APPENDIX 4 - Corporate Structure and Affiliate Rules

Appendix 4: Corporate Structure and Affiliate Rules

Effective on the closing of the merger, National Grid will implement the following Corporate Structure and Affiliate Rules which will continue in effect unless and until such time as the Commission authorizes an express change.

1. Definitions

The following definitions apply to both Appendix 4 and Appendix 5.

Corporate and Administrative Services – means all services performed by KeySpan Corporate Services LLC and KeySpan Utility Services LLC, as well as any services performed by ServiceCo or not otherwise prohibited from being performed by ServiceCo. Corporate and Administrative Services will include, without limitation, all administrative and office support for the benefit of US HoldCo and any of its subsidiaries.

Customer Information - means any of the following information about an individual customer or any aggregation of individual customers collected or compiled by KEDNY or KEDLI: name, address, telephone number, identifying information, consumption history, individual usage characteristics, payment history, complaint history and the contents of any application for service.

National Grid Other Affiliates-- means affiliates of HoldCo, including affiliates in the United States and throughout the world, but excluding ServiceCo, KEDNY, KEDLI, Unregulated Competitive Energy Affiliates and Regulated Affiliates.

Personal Property—means any and all property that is not real property, including leases and all other property not deemed to be "real property."

Regulated Affiliates – means the subsidiaries (other than KEDNY and KEDLI) of US HoldCo, including future subsidiaries, that provide the full range of regulated gas and/or electric transmission or distribution services, including Niagara Mohawk Power Corporation, New England Power Company, Massachusetts Electric Company, New England Electric Transmission Corporation, Nantucket Electric Company, Granite State Electric Company, The Narragansett Electric Company, Boston Gas Company, Essex Gas Company, Colonial Gas Company, EnergyNorth Gas Company, New England Hydro-Transmission Corporation, New

England Hydro-Transmission Electric Company, Inc., and each of their successors, and any affiliate to the extent that such affiliate provides services to LIPA pursuant to the LIPA Agreements.

ServiceCo – means National Grid USA Service Company, Inc., KeySpan Corporate Services LLC, and/or KeySpan Utility Services LLC, or any successors thereto, which provide a variety of traditional corporate and administrative services for the National Grid USA system, and to LIPA pursuant to the LIPA Agreements.

System Information – means non-public information or data regarding the operation of or capacity constraints on and/or expansion plans relating to the energy delivery system of KEDNY or KEDLI.

Unregulated Affiliate – means any affiliate of HoldCo other than KEDNY, KEDLI, or any Regulated Affiliate.

Unregulated Competitive Energy Affiliate – means any of US HoldCo's current or future affiliates that directly provides competitive electric or gas commodity sales or service or heating, ventilation and air conditioning ("HVAC") sales or service in New York State, *i.e.*, KeySpan Energy Services and KeySpan Home Energy Services.

UK HoldCo – means National Grid plc or its successor as the highest level holding company in the National Grid group.

US HoldCo – means National Grid USA or its successor as the immediate parent and holding company for National Grid plc's United States utility operations. Immediate wholly-owned subsidiaries of National Grid USA will, upon completion of the Merger, include KeySpan, Niagara Mohawk Holdings, Inc., National Grid USA Service Company, Inc., and National Grid's New England utility affiliates.

Where the term "HoldCo" is used, it refers to either or both of UK HoldCo and US HoldCo. Where explicit reference to one of the HoldCos is required, the term "UK HoldCo" or "US HoldCo" are used in full. Other capitalized terms have the meaning assigned to them in the Joint Proposal.

2. Corporate Structure Following the Merger

Following the Merger, National Grid plc, a public limited company incorporated under the laws of England and Wales, through its wholly-owned subsidiary, National Grid USA, will merge a merger subsidiary with and into KeySpan Corporation, leaving KeySpan Corporation as the surviving corporation, a wholly owned subsidiary of National Grid USA. None of KeySpan's current subsidiaries will be affected by the Merger, and, following the Merger, all will exist as the separate corporate entities they are today. However, at some point following the Merger, all corporate and administrative services in the National Grid USA holding company system, including those now provided by KeySpan Corporate Services LLC and KeySpan Utility Services LLC, may be provided by ServiceCo, defined below, using the cost allocation methodology set forth in section 4.2, below.

Specifically, National Grid USA intends to combine or reorganize the existing service company subsidiaries of National Grid and KeySpan. National Grid USA also intends to adopt the KeySpan allocations for ServiceCo costs that are not otherwise charged directly to affiliates. The combination of service companies and the change in allocation method will occur when they can be implemented most effectively following the receipt of necessary regulatory approvals and the completion of necessary system modifications.

3. Accounting Issues

Under United States Generally Accepted Accounting Principles (US GAAP) for purchase accounting, the total acquisition price, together with transaction costs, in excess of the fair market value assigned to the assets and liabilities of the acquired company are recorded as goodwill on the acquired company's accounts. National Grid plans to "push down" and allocate the excess among KeySpan Corporation and its subsidiaries. This approach is fully consistent with US GAAP and with the practice adopted in the National Grid acquisition of Niagara Mohawk Holdings and its other US acquisitions. Under FASB standards for accounting for goodwill, goodwill is not amortized against earnings. Instead, goodwill is reviewed for impairment and written down and expensed only in a period in which the goodwill's recorded value exceeds its fair value. As set forth in section 1 of Appendix 5, no goodwill will be recorded on KEDNY's or KEDLI's regulatory accounts that are subject to the jurisdiction of the Commission. As a result, there will be no ratemaking effects associated with recording goodwill under GAAP US for KEDNY and KEDLI.

The Commission's approval of the KEDNY and KEDLI Merger Rate Plans signifies that such Rate Plans meet the accounting requirements of Statement of Financial Accounting Standards No. 71 and will do so throughout their terms.

As of the Rate Effective Date, KEDNY's and KEDLI's fiscal year will be changed to a year ending March 31st. In any calendar year, KEDNY and KEDLI will limit the dividends paid to US HoldCo in accordance with section 2 of Appendix 5.

4. Rules Governing Affiliate Transactions

4.1 Separation and Location: HoldCo, KEDNY, KEDLI, and all affiliates will each be operated as separate entities and will maintain separate books and records of account. KEDNY, KEDLI, HoldCo, ServiceCo, Regulated Affiliates, and National Grid Other Affiliates may occupy the same building. An Unregulated Competitive Energy Affiliate may share a building with KEDNY or KEDLI for no longer than 180 days after its formation.

4.2 Cost Allocation Procedures: Cost allocation procedures will assure an appropriate allocation on a fully distributed basis to HoldCo, KEDNY, KEDLI, and each Affiliate of the costs of any HoldCo or ServiceCo personnel, property, or services used by them. HoldCo will implement ServiceCo cost allocations for its HoldCo subsidiaries that reflect the methodology approved for use by KeySpan, when this conversion can be implemented efficiently and following receipt of required regulatory approvals. Specifically, rather than using operation and maintenance (O&M) expenses as the basis for the general allocation of ServiceCo expenses, the three-part allocator currently used by KeySpan Corporate Services LLC, based on revenues, O&M expenses, and assets, will be used by ServiceCo. This change, which will only affect the pre-merger National Grid USA companies, may require approval of the regulatory commissions having jurisdiction over the rates of the Regulated Affiliates, and is conditioned on the receipt of such regulatory approvals. Following consummation of the Merger, the receipt of required approvals, and the implementation of necessary accounting systems and controls, KeySpan's allocation methods will be adopted and KeySpan's service companies, KeySpan Corporate Services LLC and KeySpan Utility Services LLC, will be phased out and consolidated with ServiceCo to the extent permissible and when this conversion can be implemented efficiently.

