

STATE OF NEW YORK

Public Service Commission

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NATIONAL GRID'S COST ALLOCATION INVESTIGATION ADVANCES — Accounting Records of Utility Company's Businesses in NY to Be Scrutinized —

Albany, NY—11/18/10—The New York State Public Service Commission (Commission) today voted to issue a Request for Proposals (RFP) to seek an independent consultant to perform an investigative accounting examination of National Grid's affiliate cost allocations.

The Commission's examination will focus on costs charged to National Grid's upstate and downstate utilities for services performed by affiliated service companies, and on the procedures and methodologies used by the affiliated service companies to allocate these costs to National Grid's utilities operating in New York.

The results of the investigative accounting examination will be used to determine if the transactions between National Grid's New York utilities and the company's affiliated service companies resulted in unreasonable costs for the services rendered and were included in the New York utilities' revenue requirements for the provision of delivery service.

Also, the investigative audit results will provide the Commission an independent report, evidence and testimony to be considered in the associated rate cases or other proceedings. Additionally, the results of the examination will be used to improve National Grid's affiliate transaction processes going forward and to ensure that rates are set properly in the future.

Investigative Accounting Examination

The investigative accounting examination will include affiliate transactions of National Grid USA's (NG USA) New York regulated utilities' — Niagara Mohawk Power Corporation (NMPC), Brooklyn Union Gas Company, d/b/a KeySpan Energy Delivery New York (KEDNY) and KeySpan Gas East Corporation, d/b/a KeySpan Energy Delivery Long Island (KEDLI), collectively described as the National Grid New York (NG NY utilities) — affiliate transactions and specifically those with the National Grid USA service companies.

The National Grid USA service companies include: NG USA Service Inc., (NG USA Service), NG Corporate Services LLC (NG Corporate Services), NG Utility Services LLC (NG Utility Services) and NG Engineering and Survey Inc., (NG Engineering and Survey), collectively known as the NG Service companies.

The examination of the NG NY utilities' affiliate transactions will be completed in two parts. Under Part One of the examination, the independent consultant will perform a comprehensive review of the accounting procedures and internal controls of the NG Service Companies in allocating costs, and of the NG NY utilities in obtaining goods or services and reviewing its bills from the NG Service Companies.

Under the first part of the investigation, the independent consultant will examine, whether and the extent to which, material levels of misallocated or inappropriate costs of NG Service Company charges are reflected in: NMPC electric rates in Case 10-E-0050; NMPC gas earnings for the year ending May 31, 2010, as reported to the Commission in Case 08-G-0609; and amounts included in KEDNY and KEDLI calendar year 2009 utility earnings, as reported to the Commission in Cases 06-G-1185 and 06-G-1186, respectively.

After an evaluation of the independent consultant's investigative audit report, the Department of Public Service will determine whether there is a need to expand the investigation to examine past NG USA Service Company charges booked to NG NY utilities' earnings, regulatory assets, regulatory liabilities or plant in service since the control of NG NY utilities was assumed by NG, plc.

Under Section 66 (19) of the Public Service Law, the costs of the investigative audit of the NG NY Utilities' affiliate transactions will be paid for by NMPC, KEDNY and KEDLI, but the independent consultant will be selected by the Commission and will report to and operate under the direction of Staff of the Department of Public Service. The NG NY utilities would have to petition the Commission for recovery of the costs associated with the audit. Ultimate recovery of the audit costs will be subject to a later Commission determination.

The Commission's RFP, when issued, may be obtained by going to the Documents section of the Commission Web site at www.dps.state.ny.us and entering Case Number 10-M-0451 in the input box labeled "Search for Case/Matter Number." Many libraries offer free Internet access. Commission documents may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).