

Algonquin Power & Utilities Corp. Announces Acquisition of three Regulated Water Utility Systems by Liberty Water Co.

OAKVILLE, Ontario - April 19th, 2011 Algonquin Power & Utilities Corp. ("APUC") (TSX: AQN), today announced that its wholly owned subsidiary Liberty Water Co. ("Liberty Water") has entered into agreements to acquire three additional regulated water utility assets in the United States. These acquisitions, Louisiana Land and Water Co. ("LLW"), Noel Water Company ("Noel"), and KMB Utilities Company ("KMB"), will add approximately 7,400 customer connections to the Liberty Water family. Total consideration for the three acquisitions is US\$8.3 million.

LLW, the largest of the three utilities serving approximately 6,000 customers near Monroe, LA, and KMB located in Missouri, both own and operate regulated water distribution and waste-water collection and treatment utility systems; Noel participates solely in the regulated water distribution utility business in Missouri.

LLW, Noel, and KMB are anticipated to have net regulatory assets for rate making purposes at closing of approximately US\$6.5 million, US\$0.7 million, and US\$0.3 million respectively, representing a consolidated purchase price multiple of net regulatory assets of approximately 1.09x. With the consent of the Louisiana regulator, LLW will file a rate case promptly after closing of the acquisition with recent rate cases in Louisiana providing return on equity of approximately 9.5-11%. At the Missouri facilities, recent rate cases have provided return on equity of 9.5% and 11.3% for Noel and KMB respectively.

"The acquisition of these attractive water and waste-water utilities businesses represents the continuation of APUC's regulated utility growth strategy and Liberty Water's objective to acquire assets in states with supportive regulatory environments", commented Chief Executive Officer Ian Robertson. "These facilities, which increase Liberty Water's customer count by approximately 10%, will be able to benefit from operation and administration synergies with our other nearby facilities in Texas and Missouri."

Closings of the acquisitions are subject to certain conditions including state regulatory approval, and are expected to occur in the fall of 2011.

About Algonquin Power & Utilities Corp.

Through its distinct operating subsidiaries, APUC owns and operates a diversified portfolio of \$1.1 billion of clean renewable electric generation and sustainable utility distribution businesses in North America. Liberty Water Co., APUC's water utility subsidiary, provides regulated water utility services to more than 73,000 customers with a portfolio of 19 water distribution and wastewater treatment utility systems and has entered into agreements to acquire additional utility systems serving 7,400 customers. Through its wholly owned subsidiary Liberty Energy Utilities Co., APUC provides regulated electricity and natural gas distribution services, currently serving more than 47,000 electric customers in the Lake Tahoe, CA area. Pursuant to previously announced agreements, Liberty Energy Utilities Co. is committed to acquiring Granite State Electric Company, a New Hampshire electric distribution company, and EnergyNorth Natural Gas Inc., a regulated natural gas distribution utility, which together serve approximately 130,000 customers. Algonquin Power Co., APUC's electric generation subsidiary, includes 45 renewable energy facilities and 12 thermal energy facilities representing more than 460 MW of installed capacity. APUC and its operating subsidiaries deliver continuing growth through an expanding pipeline of greenfield and expansion renewable power and clean energy projects, organic growth within its regulated utilities and the pursuit of accretive acquisition opportunities. APUC's common shares and convertible debentures are traded on the Toronto Stock Exchange under the symbols AQN, AQN.DB, AQN.DB.A and AQN.DB.B. Visit Algonquin Power & Utilities Corp. on the web at www.AlgonquinPowerandUtilities.com.

Caution Regarding Forward-Looking Information

Certain statements included in this news release contain information that is forward-looking within the meaning of certain securities laws, including information and statements regarding prospective results of operations, financial position or cash flows. These statements are based on factors or assumptions that were applied in drawing a conclusion or making a forecast or projection, including assumptions based on historical trends, current conditions and expected future developments. Since forward-looking statements relate to future events and conditions, by their very nature they require making assumptions and involve inherent risks and uncertainties. The company cautions that although it is believed that the assumptions are reasonable in the circumstances, these risks and uncertainties give rise to the possibility that actual results may differ materially from the expectations set out in the forward-looking statements. Material risk factors include those set out in the management's discussion and analysis section of the company's most recent annual report, quarterly report and the Annual Information Form. Given these risks, undue reliance should not be placed on these forward-looking statements, which apply only as of their dates. Other than as specifically required by law, the company undertakes no obligation to update any forward-looking statements or information to reflect new information, subsequent or otherwise.

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Algonquin Power & Utilities Corp. Announces Acquisition of Midwest Natural Gas Distribution Utility Assets.

OAKVILLE, ONTARIO, May 13, 2011 Algonquin Power & Utilities Corp. ("APUC") (TSX: AQN) today announced that Liberty Energy Utilities Co. ("Liberty Energy"), APUC's regulated electricity and natural gas distribution utility subsidiary, has entered into an agreement with Atmos Energy Corporation ("Atmos Energy") (NYSE: ATO) to acquire their regulated natural gas distribution utility assets (the "Utilities") located in Missouri, Iowa, and Illinois. Total purchase price for the Utilities is approximately U.S. \$124 million, subject to certain working capital and other closing adjustments. Liberty Energy expects to acquire assets for rate making purposes of approximately \$112 million, representing a purchase price multiple of 1.106x.