4.3 Revisions of Methodology and Audits: Any future revisions to the cost allocation methodology will be filed with the Commission's Director of Finance and Accounting and, assuming adequate support is provided for such revisions, will become effective after 60 days, unless an objection is raised.

Staff will have the right to audit ServiceCo, including the examination of authorized cost allocation calculations and review of internal audit policies, procedures, and reports, to receive assurance that applicable transactions and /or allocations are being carried out properly.

4.4 ServiceCo Services: Following the close of the Merger, ServiceCo will be authorized to perform Corporate and Administrative Services to KEDNY, KEDLI, Regulated Affiliates, Unregulated Competitive Energy Affiliates and National Grid Other Affiliates. In the course of providing such Corporate and Administrative Services, ServiceCo employees will not disclose Customer Information or System Information to any Unregulated Competitive Energy Affiliate or act as a conduit for such Information, excepting disclosures that are in compliance with these rules, Commission orders, rules or regulations. While ServiceCo may perform call center operations for any US HoldCo subsidiary, ServiceCo will establish policies and procedures, including technological safeguards, to ensure that Unregulated Competitive Energy Affiliates and National Grid Other Affiliates do not have access to and do not receive Customer Information or System Information.

4.5 Provision of Services: (a) In accordance with section VI of the Joint Proposal, the service companies of KeySpan and National Grid may continue to provide the services currently provided to US HoldCo, any US HoldCo subsidiary, KeySpan and any KeySpan subsidiary, and to LIPA pursuant to the LIPA Agreements for a transition period pending the assumption of such services by ServiceCo or in the event that the necessary approvals are not received; (b) KEDNY and KEDLI may provide any affiliate with regulated utility services pursuant to the applicable tariff; (c) Non-tariffed services provided between and among KEDNY, KEDLI, Regulated Affiliates, ServiceCo, HoldCo, KeySpan Utility Services LLC and KeySpan Corporate Services LLC will be priced on a fully-loaded cost basis; (d) Non-tariffed services provided by KEDNY or KEDLI to affiliates not identified in part (c) will be priced at the higher of fair market value or fully-loaded cost; and (e) Any services provided to KEDNY or KEDLI by an affiliate other than one another, Regulated Affiliates, ServiceCo, HoldCo, KeySpan Utility Services LLC and KeySpan Corporate Services LLC will be priced at the lesser of fair market value or fully-loaded cost.

Contracts or other documentation will be required for any services identified in parts (d) and (e) that are expected to exceed $5 million over any 12 month period.

4.6 June 2001 Niagara Mohawk Policy Statement: Affiliate transactions involving Niagara Mohawk are currently governed by a document titled "June 2001 Policies and Procedures for Affiliate Transactions." National Grid will file with the Director of Accounting, Finance and Economics of the Department of Public Service revised policies, procedures, and agreements pertaining to transactions among affiliates and for Niagara Mohawk, KEDNY, and KEDLI prior to the consolidation of the service companies under section 4.4 above. That filing will be included as a Merger Reserved Issue in the Joint Proposal. Any disagreement associated with the filing shall be referred to the Commission for decision.

5. Rules Governing Human Resources

5.1 Separation of Employees and Officers: KEDNY, KEDLI, and the Unregulated Competitive Energy Affiliates will have separate operating employees, which restriction will not be deemed to preclude shared Corporate and Administrative Services. The Secretary and/or Treasurer of KEDNY or KEDLI may serve in the equivalent position for HoldCo or any affiliate, but no other officer of KEDNY or KEDLI may serve as an officer of an Unregulated Competitive Energy Affiliate.

5.2 Employee Transfers: Employees may be transferred from KEDNY or KEDLI to an Unregulated Competitive Energy Affiliate. Such transferred employees will be required to resign from KEDNY or KEDLI unless there is a conflict with the collective bargaining agreement, in which case the collective bargaining agreement would control. Transferred employees may not be reemployed by KEDNY or KEDLI for a minimum of one year. Employees returning to KEDNY or KEDLI may not be transferred back to the Unregulated Competitive Energy Affiliate for a minimum of one year. Similarly, employees may be transferred from an Unregulated Competitive Energy Affiliate to KEDNY or KEDLI. Such transferred employees will be required to resign from the Unregulated Competitive Energy Affiliate unless there is a conflict with the collective bargaining agreement, in which case the collective bargaining agreement would control. Transferred employees may not be reemployed by the Unregulated Competitive Energy Affiliate for a minimum of one year after transfer. Employees returning to the Unregulated Competitive Energy Affiliate may not be transferred back to KEDNY or KEDLI for a minimum of one year. Any transferred employee will be prohibited from sharing, copying or taking any Customer Information or System Information from KEDNY or KEDLI. Otherwise, employees may be transferred between KEDNY or KEDLI and HoldCo and any of its subsidiaries without restriction.

KEDNY's and KEDLI's annual reports to the Commission will show employee transfers between them and Unregulated Competitive Energy Affiliates.

5.3 Emergency Access to Employees: The foregoing provisions will not restrict HoldCo or any of its subsidiaries from making its employees available to KEDNY or KEDLI to assist in an emergency that threatens the safety or reliability of service to KEDNY or KEDLI customers. In such event, KEDNY or KEDLI will pay the fully-loaded costs for the services of such employees.

5.4 Compensation for Transfers to other than HoldCo or a Regulated Affiliate: An employee transfer credit equal to 25% of the employee's annual base salary will be applied to KEDNY's or KEDLI's respective Balancing Account for all transfers from KEDNY or KEDLI to an Unregulated Competitive Energy Affiliate. The requirement to pay such transfer credit will be waived for a period of four years immediately following the close of the Merger.

5.5 Employee Compensation and Benefits: The compensation of KEDNY and KEDLI employees and officers may not be tied to the financial and/or stock performance of any Unregulated Competitive Energy Affiliate or National Grid Other Affiliate, but may be tied to the financial performance of Holdco and stock performance of UKHoldCo.

Employees of HoldCo and all or any subset of its subsidiaries may participate in common pension and benefit plans, and the costs of such common plans will be equitably allocated in accordance with the approved cost allocation procedures.

6. Access to Books, Records and Reports

Staff will have full access, on reasonable notice, and subject to resolution of issues relative to confidentiality and privilege (e.g., attorney client, attorney work product, self critical), to: i) the books and records of HoldCo and its majority-owned subsidiaries; and ii) the books and records of all other HoldCo subsidiaries or affiliates, in English, to the extent necessary to audit and monitor any transactions that have occurred between KEDNY or KEDLI and such subsidiaries or affiliates. Such access to books and records will be provided at KEDNY's or

KEDLI's New York headquarters; provided, however, that if such access is not practicable, access will be provided at another location in KEDNY's or KEDLI's service territory at the Company's expense.

