$46,277	\$54,886	\$111,928
T&D Operations & Maintenance - Lines & Subs	\$3,700	\$2,356	\$167	\$1,313	\$4,970	\$1,168	\$262	\$13,936	\$10,822	\$45,729
T&D Maintenance - Veg Mgmt	\$42	\$9,102	\$0	\$5	\$36	\$602	(\$271)	\$9,515	\$11,285	\$12,215
T&D Operations - Service	\$2,992	\$6,430	\$2	\$18	\$1,146	\$772	\$523	\$11,885	\$13,530	\$29,809
T&D Operations - General/Other	\$1,361	\$2,721	\$8	\$150	\$285	\$515	\$2,333	\$7,373	\$5,091	\$34,957
T&D Operations - Systems	\$212	\$7	\$1	\$1	\$110	\$35	(\$487)	(\$119)	(\$142)	\$3,449
T&D Operations - Engineering	\$449	\$208	\$151	\$4	\$243	\$440	\$30	\$1,526	(\$263)	\$13,469
T&D Operations - Planning/Management	\$483	\$5,185	\$41	\$5	\$35	\$476	(\$224)	\$6,001	\$7,118	\$19,253
Total	\$81,012	\$58,429	\$4,426	\$4,067	\$7,747	\$8,886	\$40,871	\$205,437	\$231,661	\$527,529
T&D only	\$9,239	\$26,009	\$371	\$1,496	\$6,826	\$4,010	\$2,166			
	39%	28%	2%	2%	4%	4%	20%			
									MSA Profit	\$29,135
									Total O&M	\$556,664

Table 7
LIPA Strategic Organization Study
Non-Labor O&M Expenses Baseline Analysis
Breakdown of Non-Labor O&M By Category

	(\$000)	(%)		
<u>Ratio Non-Labor O&M to Labor O&M</u>			<u>Composition of Non-Labor O&M</u>	
2009 Labor O&M	\$249,457	55%	T&D	20.5%
2009 Non-Labor O&M	\$205,437	45%	Rates + Markets	37.9%
<u>Total O&M</u>	<u>\$454,893</u>	<u>100%</u>	<u>Corporate</u>	<u>41.7%</u>
			<u>Total Non-Labor O&M</u>	<u>100.0%</u>
<u>Excluding Benefits Catch Up</u>				T&D*
2009 Labor O&M	\$195,016	49%	Materials	39.4% 11.4%
2009 Non-Labor O&M	\$205,437	51%	Outside Services/Contractors	28.4% 44.5%
<u>Total O&M</u>	<u>\$400,453</u>	<u>100%</u>	Systems	2.2% 8.4%
			Rents/Leases	2.0% 36.8%
			Fleet Leases	3.8% 88.1%
			Tax	4.3% 45.1%
2009 Non-Labor EE/DR/Renewables	\$60,464	29%	<u>Other</u>	<u>19.9% 5.3%</u>
			<u>Total Non-Labor O&M</u>	<u>100.0%</u>
			LIPA	41.9%
			National Grid	<u>58.1%</u>
			Total	<u>100.0%</u>

* Percentage of category associated with T&D.

Table 8
LIPA Strategic Organization Study
Non-Labor O&M Expenses Analysis
Sensitivities

	Privatization Option			ServCo Option			Municipalization Option		
	Low	Mid	High	Low	Mid	High	Low	Mid	High
	Case	Case	Case	Case	Case	Case	Case	Case	Case
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Incremental Direct Labor	(\$13,987)	(\$11,656)	(\$9,324)	(\$1,400)	\$75	\$1,550	\$4,471	\$6,411	\$8,352
<u>Incremental Pensions + Benefits (at baseline benefits-to-labor ratio*)</u>	<u>(\$6,453)</u>	<u>(\$5,378)</u>	<u>(\$4,302)</u>	<u>(\$646)</u>	<u>\$35</u>	<u>\$715</u>	<u>\$2,063</u>	<u>\$2,958</u>	<u>\$3,853</u>
Incremental Total Labor O&M	(\$20,440)	(\$17,033)	(\$13,627)	(\$2,046)	\$110	\$2,266	\$6,533	\$9,369	\$12,205
<u>Incremental Non-Labor O&M Adjustment</u>									
1:1 Labor / Non-Labor	(\$20,440)	(\$17,033)	(\$13,627)	(\$2,046)	\$110	\$2,266	\$6,533	\$9,369	\$12,205
1:0.80 Labor / Non-Labor (excludes T&D non-labor O&M)	(\$16,254)	(\$13,545)	(\$10,836)	(\$1,627)	\$87	\$1,802	\$5,195	\$7,450	\$9,705
1:0.71 Labor / Non-Labor (excludes EE/DR non-labor O&M) (excludes impact of increased pension rates in municipalization option)	(\$14,424)	(\$12,020)	(\$9,616)	(\$1,444)	\$78	\$1,599	\$4,611	\$6,612	\$8,613

