

**PROPOSED
MERGER OF NATIONAL GRID PLC
AND KEYSpan CORPORATION
CASE 06-M-0878
and related
KEYSPAN GAS RATE CASES
CASE 06-G-1185
CASE 06-G-1186**



FACT SHEET

Q. What is a corporate merger?

- A. A corporate merger occurs when one company absorbs another by acquiring its assets, liabilities, franchises and powers, or by acquiring ownership of its stock.

Q. What is National Grid PLC?

- A. National Grid PLC (public limited company) is a company incorporated under the laws of England and Wales that indirectly wholly-owns National Grid USA, a subsidiary company incorporated in Delaware. National Grid USA is a holding company that owns a number of utility subsidiary companies in the United States including Niagara Mohawk Power Corporation, a provider of gas and electricity delivery service in upstate New York.

Q. What is KeySpan Corporation?

- A. KeySpan Corporation is a holding company that owns a number of utility subsidiary companies including The Brooklyn Union Gas Company, a provider of gas delivery service in parts of New York City, and KeySpan Gas East Corporation, a provider of gas delivery service on Long Island. KeySpan Corporation also owns a number of non-utility subsidiary companies including a company that manages the Long Island Power Authority's electric transmission and distribution system on Long Island, and companies that own and operate major electric generation facilities in New York City and on Long Island.

Q. What is KeySpan Energy Delivery New York?

- A. KeySpan Energy Delivery New York is a business trade name for The Brooklyn Union Gas Company, a provider of gas delivery service in parts of New York City. The Brooklyn Union Gas Company uses the KeySpan trade name of its parent corporation so that customers of The Brooklyn Union Gas Company will associate the services they receive with the “brand” name of the parent corporation. It is possible that if the proposed merger is consummated, The Brooklyn Union Gas Company would begin using the National Grid trade name instead of the KeySpan trade name.

Q. What is KeySpan Energy Delivery Long Island?

- A. KeySpan Energy Delivery New York is a business trade name for KeySpan Gas East Corporation, a provider of gas delivery service on Long Island. KeySpan Gas East Corporation uses the KeySpan trade name of its parent corporation so that customers of KeySpan Gas East Corporation will associate the services they receive with the “brand” name of the parent corporation. It is possible that if the proposed merger is consummated, KeySpan Gas East Corporation would begin using the National Grid trade name instead of the KeySpan trade name.

Q. Describe the merger transaction proposed by National Grid PLC and KeySpan Corporation.

- A. The companies have proposed that National Grid USA will form a new corporate subsidiary (Merger Sub). The stockholders of KeySpan Corporation would turn in their stock shares in exchange for a cash payment of \$42 per share. The new Merger Sub would be the purchaser of all of the stock of KeySpan Corporation and would become its sole owner. At the closing, the new Merger Sub would merge with KeySpan Corporation such that the new Merger Sub would cease to exist as a corporate entity and KeySpan Corporation (and all its subsidiaries) would remain as wholly owned subsidiaries of National Grid USA.

Q. What would happen to Niagara Mohawk Power Corporation?

- A. Niagara Mohawk Power Corporation would continue and operate as a subsidiary and public utility company under the overall corporate control of National Grid USA, as it does today.

Q. What would happen to The Brooklyn Union Gas Company?

- A. The Brooklyn Union Gas Company would continue and operate as a subsidiary and public utility company under the overall corporate control of National Grid USA.

Q. What would happen to KeySpan Gas East Corporation?

- A. KeySpan Gas East Corporation would continue and operate as a subsidiary and public utility company under the overall corporate control of National Grid USA.

Q. What would happen to the non-utility subsidiary company of KeySpan Corporation that manages the Long Island Power Authority's electric transmission and distribution system on Long Island?

A. It would continue and operate as a subsidiary and non-utility company under the overall corporate control of National Grid USA.

Q. What would happen to the non-utility subsidiary companies of KeySpan Corporation that own and operate major electric generation facilities in New York City and on Long Island?

A. They would continue and operate as subsidiaries and non-utility companies under the overall corporate control of National Grid USA.

Q. What would happen to the current employees of the various utility and non-utility companies that would become affiliated due to the merger?

A. National Grid USA estimates that it will achieve about a 4% reduction in the overall workforce due to the synergy effect of eliminating duplicative positions, primarily in the "administrative and general" category of employee functions. It also believes that additional unspecified savings may be possible.