7. Standards of Competitive Conduct

7.1 Use of Corporate Name and Royalties: These Standards of Conduct will be in lieu of any and all royalty payments that could or might be asserted to be payable by HoldCo or any HoldCo subsidiary or imputed to KEDNY or KEDLI or credited to their customers at any time. No provision herein will be deemed to restrict any HoldCo subsidiary from using the same name, trade names, trademarks, service names, service marks or a derivative of a name of HoldCo, KEDNY or KEDLI, or in identifying itself as being affiliated with the HoldCo, KEDNY, KEDLI or any other affiliate. Promotional material may identify any HoldCo subsidiary as being affiliated with KEDNY, KEDLI or HoldCo.

7.2 Sales Leads: Except as set forth in this Appendix 4, or as otherwise approved by the Commission, KEDNY and KEDLI will not provide sales leads involving customers in its service territory to any Unregulated Affiliate.

7.3 Customer Inquiries: KEDNY and KEDLI will respond to customer inquiries as to non-utility services in conformance with the following Standards of Competitive Conduct:

-If a customer requests information from KEDNY or KEDLI about securing commodity sales service from an ESCO, KEDNY or KEDLI will provide a list of all ESCOs authorized to do business in its service territory.

-If a customer requests information from KEDNY or KEDLI about oil-to-gas heating system conversions, KEDNY or KEDLI will provide contact information of licensed contractors pursuant to a program substantially the same as KEDNY's and KEDLI's ValuePlus Program.

-If a customer requests information from KEDNY or KEDLI about appliance service contracts, KEDNY or KEDLI will provide, on a rotational basis, contact information of licensed contractors offering service contracts in the customer's vicinity.

-If a customer requests information from KEDNY or KEDLI about gas-to-gas equipment replacement, KEDNY or KEDLI will provide, on a rotational basis, contact information of licensed contractors performing such services in the customer's vicinity.

KEDNY and KEDLI may only provide customers information about competitive affiliates operating in the business areas identified above as part of a response to a customer inquiry or as part of a wider dissemination of information to the public about these topics. In either situation, the information provided about any HoldCo subsidiary, including Unregulated Affiliates, may not in any way be discriminatory to other competitors.

All information made available pursuant to the foregoing will also be made available on KEDNY's and KEDLI's website.

7.4 No Advantage Gained by Dealing with Affiliate: KEDNY and KEDLI will refrain from giving any appearance that they speak on behalf of an Unregulated Affiliate or that an Unregulated Affiliate speaks on behalf of them. KEDNY and KEDLI will not engage in any joint promotion or joint marketing with its Unregulated Competitive Energy Affiliates, provided, however, that this will not prohibit the use of a common corporate web site that delineates regulated and unregulated entities and services.

KEDNY and KEDLI will not represent to any customer, supplier or third party that an advantage may accrue to such customer, supplier or third party in the use of their services as a result of that customer, supplier or third party transacting with any US HoldCo subsidiary.

US HoldCo subsidiaries will not represent to any customer, supplier or third party that an advantage may accrue to such customer, supplier or third party in the use of KEDNY's or KEDLI's services as a result of that customer, supplier or third party transacting with such subsidiary.

7.5 No Rate Discrimination: All similarly situated customers will pay the same rates for the same tariffed services provided by KEDNY or KEDLI. If there is discretion in the application of any tariff provision, KEDNY and KEDLI will not offer any affiliate more favorable terms and conditions than it offers to all similarly situated competitors of the affiliate.

7.6 Complaint Procedures: Any competitor or customer of KEDNY or KEDLI or any affiliate who believes that KEDNY or KEDLI or an affiliate has violated these Standards of Conduct may file a written complaint with KEDNY or KEDLI or the subject affiliate, which will respond in writing within fourteen business days. Thereafter, the complainant and KEDNY or KEDLI or the affiliate will meet to resolve the complaint informally. If no resolution can be reached within thirty days following the complainant's receipt of KEDNY's or KEDLI's or the affiliate's response, either party may request the assistance of Staff. If Staff is unable to assist the parties in resolving the complaint within a reasonable time, either party may seek resolution by the Commission.

If the Commission determines, at any time, whether as a result of the procedure outlined above or otherwise, that KEDNY or KEDLI or an affiliate has violated these Standards of Conduct, it will provide KEDNY or KEDLI or the affiliate an opportunity to remedy such conduct or explain why such conduct is not a violation. If KEDNY or KEDLI or the affiliate fails to remedy such conduct within a reasonable time after receiving such notice, the Commission may take such remedial action as is warranted and for which it has authority under the Public Service Law.

8. Transfers and Leases of Property

8.1 Personal Property: Transfers of Personal Property (or rights to use such property) from KEDNY or KEDLI to an Unregulated Competitive Energy Affiliate or any National Grid Other Affiliate will be priced at the higher of book value or fair market value. Any direct or indirect transfer of Personal Property to KEDNY or KEDLI from an unregulated affiliate shall be at the lower of book value or fair market value.

Transfers of Personal Property (or rights to use such property) from KeySpan Corporate Services LLC or KeySpan Utility Services LLC to KEDNY, KEDLI, Regulated Affiliates, ServiceCo, or HoldCo to KEDNY or KEDLI will be priced at book value.

Transfers of Personal Property (or rights to use such property) between and among KEDNY, KEDLI, Regulated Affiliates, ServiceCo, and HoldCo will be priced at book value or cost.

Gains associated with the transfer or lease of Personal Property in KEDNY's or KEDLI's rate base will be credited to the applicable depreciation reserve. KEDNY or KEDLI will have the opportunity to file a fully supported petition seeking recovery of any loss associated with the transfer or lease of Personal Property in KEDNY's or KEDLI's rate base. KEDNY and KEDLI will retain gains or losses on the transfer or lease of Personal Property not included in their respective rate base.

Based on KEDNY's and KEDLI's adherence to the foregoing parameters and if the property is not needed for providing regulated utility service, the Commission's consent pursuant to PSL §§ 69 or 70 is granted as being in the public interest if the transfer or lease of Personal

Property is for $3 million or less. KEDNY or KEDLI will petition the Commission for its consent pursuant to §§69 or 70 for the transfer or lease of Personal Property that exceeds $3 million. The provisions governing transfers of Personal Property to KEDNY and KEDLI in this section do not assure the future rate recovery of these amounts.

8.2 Real Property: If and when a facility is no longer needed to provide regulated gas services, KEDNY or KEDLI will evaluate commercially reasonable disposition alternatives for the facility, including, but not limited to, sale to an affiliate or sale or lease to a third party. In the event it decides to sell or lease a facility, KEDNY or KEDLI will use commercially reasonable efforts to obtain fair market value for the facility based on independent appraisals and market conditions. KEDNY and KEDLI may utilize brokers or other service providers to identify prospective buyers or tenants, or may utilize other means designed to realize fair market value from the sale or lease.