* The 2010 baseline benefits-to-labor ratio is 46% (see Table 11c).

Table 9a
LIPA Strategic Organization Study
Operations Cost Analysis
 Projected Capital Additions Under Strategic Options
 Privatization Option

Functional Area	Facilities (\$000)	Office (\$000)	Systems (\$000)	Software (\$000)	Equip (\$000)	Transition / Transaction (\$000)	Total (\$000)
EE/DR/Renewables	\$0	\$197	\$0	\$0	\$0		\$197
Environmental Regulation	\$0	\$39	\$0	\$0	\$0		\$39
Regulatory, Rates, & Pricing	\$0	\$46	\$0	\$0	\$0		\$46
Customer Accounts & Services	\$0	\$2,352	\$0	\$0	\$0		\$2,352
Marketing & Sales	\$0	\$144	\$0	\$0	\$0		\$144
Media/Government Relations	\$0	\$12	\$0	\$0	\$0		\$12
Accounting & Finance	\$0	\$259	\$0	\$0	\$0		\$259
Finance: Risk	\$0	\$40	\$0	\$0	\$0		\$40
Legal	\$0	\$50	\$0	\$0	\$0		\$50
T&D Operations & Maintenance - Lines & Subs	\$0	\$0	\$0	\$0	\$0		\$0
T&D Maintenance - Veg Mgmt	\$0	\$0	\$0	\$0	\$0		\$0
T&D Operations - Metering	\$0	\$0	\$0	\$0	\$0		\$0
T&D Operations - Service	\$0	\$0	\$0	\$0	\$0		\$0
T&D Operations - Systems	\$0	\$245	\$0	\$0	\$0		\$245
T&D Operations - Engineering	\$0	\$663	\$0	\$0	\$0		\$663
T&D Operations - Planning/Management	\$0	\$442	\$0	\$0	\$0		\$442
T&D Operations - General/Other	\$0	\$0	\$0	\$0	\$0		\$0
Power Markets	\$0	\$247	\$0	\$0	\$0		\$247
Facilities/procurement	\$0	\$228	\$0	\$0	\$0		\$228
IT	\$0	\$224	\$0	\$0	\$0		\$224
HR	\$0	\$78	\$0	\$0	\$0		\$78
Other/corporate	\$0	\$206	\$0	\$0	\$0		\$206
Transition cost						\$50,000	\$50,000
Transaction cost						\$50,000	\$50,000
Other						\$0	\$0
Total	\$0	\$5,473	\$0	\$0	\$0	\$100,000	\$105,473
	0%	5%	0%	0%	0%	95%	100%

Table 9b
LIPA Strategic Organization Study
Operations Cost Analysis
Projected Capital Additions Under Strategic Options
ServCo Option

