

STATE OF NEW YORK

Public Service Commission

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14057/13-M-0026; 10-M-0451; 10-E-0050

NATIONAL GRID GAS CUSTOMERS GET FINANCIAL CREDIT

— **Audit Investigation Nets Utility’s Long Island, Brooklyn Customers \$24.75M Credit** —

Albany, NY—09/04/14—The New York State Public Service Commission (Commission) today approved terms of a joint proposal that will make \$24.75 million in credits available to customers of National Grid’s KeySpan Gas East Corporation and Brooklyn Union Gas Company subsidiaries. The adoption of the proposal brings to a close the Commission's investigation into questions concerning affiliate cost allocations, policies and procedures of National Grid.

“Approval of the joint proposal will make \$24.75 million in credits immediately available and earning interest for the benefit of National Grid’s downstate gas customers,” said Commission Chair Audrey Zibelman. “The deferred credits will be subject to disposition by the Commission in future proceedings for the benefit of ratepayers.”

Specifically, the joint proposal provides \$11.41 million to KeySpan’s 558,000 customers and \$13.36 million to Brooklyn Union’s 1.21 million customers.

Approval of the terms of a joint proposal filed by staff and National Grid on May 23, 2014 brings to a conclusion the Commission’s investigation into National Grid’s past practices and procedures for the allocation of costs from its service companies to its regulated New York utility affiliates.

An investigation by staff during the course of the National Grid upstate’s 2010 electric rate case, together with a management audit of National Grid’s upstate operations, revealed the need for a

thorough examination of National Grid's business arrangements with National Grid's service companies.

As a result, in November 2010, the Commission initiated a separate proceeding to examine National Grid's cost allocations to its New York utility subsidiaries, as well as other processes used by National Grid to determine and allocate service company expenses for ratemaking purposes. After receiving the results of the third-party audit, which were disputed by National Grid, the Commission asked staff to undertake a comprehensive, independent reexamination of the auditor's analysis.

Staff's investigation revealed that rates for National Grid's upstate electric subsidiary were properly set in 2011 and that no audit-based adjustments were required. Consequently, rates made temporary by the Commission in 2011 will become permanent. The joint proposal approved by the Commission today reflects the results of staff's review.

The Commission's decision today, when issued, may be obtained by going to the Commission Documents section of the Commission's Web site at www.dps.ny.gov and entering Case Numbers 13-M-0026 [Proceeding on Motion of the Commission to Determine What Adjustments Should Be Made To Certain National Grid Affiliates' Rates or Earnings Based on Forensic Audit Results]; 10-M-0451 [Proceeding on Motion of the Commission to Investigate National Grid Affiliate Cost Allocations, Policies and Procedures] and 10-E-0050 [Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Niagara Mohawk Power Corporation for Electric Service] in the input box labeled "Search for Case/Matter Number". Many libraries offer free Internet access. Commission orders may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500). If you have difficulty understanding English, please call us at 1-800-342-3377 for free language assistance services regarding this press release.