Gains associated with the sale of real property in KEDNY's or KEDLI's rate base will be credited to the applicable Balancing Account. KEDNY or KEDLI will have the opportunity to file a fully supported petition seeking recovery of any loss associated with the sale of real property in KEDNY's or KEDLI's rate base. KEDNY and KEDLI will retain gains or losses on the sale of real property not included in their respective rate base. Under no circumstances will the sale or lease of a facility prevent KEDNY or KEDLI from providing gas services to its customers, or from otherwise being able to discharge its public service responsibilities. Moreover, any sale-leaseback transaction involving a KEDNY or KEDLI facility will not increase KEDNY's or KEDLI's annual cost of occupying or utilizing the subject property.

All contract documents relative to the sale of facilities will include provisions limiting, to the extent commercially practicable, KEDNY's or KEDLI's liabilities, including environmental liabilities. In the case of lease transactions, tenants will be required, inter alia, to maintain commercially reasonable insurance coverage to protect the leased property, and to observe KEDNY's or KEDLI's requirements regarding the use of the premises. Any initial lease term will not exceed five (5) years.

Based on KEDNY's and KEDLI's adherence to the foregoing parameters, to the extent that efficient management of KEDNY's or KEDLI's property portfolio warrants the sale or lease of a facility subject to the Commission's consent pursuant to PSL §§69 or 70, that consent is granted as being in the public interest if the sale or lease or sale/leaseback of facilities is for $3 million or less. KEDNY or KEDLI will petition the Commission for its consent pursuant to §§69 or 70 for facility sales, leases, or sales/leasebacks for over $3 million.

9. Miscellaneous Provisions

9.1 Annual Meeting: Senior management of KEDNY, KEDLI, and US HoldCo will meet annually with Senior Staff to discuss their plans related to capital attraction and financial performance.

9.2 Reporting Requirements: To further the Commission's ability to efficiently assess compliance with the terms of the Appendix 4, KEDNY, KEDLI and HOLDCO shall file a report summarizing asset transfers, employee transfers, cost allocations, affiliate transactions, and competitor/customer complaints prior to each year's Annual Meeting.

9.3 Adherence to Standards: If the Commission at any time makes a finding that compliance with these Rules Governing Affiliate Transactions has been lacking, the Commission may order an independent audit of all applicable transactions, at KEDNY's or KEDLI's expense.

9.4 Insurance: KEDNY, KEDLI and HoldCo subsidiaries may be covered by common property/casualty and other business insurance policies. The costs of such policies will be equitably allocated in accordance with the approved cost allocation procedures.

9.5 Research and Development: KEDNY and KEDLI may invest in the commercialization of research and development products and technologies that they have developed consistent with these Standards of Competitive Conduct. If an affiliate elects to invest in the same, it will fairly compensate KEDNY and/or KEDLI based, among other things, on the expected future benefits of the investments, assume the applicable business risks, and will be entitled to the benefits associated with that investment to the extent approved by the Commission.

APPENDIX 5 – Financial Protections

<u>Appendix 5: Financial Protections</u>

Effective on the closing of the merger, National Grid will implement the following financial protections for KEDNY and KEDLI. Such financial protections will continue in effect unless and until such time as the Commission authorizes an express change.

1. Goodwill

Although goodwill may be recorded on KEDNY's and KEDLI's accounts pursuant to United States Generally Accepted Accounting Principles (US GAAP), no goodwill will be pushed down on the regulatory books maintained by KEDNY or KEDLI pursuant to the Commission's regulations following the Merger. Goodwill will be excluded from rate base, expenses and capitalization in the determination of KEDNY's and KEDLI's rates and earned returns for New York State regulatory reporting purposes.

2. Dividend Payments

KEDNY and KEDLI will register with major nationally and internationally recognized bond rating agencies, such as Standard & Poor's, Moody's Investor Service, and Fitch Ratings, and intend to maintain at least an investment grade credit rating. Provided such rating is maintained with at least two such agencies, subject to the other provisions of this Appendix 5, KEDNY and KEDLI will be permitted to pay dividends in any year up to an amount equal to the sum of the following: i) income available for common dividends generated in that year; ii) the cumulative amount of retained earnings accrued in prior years, starting with the Effective Date of the merger; and iii) that portion of paid-in capital that was recorded on the books of KEDNY and KEDLI as unappropriated retained earnings, unappropriated undistributed earnings, and accumulated other comprehensive income immediately prior to the consummation of the Merger to the extent such earnings were not already paid out as dividends in years subsequent to the closing of the Merger.

To the extent that KEDNY and KEDLI desire to exclude from the calculation of "income available for common dividends" for the purposes of this provision non-cash charges to income resulting from accounting changes, charges to income resulting from significant, unanticipated events or impairment of goodwill, KEDNY and KEDNY must first notify the Commission of their intent to do so and provide an explanation for such action. KEDNY and KEDLI shall have the ability to exclude the items identified in the notification if the Commission has not, within 30 days of the notification, indicated that additional review is necessary. Under no circumstances will the balance of retained earnings go negative as the result of dividend payments.

3. Dividend Restrictions

KEDNY and/or KEDLI will be prohibited from paying common dividends if: (a) the senior unsecured bond rating of KEDNY or KEDLI (as appropriate) falls to the lowest investment grade rating and there are negative watch/review downgrade notices as determined by any two nationally recognized rating agencies, unless the Commission approves such dividends; or (b) the senior unsecured credit rating of National Grid plc falls below investment grade as determined by two nationally recognized credit rating agencies, unless the Commission approves such dividends. The prohibition from paying common dividends shall end when the relevant credit rating is restored, or the negative watch/review downgrade notices are removed and no negative rating action is taken, or the Commission approves the payment of such dividends.

4. Bond Ratings and the Cost of Debt

If, between the date of when the Merger closes and the effective date of KEDNY's or KEDLI's next rate filing, the bond rating of KEDNY or KEDLI (as appropriate) falls below A- or A3 as determined by two nationally recognized credit rating agencies, then any long-term debt issued by the relevant company during the period of such reduced credit rating will be priced as if it had been issued by an A-/A3 utility at the same issue date, and any such difference will be credited to KEDNY's or KEDLI's (as appropriate) respective Balancing Accounts. KEDNY's and KEDLI's earnings sharing reports will then reflect the actual debt rates outstanding for the Companies.

5. Debt Limit

For any twelve-month period ending at the end of a quarter, KEDNY's Average Total Debt will not exceed 56 percent of its Total Capital excluding goodwill, and KEDLI's average Total Debt will not exceed 58 percent of its Average Total Capital excluding goodwill. For purposes of this section 5, "Total Debt" is defined as an amount equal to (i) long-term debt, plus

(ii) notes payable (including current maturity of long-term debt), minus the average daily equivalents of cash and cash equivalents, appearing on the consolidated balance sheet of that entity; and "Total Capital" is defined as the sum of (i) Total Debt, (ii) common shareholder equity (excluding goodwill), and (iii) preferred stock appearing on the consolidated balance sheet of that entity.