Functional Area	Facilities (\$000)	Office (\$000)	Systems (\$000)	Software (\$000)	Equip (\$000)	Transition / Transaction (\$000)	Total (\$000)
EE/DR/Renewables	\$0	\$197	\$0	\$0	\$0		\$197
Environmental Regulation	\$0	\$74	\$0	\$0	\$0		\$74
Regulatory, Rates, & Pricing	\$0	\$109	\$0	\$0	\$0		\$109
Customer Accounts & Services	\$0	\$2,381	\$50,000	\$0	\$0		\$52,381
Marketing & Sales	\$0	\$173	\$0	\$0	\$0		\$173
Media/Government Relations	\$0	\$12	\$0	\$0	\$0		\$12
Accounting & Finance	\$0	\$316	\$15,000	\$0	\$0		\$15,316
Finance: Risk	\$0	\$46	\$0	\$0	\$0		\$46
Legal	\$0	\$79	\$0	\$0	\$0		\$79
T&D Operations & Maintenance - Lines & Subs	\$0	\$0	\$0	\$0	\$0		\$0
T&D Maintenance - Veg Mgmt	\$0	\$0	\$0	\$0	\$0		\$0
T&D Operations - Metering	\$0	\$0	\$0	\$0	\$0		\$0
T&D Operations - Service	\$0	\$0	\$0	\$0	\$0		\$0
T&D Operations - Systems	\$0	\$245	\$0	\$0	\$0		\$245
T&D Operations - Engineering	\$0	\$663	\$0	\$0	\$0		\$663
T&D Operations - Planning/Management	\$0	\$442	\$0	\$0	\$0		\$442
T&D Operations - General/Other	\$0	\$0	\$0	\$0	\$0		\$0
Power Markets	\$0	\$420	\$0	\$0	\$0		\$420
Facilities/procurement	\$0	\$245	\$0	\$0	\$0		\$245
IT	\$0	\$253	\$0	\$0	\$0		\$253
HR	\$0	\$130	\$0	\$0	\$0		\$130
Other/corporate	\$0	\$264	\$0	\$0	\$0		\$264
Transition cost						\$20,000	\$20,000
Transaction cost						\$0	\$0
Other						\$0	\$0
Total	\$0	\$6,048	\$65,000	\$0	\$0	\$20,000	\$91,048
	0%	7%	71%	0%	0%	22%	100%

Table 9c
LIPA Strategic Organization Study
Operations Cost Analysis
Projected Capital Additions Under Strategic Options
Municipalization Option

Functional Area	Facilities (\$000)	Office (\$000)	Systems* (\$000)	Software (\$000)	Equip (\$000)	Transition / Transaction (\$000)	Total (\$000)
EE/DR/Renewables	\$0	\$197	\$0	\$0	\$0		\$197
Environmental Regulation	\$0	\$74	\$0	\$0	\$0		\$74
Regulatory, Rates, & Pricing	\$0	\$109	\$0	\$0	\$0		\$109
Customer Accounts & Services	\$0	\$2,438	\$60,000	\$25	\$50		\$62,513
Marketing & Sales	\$0	\$173	\$0	\$0	\$0		\$173
Media/Government Relations	\$0	\$12	\$0	\$0	\$0		\$12
Accounting & Finance	\$0	\$345	\$18,000	\$0	\$0		\$18,345
Finance: Risk	\$0	\$75	\$0	\$0	\$0		\$75
Legal	\$0	\$79	\$0	\$0	\$0		\$79
T&D Operations & Maintenance - Lines & Subs	\$0	\$0	\$0	\$200	\$0		\$200
T&D Maintenance - Veg Mgmt	\$0	\$0	\$0	\$0	\$0		\$0
T&D Operations - Metering	\$0	\$0	\$0	\$0	\$0		\$0
T&D Operations - Service	\$0	\$0	\$0	\$0	\$0		\$0
T&D Operations - Systems	\$0	\$245	\$0	\$0	\$0		\$245
T&D Operations - Engineering	\$0	\$663	\$0	\$50	\$0		\$713
T&D Operations - Planning/Management	\$0	\$442	\$0	\$25	\$0		\$467
T&D Operations - General/Other	\$0	\$0	\$0	\$200	\$0		\$200
Power Markets	\$0	\$420	\$0	\$25	\$0		\$445
Facilities/procurement	\$0	\$257	\$0	\$500	\$0		\$757
IT	\$0	\$374	\$0	\$0	\$0		\$374
HR	\$0	\$216	\$0	\$0	\$0		\$216
Other/corporate	\$0	\$292	\$0	\$0	\$0		\$292
Transition cost						\$30,000	\$30,000
Transaction cost						\$5,000	\$5,000
Other						\$0	\$0
Total	\$0	\$6,411	\$78,000	\$1,025	\$50	\$35,000	\$120,486
	0%	5%	65%	1%	0%	29%	100%

* Assumes Systems costs are 20% more costly than under ServCo due to loss of purchasing leverage.

