

STATE OF NEW YORK

Public Service Commission

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NATIONAL GRID CUSTOMERS DIVVY UP TAX REFUND — Upstate Customers to Share \$25.96 Million Benefit —

Albany, NY—04/15/10—The New York State Public Service Commission (Commission) today voted to accept a Joint Proposal to allocate the proceeds of federal tax refunds obtained by National Grid. Under the Joint Proposal, upstate customers will receive \$25.96 million, reflecting \$18.7 million of the company’s refund, plus \$7.26 million in carrying charges.

“Staff of the Department of Public Service (Staff) is to be commended for their arduous work and extensive analysis in obtaining ratepayer credits totaling almost \$26 million,” said Commission Chairman Garry Brown. “With the inclusion of additional carrying charges, ratepayers will be fully compensated for National Grid’s overly lengthy delay in filing its federal refund petition with the Commission. The Joint Proposal in this matter meets our standards for reasonableness of settlements and is in the public interest.”

The company refund of \$25.96 million, inclusive of interest in the amount of \$13.3 million is the result of the cumulative effect of 156 audit and settlement adjustments by the Internal Revenue Service (IRS) due in part to the sale of generation assets during the period 1991 to 1995. The federal tax refund was substantially received by National Grid in March 2003 and April 2004 with the final interest payment received in December 2007. As the company’s notice to the Commission of federal tax adjustments were not timely received, the company filed procedures to prevent the reoccurrence of such late filings.

Commission rules require that notice be given of certain tax refunds within 60 days after the refund occurs, along with a proposed method of distributing such refunds to the company's customers. In a petition dated July 14, 2009, National Grid notified the Commission of the IRS tax refund, acknowledged the company's late notice of receipt of the tax refund, and proposed \$7.23 million to be credited to electric and natural gas customers resulting from the tax refund that did not include carrying charges.

On January 22, 2010, National Grid, Staff of the Department of Public Service and Multiple Intervenors, an organization representing large and industrial customers, filed a Joint Proposal for consideration by the Commission that provides for \$11.47 million more of the refund to be allocated to customers, plus \$7.26 million in carrying charges. Under the Joint Proposal, this results in a total of \$18.1 million being credited to electric customers and \$7.86 million being credited to natural gas customers. The tax refund will not appear as an immediate credit on customers' bills; instead, it is being used to offset other deferred costs owed by ratepayers.

The Joint Proposal and the Commission's order, when available, in Case 09-M-0554 can be obtained from the Commission's Web site at www.dps.state.ny.us by entering the applicable case number in the input box labeled "Search for Case/Matter Number." Many libraries offer free Internet access. Documents may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).