Q. What impact will the proposed merger have on service quality and reliability?

A. The companies assert that the PSC could monitor post-merger service quality and reliability and that the companies would continue to operate under rules that impose revenue adjustments if there is a decline in the quality and reliability of the service they provide. An issue to be addressed is whether sufficient financial resources and qualified personnel will be available post-merger to ensure timely and competent restoration services during outages and that necessary upgrades, repairs, replacements and expansions in the basic infrastructure of the companies will be accomplished in an acceptable and timely manner.

Q. What impact will the proposed merger have on the development of competitive markets?

A. The companies assert that the merger will not have an adverse impact on competition and have proposed developing enhancements to retail competition programs in the gas service territories of The Brooklyn Union Gas Company and KeySpan Gas East Corporation. An issue to be resolved is whether it is in the public interest for Niagara Mohawk Power Corporation, an entity that purposefully divested itself of electric generation assets, to become affiliated with the KeySpan Corporation subsidiaries that own electric generation facilities.

Q. What impact would the proposed merger have on gas and electric rates?

- A. In the long run, the companies assert that the merger will allow the holding company and affiliates to reduce certain costs by sharing employees and assets and by establishing greater economies of scale. An issue to be resolved is whether it is in the public interest for the merger to be financed by high levels of debt, thereby potentially significantly devaluing the companies and increasing the long-term costs to ratepayers of financing for future repairs and improvements needed to provide and maintain safe and adequate service. Another issue to be resolved is whether it is in the public interest to allow the high level of cost deferrals and reconciliations proposed by the companies which could, in certain circumstances, produce future rate and bill increases.

Q. What are the implications of the merger rate plan on customers of The Brooklyn Union Gas Company?

- A. If the merger is approved, the companies propose a ten-year rate plan with (a) rate increases phased-in as follows: April 1, 2009, a 2.61% bill increase; April 1, 2011, an additional 2.49% bill increase; April 1, 2013, an additional 2.39% bill increase; April 1, 2015, an additional 2.32% bill increase; (b) additional delivery rate adjustments of up to 2.5% each year; and (c) gas cost increases phased-in as follows: October 1, 2008, a 3.01% increase; April 1, 2013, an additional 0.79% increase. The companies also propose a large number of cost deferrals and reconciliations which could put additional upward pressure on rates and add carrying costs for the obligations that would be paid by ratepayers over time.

Q. What are the implications of the pending KeySpan gas rate cases on customers of The Brooklyn Union Gas Company?

- A. In Case 06-G-1185, The Brooklyn Union Gas Company has asked the Commission to approve its request to increase gas delivery rates by \$180 million and gas commodity costs by \$32.8 million, for a total increase of \$213 million. That equates to an average customer bill increase of approximately 9%, including a 24% increase in the delivery portion of the bill and a 2% increase in the commodity portion of the bill.

Q. What are the implications of the merger rate plan on customers of KeySpan Gas East Corporation?

- A. The companies propose a ten-year rate plan with (a) rate increases phased-in as follows: April 1, 2009, a 2.94% bill increase; April 1, 2011, an additional 2.82% bill increase; April 1, 2013, an additional 2.70% increase; April 1, 2015, an additional 2.59% increase; (b) additional delivery rate adjustments of up to 2.5% each year; and (c) gas cost increases phased-in as follows: October 1, 2008, a 3.74% increase; April 1, 2013, an additional 0.52% increase. The companies also propose a large number of cost deferrals and reconciliations which could put additional upward pressure on rates and add carrying costs for the obligations that would be paid by ratepayers over time.

Q. What are the implications of the pending KeySpan gas rate cases on customers of KeySpan Gas East Corporation?

A. In Case 06-G-1186, KeySpan Gas East Corporation has asked the Commission to approve its request to increase gas delivery rates by \$145 million and gas commodity costs by \$14 million, for a total increase of \$159 million. That equates to an average customer bill increase of approximately 10.9%, including a 32.4% increase in the delivery portion of the bill and a 1.4% increase in the commodity portion of the bill.

Q. What does the proposed merger rate plan specifically mean for customers of the Long Island Power Authority?

A. The companies propose to allocate a share of merger net synergy to the Long Island Power Authority. How these savings would be applied for the benefit of customers would be determined by the Long Island Power Authority.