Table 10a
LIPA Strategic Organization Study
Operations Cost Analysis
Incremental Capitalized Expenditures
Mid Case
(Included As Depreciation & Amortization Expenses In Revenue Requirements)

	Privatization Option (\$000)	ServCo Option (\$000)	Muni Option (\$000)
<u>Transaction/Transition Costs</u>			
Transaction Costs (\$000)	\$50,000	\$0	\$5,000
Amortization Term (Years)	10	10	10
Amortized Transaction Costs - Annual (\$000)	\$5,000	\$0	\$500
Transition Costs (\$000)	\$50,000	\$20,000	\$30,000
Amortization Term (Years)	10	10	10
Amortized Transition Costs - Annual (\$000)	\$5,000	\$2,000	\$3,000
<u>Capital Additions</u>			
General Office - Information Systems (\$000)	\$0	\$65,000	\$78,000
Depreciation Rate - Per FERC Schedule	4.33%	4.33%	4.33%
Annual Depreciation Expense	\$0	\$2,815	\$3,377
General Office - Equipment (\$000)	\$0	\$0	\$50
Depreciation Rate - Per FERC Schedule	4.33%	4.33%	4.33%
Annual Depreciation Expense	\$0	\$0	\$2
General Office - Software (\$000)	\$0	\$0	\$1,025
Depreciation Rate - Per FERC Schedule	20%	20%	20%
Annual Depreciation Expense	\$0	\$0	\$205
General Office - Other (\$000)	\$5,473	\$6,048	\$6,411
Depreciation Rate - Per FERC Schedule	4.33%	4.33%	4.33%
Annual Depreciation Expense	\$237	\$262	\$278
Total Capital Additions	\$105,473	\$91,048	\$120,486
Total Incremental Depreciation & Amortization Expense	\$10,237	\$5,076	\$7,362

Table 10b
LIPA Strategic Organization Study
Operations Cost Analysis
Incremental Capitalized Expenditures
High Case
(Included As Depreciation & Amortization Expenses In Revenue Requirements)

	Privatization Option (\$000)	ServCo Option (\$000)	Muni Option (\$000)
<u>% Change from Mid Case</u>	20%	20%	30%
<u>Transaction/Transition Costs</u>			
Transaction Costs (\$000)	\$60,000	\$0	\$6,500
Amortization Term (Years)	10	10	10
Amortized Transaction Costs - Annual (\$000)	\$6,000	\$0	\$650
Transition Costs (\$000)	\$60,000	\$24,000	\$39,000
Amortization Term (Years)	10	10	10
Amortized Transition Costs - Annual (\$000)	\$6,000	\$2,400	\$3,900
<u>Capital Additions</u>			
General Office - Information Systems (\$000)	\$0	\$78,000	\$101,400
Depreciation Rate - Per FERC Schedule	4%	4%	4%
Annual Depreciation Expense	\$0	\$3,377	\$4,391
General Office - Equipment (\$000)	\$0	\$0	\$65
Depreciation Rate - Per FERC Schedule	4%	4%	4%
Annual Depreciation Expense	\$0	\$0	\$3
General Office - Software (\$000)	\$0	\$0	\$1,333
Depreciation Rate - Per FERC Schedule	20%	20%	20%
Annual Depreciation Expense	\$0	\$0	\$267
General Office - Other (\$000)	\$6,568	\$7,258	\$8,334
Depreciation Rate - Per FERC Schedule	4%	4%	4%
Annual Depreciation Expense	\$284	\$314	\$361
Total Capital Additions	\$126,568	\$109,258	\$156,631
Total Incremental Depreciation & Amortization Expense	\$12,284	\$6,092	\$9,571

Table 10c
LIPA Strategic Organization Study
Operations Cost Analysis
Incremental Capitalized Expenditures
Low Case
(Included As Depreciation & Amortization Expenses In Revenue Requirements)