If the debt limitations for KEDNY or KEDLI (as appropriate) in this section 5 are exceeded, KEDNY or KEDLI (as appropriate) will be afforded a fifteen (15) month cure period to reduce the debt ratio to within the limits in this section 5, during which period KEDNY or KEDLI, as applicable, will be prohibited from increasing the level of dividend payments (expressed as a percentage of common equity excluding goodwill) until the average debt ratio for a twelve month period ending at the end of a calendar quarter is within the limits in this section 5. Absent a Commission order to the contrary after a showing by KEDNY or KEDLI (as appropriate), if the debt limit at the end of the cure period still exceeds the limits in this section 5, no further dividends will be paid from KEDNY or KEDLI, as applicable, until the average debt ratio for a twelve month period ending at the end of a calendar quarter is reduced to the limits in this section 5.

6. Merger Debt

No debt associated with the Merger will be reflected as an obligation of either KEDNY or KEDLI.

7. Administration of Money Pools

US HoldCo intends to create separate unregulated and regulated money pools, subject to the receipt of necessary regulatory approvals and when they can be implemented efficiently. Participation in the regulated money pool will be limited to KEDNY, KEDLI, Regulated Affiliates, ServiceCo, and US HoldCo. KEDNY, KEDLI, Regulated Affiliates, and ServiceCo may participate in the Regulated Money Pool as both borrowers and lenders. US HoldCo may participate as a lender only.

APPENDIX 6 – Net Synergy Savings

Calculation of 5 Year Levelized Net Synergy Value by Year

		1	2	3	4	5	6	7	8	9	10
	KEDNY										
1	Synergies	$10,608,734.32	$14,571,096.59	$18,502,030.48	$22,848,893.06	$23,420,115.39	$24,005,618.27	$24,605,758.73	$25,220,902.70	$25,851,425.27	$26,497,710.90
2											
3	Cost to Achieve	$20,835,309.39	$ 8,282,157.28	$ 8,119,762.04	$ 3,670,132.44	$ 3,935,378.00	$ 3,231,665.29	$ 2,506,299.88	$ 1,147,593.03	$ 1,180,072.08	$ 1,217,964.31
4	NPV $43,940,043.80										
5	Levelized	6,425,145.02	$ 6,425,145.02	$ 6,425,145.02	$ 6,425,145.02	$ 6,425,145.02	$ 6,425,145.02	$ 6,425,145.02	$ 6,425,145.02	$ 6,425,145.02	$ 6,425,145.02
6											
7	Net Synergy Savings - 100%	$ 4,183,589.30	$ 8,145,951.57	$12,076,885.46	$16,423,748.05	$16,994,970.37	$17,580,473.26	$18,180,613.71	$18,795,757.68	$19,426,280.25	$20,072,565.88
8											
9	Net Synergy Savings - 50%	$ 2,091,794.65	$ 4,072,975.79	$ 6,038,442.73	$ 8,211,874.02	$ 8,497,485.19	$ 8,790,236.63	$ 9,090,306.86	$ 9,397,878.84	$ 9,713,140.13	$10,036,282.94
10	NPV $22,340,599.38										
11	5 Year Levelized	5,533,695.95	$ 5,533,695.95	$ 5,533,695.95	$ 5,533,695.95	$ 5,533,695.95					
12	Uncollectibles and Working Capital	160,687.05	160,687.05	160,687.05	160,687.05	160,687.05					
13	Revenue requirements	5,694,383.00	$ 5,694,383.00	$ 5,694,383.00	$ 5,694,383.00	$ 5,694,383.00					
	KEDLI										
14	Synergies	$ 6,298,881.19	$ 8,651,513.31	$10,985,485.00	$13,566,412.20	$13,905,572.50	$14,253,211.81	$14,609,542.11	$14,974,780.66	$15,349,150.18	$15,732,878.93
15											
16	Cost to Achieve	$12,370,857.29	$ 4,917,488.09	$ 4,821,066.75	$ 2,179,122.17	$ 2,336,610.35	$ 1,918,784.57	$ 1,488,102.60	$ 681,377.43	$ 700,661.70	$ 723,160.01
17	NPV $25,574,613.83										
18	Levelized	3,878,955.62	$ 3,878,955.62	$ 3,878,955.62	$ 3,878,955.62	$ 3,878,955.62	$ 3,878,955.62	$ 3,878,955.62	$ 3,878,955.62	$ 3,878,955.62	$ 3,878,955.62
19											
20	Net Synergy Savings - 100%	$ 2,419,925.57	$ 4,772,557.69	$ 7,106,529.38	$ 9,687,456.58	$10,026,616.88	$10,374,256.20	$10,730,586.49	$11,095,825.04	$11,470,194.56	$11,853,923.31
21											
22	Net Synergy Savings - 50%	$ 1,209,962.78	$ 2,386,278.85	$ 3,553,264.69	$ 4,843,728.29	$ 5,013,308.44	$ 5,187,128.10	$ 5,365,293.25	$ 5,547,912.52	$ 5,735,097.28	$ 5,926,961.66
23	NPV $12,797,528.41										
24	5 Year Levelized	3,238,370.26	$ 3,238,370.26	$ 3,238,370.26	$ 3,238,370.26	$ 3,238,370.26					
25	Uncollectibles and Working Capital	83,571.77	72,957.59	72,957.59	72,957.59	72,957.59					
26	Revenue requirements	3,321,942.03	$ 3,311,327.85	$ 3,311,327.85	$ 3,311,327.85	$ 3,311,327.85					

Line Notes:
1 From Page 3 of 6, Line 11
3 From Page 3 of 6, Line 28
4 NPV of annual Cost to Achieve discounted at weighted average cost of capital of 7.58%
5 10 Year levelized payment of Line 4 Cost to Achieve NPV at 7.58%
7 Line 1 minus Line 7
9 Line 7 times 50%
10 NPV of Line 9 for years 1, 2 and 3 discounted at weighted average cost of capital of 7.58%
11 5 Year Levelized payment of Line 10 NPV at 7.58%
12 Cost of Service changes related to net synergies
13 Line 11 + Line 12

14 From Page 3 of 6, Line 12
16 From Page 3 of 6, Line 29
17 NPV of annual Cost to Achieve discounted at weighted average cost of capital of 8.39%
18 10 Year levelized payment of Line 17 Cost to Achieve NPV at 8.39%
20 Line 14 minus Line 18
22 Line 18 times 50%
23 NPV of Line 22 for years 1, 2 and 3 discounted at weighted average cost of capital of 8.39%
24 5 Year Levelized payment of Line 23 NPV at 8.39%
25 Cost of Service changes related to net synergies
26 Line 24 + Line 25