Q. What does the proposed merger rate plan specifically mean for utility customers of Niagara Mohawk Power Corporation?

A. The companies propose to reserve a portion of the synergy savings from the merger transaction, net of the costs to achieve these savings, for the benefit of Niagara Mohawk ratepayers. They propose that an allocation factor, based on Niagara Mohawk delivery revenues as a percentage of total National Grid USA regulated delivery revenues, in combination with existing sharing provisions in the current Niagara Mohawk rate plan, would determine the amount of net savings available for the benefit of Niagara Mohawk's customers.

Q. What is the Public Service Commission (PSC)?

A. The PSC is a governmental entity of New York State established to regulate electric, gas, steam, telephone, water, and cable television companies. The PSC currently consists of five members, each appointed by the Governor and confirmed by the State Senate. The Chairman is designated by the Governor.

Q. What are the responsibilities of the PSC?

A. The PSC has a broad mandate, as set forth in the New York State Public Service Law, to ensure that consumers receive safe and reliable utility service at reasonable rates and with the least adverse effect on the environment.

Q. What is the Department of Public Service?

A. The PSC, the five-member decision-making body, is organized within the Department of Public Service, one of 20 major departments in New York State government. The Chairman of the PSC also serves as chief executive of the Department of Public Service. The staff of the Department of Public Service represents the public interest in all PSC proceedings, under the direction of the Chairman.

Q. What is the role of the PSC related to utility mergers?

- A. The Public Service Law grants the PSC the authority to review proposed mergers. Section 70 of the Public Service Law states that no electric or gas corporation shall transfer or lease its franchise, works or system, or any part thereof, without the written consent of the Commission.

Q. What does the PSC do to review a proposed merger?

- A. The PSC makes such inquiry or investigation, holds such hearings and examines such witnesses, financial records, documents or contracts as it may deem important in enabling it to reach a determination concerning a proposed merger.

Q. Does the PSC involve the public in its decision-making process?

- A. Yes. The PSC strongly encourages the public to comment on issues in pending proceedings. Public statement hearings are conducted to distribute information and to solicit comments. Written comments are also encouraged either by mail or electronically over the internet. All comments received are considered by the Commission in its deliberations.

Q. What criteria does the PSC use in considering a proposed merger?

- A. The overall standard is whether the merger is in the public interest. More specifically, the PSC will look at the impact of the proposed merger on service reliability, customer service, and rates.

Q. When will the PSC make its decision on the merger proposal?

- A. The actual timing of a final PSC decision will depend on the scope and duration of any investigations and hearings deemed necessary by the PSC to facilitate its review of the proposed merger. An Administrative Law Judge has been assigned to preside over any hearings and it is likely that any hearings will occur sometime during the months of January, February and March of 2007.

Q. Is the PSC the only governmental entity that has to approve the proposed merger before it can be consummated?

- A. No. The New Hampshire Public Utilities Commission must also approve aspects of the proposed merger. Certain aspects of the proposed merger have already been approved by the Federal Energy Regulatory Commission (effect on rates and competition), the Federal Trade Commission (antitrust review), the Department of Justice (antitrust review), and the Committee on Foreign Investment in the United States (chaired by the Secretary of the Treasury - review for threats to national security). Necessary shareholder approvals have already been obtained under rules promulgated and monitored by the Securities and Exchange Commission.

If you would like more information or would like to comment on the proposed merger of National Grid PLC and KeySpan Corporation or the related KeySpan gas rate cases:

CALL OUR TOLL-FREE OPINION LINE ...1-800-335-2120

SEND US E-MAIL ... by filling in an on-line PSC Comment Form accessed using the "Consumer Assistance" button appearing on our internet website at <http://www.dps.state.ny.us>

***OR WRITE TO ...Jaclyn A. Brillling, Secretary
NYS Public Service Commission
Three Empire State Plaza
Albany, NY 12223-1350***

ALL COMMENTS SHOULD REFERENCE THE FOLLOWING CASES:

CASE 06-M-0878 (National Grid-KeySpan Merger Case)

CASE 06-G-1185 (KeySpan Gas Rates in Brooklyn)

CASE 06-G-1186 (KeySpan Gas Rates on Long Island)