	Privatization Option (\$000)	ServCo Option (\$000)	Muni Option (\$000)
<u>% Change from Mid Case</u>	-20%	-20%	-10%
<u>Transaction/Transition Costs</u>			
Transaction Costs (\$000)	\$40,000	\$0	\$4,500
Amortization Term (Years)	10	10	10
Amortized Transaction Costs - Annual (\$000)	\$4,000	\$0	\$450
Transition Costs (\$000)	\$40,000	\$16,000	\$27,000
Amortization Term (Years)	10	10	10
Amortized Transition Costs - Annual (\$000)	\$4,000	\$1,600	\$2,700
<u>Capital Additions</u>			
General Office - Information Systems (\$000)	\$0	\$52,000	\$70,200
Depreciation Rate - Per FERC Schedule	4%	4%	4%
Annual Depreciation Expense	\$0	\$2,252	\$3,040
General Office - Equipment (\$000)	\$0	\$0	\$45
Depreciation Rate - Per FERC Schedule	4%	4%	4%
Annual Depreciation Expense	\$0	\$0	\$2
General Office - Software (\$000)	\$0	\$0	\$923
Depreciation Rate - Per FERC Schedule	20%	20%	20%
Annual Depreciation Expense	\$0	\$0	\$185
General Office - Other (\$000)	\$4,379	\$4,839	\$5,770
Depreciation Rate - Per FERC Schedule	4%	4%	4%
Annual Depreciation Expense	\$190	\$210	\$250
Total Capital Additions	\$84,379	\$72,839	\$108,437
Total Incremental Depreciation & Amortization Expense	\$8,190	\$4,061	\$6,626

Table 11a
LIPA Strategic Organization Study
Pensions & Benefits Analysis
2009 - 2010 Baseline Pensions & Benefits Expenses

Functional Area	National Grid (2009)			LIPA (2009)			LIPA (2010)			2009	2010
	Non-	Pensions +	Total P +	Non-	Pensions +	Total P +	Non-	Pensions +	Total P +	Total P +	Total P +
	Pension	OPEBs	B	Pension	OPEBs	B	Pension	OPEBs	B	B	B
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
EE/DR/Renewables	\$423	\$1	\$424	\$354	\$271	\$625				\$1,049	\$1,244
Environmental Regulation	\$299	\$184	\$484	\$77	\$59	\$136				\$620	\$735
Regulatory, Rates, & Pricing	\$430	\$213	\$643	\$113	\$86	\$199				\$842	\$999
Customer Accounts & Services	\$9,552	\$5,981	\$15,533	\$175	\$133	\$308				\$15,841	\$18,788
Marketing & Sales	\$499	\$328	\$826	\$144	\$110	\$254				\$1,080	\$1,281
Media/Government Relations	\$81	\$49	\$130	\$216	\$165	\$381				\$511	\$606
Accounting & Finance	\$1,019	\$650	\$1,669	\$585	\$448	\$1,033				\$2,702	\$3,205
Finance: Risk	\$237	\$113	\$350	\$31	\$24	\$54				\$404	\$479
Legal	\$542	\$332	\$874	\$339	\$259	\$598				\$1,472	\$1,746
Power Markets	\$692	\$380	\$1,072	\$401	\$306	\$707				\$1,779	\$2,110
Facilities/procurement	\$1,698	\$1,061	\$2,759	\$103	\$79	\$181				\$2,940	\$3,487
IT	\$1,918	\$1,196	\$3,114	\$164	\$126	\$290				\$3,404	\$4,037
HR	\$15,065	\$1,156	\$16,221	\$195	\$149	\$344				\$16,565	\$19,647
Other/corporate	(\$6,014)	\$49,158	\$43,144	\$92	\$71	\$163				\$43,307	\$51,364
T&D Operations & Maintenance - Lines & Subs	\$6,512	\$2,317	\$8,829	\$0	\$0	\$0				\$8,829	\$10,472
T&D Maintenance - Veg Mgmt	\$82	\$0	\$82	\$0	\$0	\$0				\$82	\$97
T&D Operations - Service	\$1,490	\$41	\$1,530	\$0	\$0	\$0				\$1,530	\$1,815
T&D Operations - General/Other	\$4,065	\$912	\$4,977	\$216	\$165	\$381				\$5,357	\$6,354
T&D Operations - Systems	\$381	\$46	\$427	\$0	\$0	\$0				\$427	\$506
T&D Operations - Engineering	\$2,560	\$941	\$3,501	\$0	\$0	\$0				\$3,501	\$4,153
T&D Operations - Planning/Management	\$2,662	\$1,105	\$3,768	\$0	\$0	\$0				\$3,768	\$4,469
Total	\$44,192	\$66,164	\$110,356	\$3,204	\$2,450	\$5,654	\$3,822	\$3,104	\$6,926	\$116,010	\$137,594
National Grid FTEs	1,913										
LIPA FTEs	104										
Cost Per FTE	\$23,103	\$34,589	\$57,691	\$30,808	\$23,558	\$54,365	\$36,750	\$29,846	\$66,596	\$57,520	\$68,222