Calculation of Synergy Value - Net Synergy by Year

	1	2	3	4	5	6	7	8	9	10	Total
SYNERGIES (Page 2 Column C Times Page 4 Column B)											
1 Massachusetts Electric	$ 7,743,831.48	$ 10,636,152.53	$ 13,505,532.49	$ 16,678,519.03	$ 17,095,482.01	$ 17,522,869.06	$ 17,960,940.79	$ 18,409,964.31	$ 18,870,213.41	$ 19,341,968.75	$ 157,765,473.86
2 Nantucket Electric	$ 94,634.74	$ 129,980.81	$ 165,046.53	$ 203,822.52	$ 208,918.08	$ 214,141.03	$ 219,494.56	$ 224,981.92	$ 230,606.47	$ 236,371.63	$ 1,927,998.30
3 New England Power	$ 2,781,088.85	$ 3,819,825.54	$ 4,850,323.25	$ 5,989,857.03	$ 6,139,603.45	$ 6,293,093.54	$ 6,450,420.88	$ 6,611,681.40	$ 6,776,973.44	$ 6,946,397.77	$ 56,659,265.16
4 Essex Gas	$ 425,692.80	$ 584,689.06	$ 742,424.20	$ 916,849.16	$ 939,770.39	$ 963,264.65	$ 987,346.27	$ 1,012,029.93	$ 1,037,330.67	$ 1,063,263.94	$ 8,672,661.08
5 Colonial Gas	$ 1,423,844.14	$ 1,955,649.92	$ 2,483,237.57	$ 3,066,648.81	$ 3,143,315.03	$ 3,221,897.91	$ 3,302,445.35	$ 3,385,006.49	$ 3,469,631.65	$ 3,556,372.44	$ 29,008,049.31
6 Boston Gas	$ 5,103,623.29	$ 7,009,826.59	$ 8,900,910.41	$ 10,992,088.15	$ 11,266,890.36	$ 11,548,562.62	$ 11,837,276.68	$ 12,133,208.60	$ 12,436,538.81	$ 12,747,452.28	$ 103,976,377.80
7 Granite State Electric	$ 329,505.58	$ 452,575.92	$ 574,670.09	$ 709,682.94	$ 727,425.02	$ 745,610.64	$ 764,250.91	$ 783,357.18	$ 802,941.11	$ 823,014.64	$ 6,713,034.04
8 EnergyNorth Gas	$ 627,516.87	$ 861,894.43	$ 1,094,412.96	$ 1,351,534.08	$ 1,385,322.43	$ 1,419,955.49	$ 1,455,454.38	$ 1,491,840.74	$ 1,529,136.76	$ 1,567,365.18	$ 12,784,433.31
9 Niagara Mohawk Electric	$ 15,772,131.09	$ 21,663,022.05	$ 27,507,188.07	$ 33,969,720.21	$ 34,818,963.22	$ 35,689,437.30	$ 36,581,673.23	$ 37,496,215.06	$ 38,433,620.44	$ 39,394,460.95	$ 321,326,431.60
10 Niagara Mohawk Gas	$ 4,067,330.72	$ 5,586,478.74	$ 7,093,577.30	$ 8,760,140.64	$ 8,979,144.15	$ 9,203,622.76	$ 9,433,713.32	$ 9,669,556.16	$ 9,911,295.06	$ 10,159,077.44	$ 82,863,936.27
11 KEDNY	$ 10,608,734.32	$ 14,571,096.59	$ 18,502,030.48	$ 22,848,893.06	$ 23,420,115.39	$ 24,005,618.27	$ 24,605,758.73	$ 25,220,902.70	$ 25,851,425.27	$ 26,497,710.90	$ 216,132,285.70
12 KEDLI	$ 6,298,881.19	$ 8,651,513.31	$ 10,985,485.00	$ 13,566,412.20	$ 13,905,572.50	$ 14,253,211.81	$ 14,609,542.11	$ 14,974,780.66	$ 15,349,150.18	$ 15,732,878.93	$ 128,327,427.89
13 LIPA	$ 14,832,266.30	$ 20,372,117.76	$ 25,868,028.63	$ 31,945,457.05	$ 32,744,093.47	$ 33,562,695.81	$ 34,401,763.21	$ 35,261,807.29	$ 36,143,352.47	$ 37,046,936.28	$ 302,178,518.26
14 Unregulated	$ 2,454,541.25	$ 3,371,312.41	$ 4,280,811.98	$ 5,286,544.92	$ 5,418,708.54	$ 5,554,176.26	$ 5,693,030.66	$ 5,835,356.43	$ 5,981,240.34	$ 6,130,771.35	$ 50,006,494.14
15 Narragansett	$ 3,121,321.94	$ 4,287,135.69	$ 5,443,702.51	$ 6,722,644.67	$ 6,890,710.79	$ 7,062,978.56	$ 7,239,553.02	$ 7,420,541.85	$ 7,606,055.39	$ 7,796,206.78	$ 63,590,851.20
16 Providence Gas	$ 2,315,055.45	$ 3,179,728.66	$ 4,037,543.52	$ 4,986,123.02	$ 5,110,776.10	$ 5,238,545.50	$ 5,369,509.14	$ 5,503,746.87	$ 5,641,340.54	$ 5,782,374.05	$ 47,164,742.85
17 Total	$ 78,000,000.00	$ 107,133,000.00	$ 136,034,925.00	$ 167,994,937.50	$ 172,194,810.94	$ 176,499,681.21	$ 180,912,173.24	$ 185,434,977.57	$ 190,070,852.01	$ 194,822,623.31	$ 1,589,097,980.79
COST TO ACHIEVE (Page 3 Column C Times Page 4 Column A)											
18 Massachusetts Electric	$ (15,208,706.31)	$ (6,045,549.66)	$ (5,927,009.48)	$ (2,679,008.28)	$ (2,872,623.93)	$ (2,358,949.77)	$ (1,829,470.26)	$ (837,684.01)	$ (861,392.04)	$ (889,051.42)	$ (39,509,445.16)
19 Nantucket Electric	$ (185,860.44)	$ (73,880.61)	$ (72,431.97)	$ (32,739.25)	$ (35,105.36)	$ (28,827.92)	$ (22,357.33)	$ (10,237.05)	$ (10,526.78)	$ (10,864.80)	$ (482,831.52)
20 New England Power	$ (5,461,994.33)	$ (2,171,174.68)	$ (2,128,602.62)	$ (962,128.39)	$ (1,031,662.74)	$ (847,183.84)	$ (657,028.68)	$ (300,842.50)	$ (309,356.91)	$ (319,290.39)	$ (14,189,265.08)
21 Essex Gas	$ (836,050.83)	$ (332,335.09)	$ (325,818.72)	$ (147,270.06)	$ (157,913.47)	$ (129,675.85)	$ (100,569.38)	$ (46,049.05)	$ (47,352.32)	$ (48,872.81)	$ (2,171,907.57)
22 Colonial Gas	$ (2,796,397.03)	$ (1,111,584.17)	$ (1,089,788.40)	$ (492,584.36)	$ (528,184.11)	$ (433,735.78)	$ (336,381.35)	$ (154,023.43)	$ (158,382.58)	$ (163,468.26)	$ (7,264,529.47)
23 Boston Gas	$ (10,023,398.37)	$ (3,984,359.45)	$ (3,906,234.75)	$ (1,765,618.11)	$ (1,893,221.78)	$ (1,554,681.43)	$ (1,205,724.46)	$ (552,081.18)	$ (567,706.12)	$ (585,935.21)	$ (26,038,960.85)
24 Granite State Electric	$ (647,141.36)	$ (257,242.47)	$ (252,198.50)	$ (113,993.72)	$ (122,232.21)	$ (100,375.00)	$ (77,845.27)	$ (35,644.06)	$ (36,652.85)	$ (37,829.78)	$ (1,681,155.22)
25 EnergyNorth Gas	$ (1,232,428.66)	$ (489,897.60)	$ (480,291.76)	$ (217,091.88)	$ (232,781.41)	$ (191,156.12)	$ (148,250.06)	$ (67,881.24)	$ (69,802.40)	$ (72,043.76)	$ (3,201,624.88)
