

STATE OF NEW YORK

# Public Service Commission

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## **GRID'S UPSTATE CUSTOMERS NET \$11.5M MERGER BENEFIT — Upstate Ratepayers Share Synergy Savings Associated with Acquisition of KeySpan —**

Albany, NY—04/23/08—The New York State Public Service Commission (Commission) today increased by \$11.5 million National Grid USA (National Grid) upstate customers' share of merger synergy savings associated with National Grid's acquisition of KeySpan Corporation (KeySpan). Also, the Commission will issue a notice seeking comments by interested parties on two additional potential merger synergy savings issues resulting from an audit by Staff of the Department of Public Service (Staff) of National Grid's calculation of this merger savings owed to upstate customers.

“National Grid's merger with Niagara Mohawk in 2001 was predicated upon a joint proposal providing for an allocation of some synergy savings to Niagara Mohawk customers in the event National Grid closes any mergers or acquisitions within the United States,” said Commission Chairman Garry Brown. “Since all joint proposals are carefully constructed and intricately interwoven to balance an agreement involving numerous gives and takes among the signatories, many of whom have differing interests, our action today preserves the integrity of the merger joint proposal.”

On October 22, 2007, in accordance with the terms and conditions of the Merger Joint Proposal approved by the Commission in December 2001, Niagara Mohawk Power Corporation d/b/a National Grid submitted a compliance filing proposing the implementation of a “Follow-on Merger Credit” as part of merger synergy savings associated with the recent National Grid acquisition of KeySpan.

In its compliance filing, National Grid calculated its upstate customers' aggregate share of the KeySpan follow-on merger savings for the period September 2007 through December 2011 to be approximately \$40.4 million—about \$33 million for electric operations and \$7.4 million for gas operations.

Based upon the comprehensive and thorough audit by Staff, the Commission determined that National Grid's upstate customer share of KeySpan follow-on merger savings for the period August 24, 2007 through December 2011 be increased to approximately \$52 million, or \$11.5 million more than the amount proposed by National Grid.

Consequently, the Commission's order in this matter will result in approximately \$9.4 million in KeySpan-related merger synergy savings being deferred for the benefit of National Grid's upstate electric service customers. This amount will flow back to customers during the period January 1, 2010 through December 31, 2011 as part of the Competitive Transition Charge reset. Approximately \$2.2 million will be credited to the company's gas contingency fund and will provide a future credit for the benefit of the company's gas service customers.

In the audit conducted by Staff, two potential issues relating to efficiency gains and merger synergy savings adjustments were discovered to not be fully addressed in National Grid's October 2007 compliance filing. The Commission will issue a notice seeking comments by the company and other interested parties with an opportunity to fully develop and address these issues. The Commission's final resolution of these two issues could result in additional merger savings for National Grid's upstate electric and gas customers.

The Commission will issue a written order reflecting today's decision. That order, when available, can be obtained from the Commission's Web site at [www.dps.state.ny.us](http://www.dps.state.ny.us) by accessing the Commission Documents section of the homepage and referencing Case Number 01-M-0075. Many libraries offer free Internet access. Commission Orders can also be obtained from its Files Office, 14<sup>th</sup> floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).