Table 11b
LIPA Strategic Organization Study
Pensions & Benefits Analysis
2009- 2010 Baseline Direct Labor Expenses

	National Grid Direct Labor Costs (2009) (\$000)	LIPA Direct Labor Costs (2009) (\$000)	LIPA Direct Labor Costs (2010) (\$000)	2009 Total Direct Labor (\$000)	2010 Total Direct Labor (\$000)
EE/DR/Renewables	\$3,575	\$1,079		\$4,654	\$5,519
Environmental Regulation	\$724	\$235		\$959	\$1,137
Regulatory, Rates, & Pricing	\$1,372	\$344		\$1,716	\$2,035
Customer Accounts & Services	\$23,891	\$532		\$24,423	\$28,967
Marketing & Sales	\$1,130	\$438		\$1,568	\$1,860
Media/Government Relations	\$213	\$657		\$870	\$1,032
Accounting & Finance	\$3,064	\$1,783		\$4,846	\$5,748
Finance: Risk	\$500	\$94		\$594	\$704
Legal	\$1,355	\$1,032		\$2,387	\$2,831
Power Markets	\$2,300	\$1,220		\$3,520	\$4,174
Facilities/procurement	\$3,976	\$313		\$4,289	\$5,087
IT	\$4,565	\$500		\$5,065	\$6,007
HR	\$2,713	\$594		\$3,307	\$3,923
Other/corporate	\$4,505	\$281		\$4,787	\$5,677
T&D Operations & Maintenance - Lines & Subs	\$20,601	\$0		\$20,601	\$24,434
T&D Maintenance - Veg Mgmt	\$702	\$0		\$702	\$833
T&D Operations - Service	\$12,195	\$0		\$12,195	\$14,464
T&D Operations - General/Other	\$19,166	\$657		\$19,823	\$23,511
T&D Operations - Systems	\$2,601	\$0		\$2,601	\$3,084
T&D Operations - Engineering	\$8,076	\$0		\$8,076	\$9,579
T&D Operations - Planning/Management	\$6,464	\$0		\$6,464	\$7,667
Total	\$123,690	\$9,757	\$10,127	\$133,447	\$158,274

Table 11c
LIPA Strategic Organization Study
Pensions & Benefits Analysis
Pensions & Benefits / Labor Ratios

	National Grid (2009)			LIPA (2009)			LIPA (2010)			2009	2010
	Ratio: Non- Pension Benefits	Ratio: Pensions & OPEBs	Ratio: Total P + B	Ratio: Non- Pension Benefits	Ratio: Pensions & OPEBs	Ratio: Total P + B				Ratio: Total P + B	Ratio: Total P + B
	To Direct Labor	To Direct Labor	To Direct Labor	To Direct Labor	To Direct Labor	To Direct Labor				To Direct Labor	To Direct Labor
EE/DR/Renewables	12%	0%	12%	33%	25%	58%				23%	23%
Environmental Regulation	41%	25%	67%	33%	25%	58%				65%	65%
Regulatory, Rates, & Pricing	31%	16%	47%	33%	25%	58%				49%	49%
Customer Accounts & Services	40%	25%	65%	33%	25%	58%				65%	65%
Marketing & Sales	44%	29%	73%	33%	25%	58%				69%	69%
Media/Government Relations	38%	23%	61%	33%	25%	58%				59%	59%
Accounting & Finance	33%	21%	54%	33%	25%	58%				56%	56%
Finance: Risk	47%	23%	70%	33%	25%	58%				68%	68%
Legal	40%	25%	65%	33%	25%	58%				62%	62%
Power Markets	30%	17%	47%	33%	25%	58%				51%	51%
Facilities/procurement	43%	27%	69%	33%	25%	58%				69%	69%
IT	42%	26%	68%	33%	25%	58%				67%	67%
HR	555%	43%	598%	33%	25%	58%				501%	501%
Other/corporate	-133%	1091%	958%	33%	25%	58%				905%	905%
T&D Operations & Maintenance - Lines & Subs	32%	11%	43%							43%	43%
T&D Maintenance - Veg Mgmt	12%	0%	12%							12%	12%
T&D Operations - Service	12%	0%	13%							13%	13%
T&D Operations - General/Other	21%	5%	26%	33%	25%	58%				27%	27%
T&D Operations - Systems	15%	2%	16%							16%	16%
T&D Operations - Engineering	32%	12%	43%							43%	43%
T&D Operations - Planning/Management	41%	17%	58%							58%	58%
Total Ratio	36%	53%	89%	33%	25%	58%	38%	31%	68%	87%	87%
Direct Labor / Total L + B			53%			63%			59%	53%	53%
P + B / Direct Labor + P + B			47%			37%			41%	47%	47%
Excluding Benefits "Catch Up"											
Catch Up Charge	\$6,017	\$48,423	\$54,440							\$54,440	\$64,569
Adjusted Total P + B	\$38,175	\$17,741	\$55,916	\$3,204	\$2,450	\$5,654	\$3,822	\$3,104	\$6,926	\$61,570	\$73,025
Ratios To Direct Labor	31%	14%	45%	33%	25%	58%	38%	31%	68%	46%	46%