26 Niagara Mohawk Electric	$ (30,976,101.49)	$ (12,313,181.42)	$ (12,071,746.49)	$ (5,456,429.41)	$ (5,850,773.13)	$ (4,804,555.10)	$ (3,726,145.75)	$ (1,706,140.17)	$ (1,754,427.16)	$ (1,810,761.97)	$ (80,470,262.08)
27 Niagara Mohawk Gas	$ (7,988,143.67)	$ (3,175,333.80)	$ (3,113,072.36)	$ (1,407,108.71)	$ (1,508,802.40)	$ (1,239,002.80)	$ (960,901.67)	$ (439,980.89)	$ (452,433.18)	$ (466,960.85)	$ (20,751,740.33)
28 KEDNY	$ (20,835,309.39)	$ (8,282,157.28)	$ (8,119,762.04)	$ (3,670,132.44)	$ (3,935,378.00)	$ (3,231,665.29)	$ (2,506,299.88)	$ (1,147,593.03)	$ (1,180,072.08)	$ (1,217,964.31)	$ (54,126,333.73)
29 KEDLI	$ (12,370,857.29)	$ (4,917,488.09)	$ (4,821,066.75)	$ (2,179,122.17)	$ (2,336,610.35)	$ (1,918,784.57)	$ (1,488,102.60)	$ (681,377.43)	$ (700,661.70)	$ (723,160.01)	$ (32,137,230.99)
30 LIPA	$ (29,130,228.73)	$ (11,579,436.20)	$ (11,352,388.44)	$ (5,131,279.57)	$ (5,502,124.26)	$ (4,518,250.60)	$ (3,504,103.90)	$ (1,604,470.90)	$ (1,649,880.45)	$ (1,702,858.27)	$ (75,675,021.31)
31 Unregulated	$ (4,820,662.37)	$ (1,916,241.47)	$ (1,878,668.11)	$ (849,157.99)	$ (910,527.81)	$ (747,709.91)	$ (579,882.22)	$ (265,518.43)	$ (273,033.10)	$ (281,800.22)	$ (12,523,201.62)
32 Narragansett	$ (6,130,204.26)	$ (2,436,792.03)	$ (2,389,011.79)	$ (1,079,833.33)	$ (1,157,874.38)	$ (950,826.69)	$ (737,408.31)	$ (337,647.00)	$ (347,203.05)	$ (358,351.77)	$ (15,925,152.61)
33 Providence Gas	$ (4,546,715.48)	$ (1,807,345.98)	$ (1,771,907.83)	$ (800,902.34)	$ (858,784.66)	$ (705,219.31)	$ (546,928.88)	$ (250,429.64)	$ (257,517.27)	$ (265,786.17)	$ (11,811,537.57)
34 Total	$ (153,190,200.00)	$ (60,894,000.00)	$ (59,700,000.00)	$ (26,984,400.00)	$ (28,934,600.00)	$ (23,760,600.00)	$ (18,427,400.00)	$ (8,437,600.00)	$ (8,676,400.00)	$ (8,955,000.00)	$ (397,960,200.00)
NET SYNERGIES (Synergies Plus Cost To Achieve)											
35 Massachusetts Electric	$ (7,464,874.84)	$ 4,590,602.87	$ 7,578,523.01	$ 13,999,510.75	$ 14,222,858.09	$ 15,163,919.29	$ 16,131,470.53	$ 17,572,280.30	$ 18,008,821.37	$ 18,452,917.33	$ 118,256,028.70
36 Nantucket Electric	$ (91,225.70)	$ 56,100.20	$ 92,614.56	$ 171,083.27	$ 173,812.72	$ 185,313.11	$ 197,137.23	$ 214,744.87	$ 220,079.69	$ 225,506.84	$ 1,445,166.78
37 New England Power	$ (2,680,905.48)	$ 1,648,650.87	$ 2,721,720.63	$ 5,027,728.64	$ 5,107,940.72	$ 5,445,909.70	$ 5,793,392.20	$ 6,310,838.90	$ 6,467,616.52	$ 6,627,107.38	$ 42,470,000.07
38 Essex Gas	$ (410,358.03)	$ 252,353.96	$ 416,605.48	$ 769,579.10	$ 781,856.92	$ 833,588.80	$ 886,776.89	$ 965,980.88	$ 989,978.35	$ 1,014,391.13	$ 6,500,753.51
39 Colonial Gas	$ (1,372,552.89)	$ 844,065.76	$ 1,393,449.17	$ 2,574,064.45	$ 2,615,130.92	$ 2,788,162.12	$ 2,966,064.00	$ 3,230,983.06	$ 3,311,249.07	$ 3,392,904.18	$ 21,743,519.85
40 Boston Gas	$ (4,919,775.08)	$ 3,025,467.15	$ 4,994,675.66	$ 9,226,470.05	$ 9,373,668.58	$ 9,993,881.19	$ 10,631,552.22	$ 11,581,127.42	$ 11,868,832.70	$ 12,161,517.07	$ 77,937,416.95
41 Granite State Electric	$ (317,635.78)	$ 195,333.44	$ 322,471.59	$ 595,689.22	$ 605,192.81	$ 645,235.64	$ 686,405.64	$ 747,713.13	$ 766,288.26	$ 785,184.86	$ 5,031,878.82
42 EnergyNorth Gas	$ (604,911.79)	$ 371,996.83	$ 614,121.20	$ 1,134,442.20	$ 1,152,541.02	$ 1,228,799.37	$ 1,307,204.32	$ 1,423,959.50	$ 1,459,334.35	$ 1,495,321.41	$ 9,582,808.43
43 Niagara Mohawk Electric	$ (15,203,970.40)	$ 9,349,840.63	$ 15,435,441.59	$ 28,513,290.80	$ 28,968,190.09	$ 30,884,882.19	$ 32,855,527.48	$ 35,790,074.89	$ 36,679,193.28	$ 37,583,698.97	$ 240,856,169.52
44 Niagara Mohawk Gas	$ (3,920,812.95)	$ 2,411,144.94	$ 3,980,504.94	$ 7,353,031.93	$ 7,470,341.75	$ 7,964,619.96	$ 8,472,811.66	$ 9,229,575.26	$ 9,458,861.88	$ 9,692,116.58	$ 62,112,195.95
45 KEDNY	$ (10,226,575.07)	$ 6,288,939.31	$ 10,382,268.44	$ 19,178,760.62	$ 19,484,737.39	$ 20,773,952.98	$ 22,099,458.85	$ 24,073,309.66	$ 24,671,353.18	$ 25,279,746.59	$ 162,005,951.97
46 KEDLI	$ (6,071,976.11)	$ 3,734,025.22	$ 6,164,418.24	$ 11,387,290.02	$ 11,568,962.15	$ 12,334,427.25	$ 13,121,439.50	$ 14,293,403.23	$ 14,648,488.48	$ 15,009,718.92	$ 96,190,196.90
47 LIPA	$ (14,297,962.43)	$ 8,792,681.56	$ 14,515,640.20	$ 26,814,177.47	$ 27,241,969.21	$ 29,044,445.21	$ 30,897,659.31	$ 33,657,336.39	$ 34,493,472.02	$ 35,344,078.01	$ 226,503,496.95
48 Unregulated	$ (2,366,121.12)	$ 1,455,070.93	$ 2,402,143.87	$ 4,437,386.93	$ 4,508,180.73	$ 4,806,466.35	$ 5,113,148.44	$ 5,569,838.00	$ 5,708,207.24	$ 5,848,971.13	$ 37,483,292.52
49 Narragansett	$ (3,008,882.32)	$ 1,850,343.66	$ 3,054,690.72	$ 5,642,811.34	$ 5,732,836.41	$ 6,112,151.86	$ 6,502,144.72	$ 7,082,894.85	$ 7,258,852.35	$ 7,437,855.01	$ 47,665,698.59
50 Providence Gas	$ (2,231,660.03)	$ 1,372,382.68	$ 2,265,635.69	$ 4,185,220.69	$ 4,251,991.44	$ 4,533,326.19	$ 4,822,580.26	$ 5,253,317.23	$ 5,383,823.27	$ 5,516,587.88	$ 35,353,205.28
51 Total	$ (75,190,200.00)	$ 46,239,000.00	$ 76,334,925.00	$ 141,010,537.50	$ 143,260,210.94	$ 152,739,081.21	$ 162,484,773.24	$ 176,997,377.57	$ 181,394,452.01	$ 185,867,623.31	$ 1,191,137,780.79