Table 12a
LIPA Strategic Organization Study
Operations Cost Analysis
Pension & Benefit Analysis - Scenario Analysis
Privatization Option

Ratios: P+B / Direct Labor Cost	Adjusted P+B Costs (\$000)	P+B Cost Per FTE (\$)	Incremental P+B Costs (\$000)	Incremental P+B Per FTE (\$)	Rate Impact (¢/kWh)	% of 2010 Baseline Rate
46%	\$67,647	\$35,569	(\$5,378)	(\$2,828)	-0.026	-0.14%
58%	\$84,963	\$44,673	\$11,938	\$6,277	0.057	0.32%
68%	\$100,275	\$52,724	\$27,250	\$14,328	0.131	0.72%
Privatization Option Direct Labor Costs (Mid Case)	\$146,619					
Baseline P+B Costs (excl. Catch Up)	\$73,025					
Privatization Option FTEs	1,902					
2010 Baseline Rate (cents per kWh)	18.173					
Low/Mid/High Incremental P+B Costs	Low 46%	Mid 46%	High 46%			

Note: Calculations above are based on the mid-range case. Incremental P&B costs for the Low and High cases require:
(1) use of the relevant low/high percentages; (2) identification of low and high direct labor costs calculated from information contained in tables 3-5; and (3) subtracting the new total P&B costs from the Baseline P&B costs.

Table 12b
LIPA Strategic Organization Study
Operations Cost Analysis
Pension & Benefit Analysis - Scenario Analysis
ServCo Option

Ratios: P+B / Direct Labor Cost	Adjusted P+B Costs (\$000)	P+B Cost Per FTE (\$)	Incremental P+B Costs (\$000)	Incremental P+B Per FTE (\$)	Rate Impact (¢/kWh)	% of 2010 Baseline Rate
46%	\$73,060	\$36,369	\$35	\$17	0.000	0.00%
58%	\$91,761	\$45,678	\$18,736	\$9,326	0.090	0.50%
68%	\$108,298	\$53,910	\$35,273	\$17,558	0.170	0.93%
ServCo Option Direct Labor Costs (Mid Case)	\$158,350					
Baseline P+B Costs (excl. Catch Up)	\$73,025					
ServCo Option FTEs	2,009					
2010 Baseline Rate (cents per kWh)	18.173					
Low/Mid/High Incremental P+B Costs	Low 46%	Mid 46%	High 46%			

Note: Calculations above are based on the mid-range case. Incremental P&B costs for the Low and High cases require:
(1) use of the relevant low/high percentages; (2) identification of low and high direct labor costs calculated from information contained in tables 3-5; and (3) subtracting the new total P&B costs from the Baseline P&B costs.

Table 12c
LIPA Strategic Organization Study
Operations Cost Analysis
Pension & Benefit Analysis - Scenario Analysis
Municipalization Option

Ratios: P+B / Direct Labor Cost	Adjusted P+B Costs (\$000)	P+B Cost Per FTE (\$)	Incremental P+B Costs (\$000)	Incremental P+B Per FTE (\$)	Rate Impact (¢/kWh)	% of 2010 Baseline Rate
46%	\$75,983	\$36,674	\$2,958	\$1,428	0.014	0.08%
58%	\$95,432	\$46,061	\$22,407	\$10,815	0.108	0.59%
68%	\$112,631	\$54,362	\$39,606	\$19,116	0.191	1.05%
Muni Option Direct Labor Costs (Mid Case)	\$164,686					
Baseline P+B Costs (excl. Catch Up)	\$73,025					
Muni Option FTEs	2,072					
2010 Baseline Rate (cents per kWh)	18.173					
Low/Mid/High Incremental P+B Costs		Low 46%	Mid 58%	High 68%		

Note: Calculations above are based on the mid-range case. Incremental P&B costs for the Low and High cases require:
(1) use of the relevant low/high percentages; (2) identification of low and high direct labor costs calculated from information contained in tables 3-5; and (3) subtracting the new total P&B costs from the Baseline P&B costs.

Table 13
LIPA Strategic Organization Study
Operations Cost Analysis
 Estimation of ServCo Profit Component

	2009 Costs (\$000)	2010 Costs (Estimated) (\$000)	
National Grid Fee + Pass-Through Costs	\$803,196	\$881,900	
<u>Cost Areas</u>			
EE/DR/Renewables	\$5,185	\$6,150	
Environmental Regulation	\$1,637	\$1,942	
Regulatory, Rates, & Pricing	\$2,360	\$2,800	
Customer Accounts & Services	\$49,510	\$58,721	
Marketing & Sales	\$2,364	\$2,803	
Media/Government Relations	\$632	\$750	
Accounting & Finance	\$8,915	\$10,573	
Finance: Risk	\$1,047	\$1,242	
Legal	\$4,647	\$5,511	
T&D Operations & Maintenance - Lines & Subs	\$43,366	\$45,729	
T&D Maintenance - Veg Mgmt	\$10,299	\$12,215	
T&D Operations - Service	\$25,610	\$29,809	
T&D Operations - Systems	\$2,908	\$3,449	
T&D Operations - Engineering	\$13,103	\$13,469	
T&D Operations - Planning/Management	\$13,833	\$16,406	
T&D Operations - General/Other	\$31,298	\$33,468	
Power Markets	\$4,423	\$5,246	
Facilities/procurement	\$15,680	\$18,597	
IT	\$17,147	\$20,337	
HR	\$21,773	\$25,824	
Other/corporate	\$77,652	\$92,099	
PSA-related	\$425,243	\$445,626	
Total Cost Areas	\$778,632	\$852,765	
Residual = Estimated MSA profit/loss	\$24,565	\$29,135	
	<u>Low</u>	<u>Med</u>	<u>High</u>
Estimated 2010 Profits Under OSA	\$30,000	\$30,000	\$55,000
Adjustment to 2010 Profit Levels Under OSA	\$865	\$865	\$25,865

Table 14
LIPA Strategic Organization Study
Operations Cost Analysis
PILOT / Property and Revenue Tax Analysis

	2009	2010
	(\$000)	(\$000)
Revenue Taxes	\$55,308	\$64,247
Long Island and New York City	\$180,308	\$203,444
Nine Mile PILOTs	\$3,619	\$3,619
Merchant Power Plants	\$10,417	\$10,300
Other	\$0	\$0
Metropolitan Commuter Transportation Tax	\$28	\$34
Total PILOTs	\$194,372	\$217,397
Property Taxes on NGrid Power Plants (PSA)	\$176,282	\$183,333
Property Taxes on other Purchased Power Agreements	\$6,090	\$3,275
NYS Temporary Conservation Assessment	\$0	\$44,973
Petroleum Business Tax and Motor Fuels Tax	\$6,090	\$4,537
Sales and Use Tax on Purchases	\$9,081	\$17,936
Total Other Taxes, PILOTs and Assessments	\$197,543	\$254,054
Total State and Local Taxes, PILOTs and Assessments	\$447,223	\$535,698

Source: LIPA budgets.

Potential For Reduction In 2010 LI/NYC Property Tax / PILOT Expenses

ServCo Option	20%
Municipalization Option	15%
Privatization Option	30%

ServCo Option	(\$000)	(\$40,689)
Municipalization Option	(\$000)	(\$30,517)
Privatization Option	(\$000)	(\$61,033)

Adjustments To Revenue Taxes

ServCo Option	(\$000)	(\$296)
Municipalization Option	(\$000)	\$1,208
Privatization Option	(\$000)	\$5,657