Calculation of Synergy Value - Synergy

		Revenues (A)	Percent (B)		Synergies (C)
1 Massachusetts Electric	$	534,184,464	9.93%	$	15,487,662.95
2 Nantucket Electric	$	6,528,087	0.12%	$	189,269.47
3 New England Power	$	191,844,885	3.57%	$	5,562,177.71
4 Essex Gas	$	29,365,112	0.55%	$	851,385.59
5 Colonial Gas	$	98,219,521	1.83%	$	2,847,688.28
6 Boston Gas	$	352,057,800	6.54%	$	10,207,246.58
7 Granite State Electric	$	22,729,932	0.42%	$	659,011.16
8 EnergyNorth Gas	$	43,287,327	0.80%	$	1,255,033.75
9 Niagara Mohawk Electric	$	1,087,992,090	20.22%	$	31,544,262.18
10 Niagara Mohawk Gas	$	280,572,335	5.21%	$	8,134,661.43
11 KEDNY	$	731,811,000	13.60%	$	21,217,468.64
12 KEDLI	$	434,509,000	8.08%	$	12,597,762.37
13 LIPA	$	1,023,158,400	19.02%	$	29,664,532.60
14 Unregulated	$	169,319,000	3.15%	$	4,909,082.50
15 Narragansett	$	215,314,821	4.00%	$	6,242,643.88
16 Providence Gas	$	159,697,000	2.97%	$	4,630,110.90
17 Total	$	5,380,590,774	100.00%	$	156,000,000.00
18 Synergy (per Mercer Study)				$	156,000,000.00

(A) High Level Estimated T&D Revenue (Rather than adjust the $156 million, Unregulated is included)
(B) Column A / Column A Line 17
(C) Line 18 * Column B

Calculation of Synergy Value - Cost to Achieve

		Revenues (A)	Percent (B)		Cost to Achieve (C)
1 Massachusetts Electric	$	534,184,464	9.93%	$	39,513,396.50
2 Nantucket Electric	$	6,528,087	0.12%	$	482,879.81
3 New England Power	$	191,844,885	3.57%	$	14,190,684.15
4 Essex Gas	$	29,365,112	0.55%	$	2,172,124.78
5 Colonial Gas	$	98,219,521	1.83%	$	7,265,255.99
6 Boston Gas	$	352,057,800	6.54%	$	26,041,565.00
7 Granite State Electric	$	22,729,932	0.42%	$	1,681,323.36
8 EnergyNorth Gas	$	43,287,327	0.80%	$	3,201,945.08
9 Niagara Mohawk Electric	$	1,087,992,090	20.22%	$	80,478,309.91
10 Niagara Mohawk Gas	$	280,572,335	5.21%	$	20,753,815.71
11 KEDNY	$	731,811,000	13.60%	$	54,131,746.91
12 KEDLI	$	434,509,000	8.08%	$	32,140,445.03
13 LIPA	$	1,023,158,400	19.02%	$	75,682,589.57
14 Unregulated	$	169,319,000	3.15%	$	12,524,454.07
15 Narragansett	$	215,314,821	4.00%	$	15,926,745.29
16 Providence Gas	$	159,697,000	2.97%	$	11,812,718.84
17 Total	$	5,380,590,774	100.00%	$	398,000,000.00
18 Cost to Achieve (Per Page 6)				$	398,000,000.00

(A) Page 4 Column A
(B) Column A / Column A Line 17
(C) Line 18 * Column B

Calculation of Synergy Value - Phase in Rates

Cost to Achieve		Synergy Multiplier		Inflation		Phase-In	
	(A)		(B)		(C)		(D)
Year 1	38.49%	Year 1	50.00%	Year 1	1	Year 1	50%
Year 2	15.30%	Year 2	68.68%	Year 2	1.0250	Year 2	67%
Year 3	15.00%	Year 3	87.20%	Year 3	1.0506	Year 3	83%
Year 4	6.78%	Year 4	107.69%	Year 4	1.0769	Year 4	100%
Year 5	7.27%	Year 5	110.38%	Year 5	1.1038	Year 5	100%
Year 6	5.97%	Year 6	113.14%	Year 6	1.1314	Year 6	100%
Year 7	4.63%	Year 7	115.97%	Year 7	1.1597	Year 7	100%
Year 8	2.12%	Year 8	118.87%	Year 8	1.1887	Year 8	100%
Year 9	2.18%	Year 9	121.84%	Year 9	1.2184	Year 9	100%
Year 10	2.25%	Year 10	124.89%	Year 10	1.2489	Year 10	100%

(A) Attachment 10
(B) Column (C) * Column (D)
(C) Assumed Inflation Growth of 2.50%
(D) Attachment 10

Calculation of Cost To Achieve

Component		Nominal Costs
Personnel costs		
(1) VERO programs (management)		103
(2) Voluntary severance (management)		15
(3) Retention agreements		12
(4) Relocations		5
(5) Executive severance and options		120
	Sub-total	**255**
IT integration costs		
(1) Applications consolidation		120
(2) Data center and network consolidation		41
	Sub-total	**161**
Other integration costs		
(1) Costs to achieve merger savings identified by Integration Team		57
(2) Integration process costs		15
(3) Insurance run-offs (KeySpan)		20
	Sub-total	**92**
Transaction costs		
(1) Bankers fees and expenses		22
(2) Legal fees and expenses		3
(3) Accounting and audit fees		4
(4) Other professional services		8
(5) Transfer tax		69
	Sub-total	**107**
	Total	**615**
	excludes transfer tax gross-ups and other tax gross-ups	
Remove Executive Severance		120
Remove IT Capital Items		80
Efficiencies CTA		2
		413
Settlement Difference		15
Total Cost to Achieve in Rates		398

KeySpan costs excluded from above

$54 million (includes $31 million bankers fees and expenses)