The Utilities currently provide natural gas local distribution service to approximately 84,000 customers (57,000 in Missouri, 23,000 in Illinois, and 4,000 in Iowa). The Utilities have capable and experienced work forces and Liberty Energy intends to make offers of continuing employment to all current employees of the Utilities.

Closing of the transaction is subject to certain conditions including state and federal regulatory approval, and is expected to occur in 2012. Financing of the acquisitions is expected to occur simultaneously with the closing of the transaction. Liberty Energy will not be assuming any existing indebtedness with this transaction.

"The acquisition of these well maintained, high quality utility assets is consistent with our growth strategy and provides Liberty Energy a great opportunity to accretively expand its regulated utility operations in Missouri and Illinois, both States with which we are familiar through our existing utility businesses," commented Ian Robertson, Chief Executive Officer of Algonquin Power & Utilities Corp. "We are confident in our ability to continue Atmos Energy's history of providing reliable, safe and cost effective customer service in these territories," he continued. A summary fact sheet on the Utilities being acquired can be found on APUC's web site at www.algonquinpower.com.

Algonquin Power will address questions regarding the acquisition during the conference call being held for the first quarter 2011 results at 9:00 a.m. eastern time on Friday, May 13, 2011, hosted by Chief Executive Officer Ian Robertson and Chief Financial Officer David Bronicheski.

For more information click [here](#)

Conference call details are as follows:

Date: Friday, May 13, 2011

Start Time: 9:00 a.m. eastern

Phone Number: Toll free within North America: 1-800-814-4859 or Local 416-644-3414.

Conference ID#: 4433621

For those unable to attend the live call, a digital recording will be available for replay two hours after the call by dialing 1-877-289-8525 or 416-640-1917 access code 4433621# from May 13, 2011 until May 27, 2011.

NATIONAL GRID/LIBERTY ENERGY
DG 11-040

JOINT PETITIONERS' RESPONSES TO
STAFF'S DATA REQUESTS – SET 2

Date Request Received: 05/6/11
Request No. Staff 2-34

Date of Response: 05/18/11
Witness: Ian Robertson

REQUEST:

Corporate Governance

Please explain the implications of the recently concluded “strategic agreement” Algonquin concluded with Emera, including any financial, management, and corporate governance role that Emera may gain through the agreement. Please provide a copy of the agreement.

RESPONSE:

See supplemental response to Staff 1-21 and Attachment Staff 2-34 for a copy of the Strategic Investment Agreement dated April 20, 2011 between Algonquin Power & Utilities Corp. and Emera Incorporated (the “SIA”).

The only import of the SIA on the acquisition transaction is that Emera’s equity interest in Algonquin has the potential to increase over time to a 25% holding. The CEO of Emera, Chris Huskilton, is currently a member of the Board of Algonquin, and this will not change. Emera will not acquire a management or corporate governance role through the SIA. The treasury subscription of subscription receipts by Emera convertible into 12.0 million common shares of Algonquin will assist in financing the acquisition transaction and is consistent with the SIA.

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JOINT PETITIONERS' RESPONSES TO
STAFF'S DATA REQUESTS – SET 2

Date Request Received: 05/6/11
Request No. Staff 2-97

Date of Response: 05/20/11
Witness: David Bronicheski

REQUEST:

Follow-Up to Staff Set 1 Data Requests

Reference response to Staff 1-74 and 1-75: On what terms will the debt to be assigned to Granite State and EnergyNorth be made? Will the assigned debt be a simple pass-through of the debt to be taken on by Liberty Energy Utilities Co.?

RESPONSE:

The debt is expected to be passed through at the rate and costs incurred by Liberty Energy NH.

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JOINT PETITIONERS' RESPONSES TO
STAFF'S DATA REQUESTS – SET 2

Date Request Received: 05/6/11
Request No. Staff 2-115

Date of Response: 05/19/11
Witness: David Bronicheski

REQUEST:

Follow-Up to Petition and Testimony Filings

Reference Eichler pre-filed testimony at Bates Stamp 182-183: What specific arrangements will be made to meet Granite State's and EnergyNorth's on-going need for short term financing?

RESPONSE:

Algonquin will be arranging for a revolving bank credit facility that is appropriate for meeting the short term financing requirements of Granite State and EnergyNorth. The financing will be arranged with a syndicate of US banks experienced in the utility sectors.

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JOINT PETITIONERS' RESPONSES TO
STAFF'S DATA REQUESTS – SET 4

Date Request Received: 08/09/11
Request No. Staff 4-114

Date of Response: 08/26/11
Witness: David Bronicheski

REQUEST:

Reference Staff 2-115: What was the average cost of short term financing in 2010 for each of Liberty's utilities.

RESPONSE:

None of Liberty Utilities' subsidiaries had any short term debt in 2010.

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JOINT PETITIONERS' RESPONSES TO
OCA'S DATA REQUESTS – SET 1

Date Request Received: 05/06/11
Request No. OCA 1-8

Date of Response: 05/19/11
Witness: David Bronicheski

REQUEST:

Currently Granite State and EnergyNorth participate in National Grid's money pool. Does Liberty Energy have plans for a money pool including Granite State and EnergyNorth? If yes, please explain these plans and any terms that would apply to Granite State and EnergyNorth's participation.

RESPONSE:

Liberty Energy currently plans to fund Granite State and EnergyNorth independently; however, Liberty Energy may consider a money pool arrangement if deemed to be beneficial.

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JOINT PETITIONERS' RESPONSES TO
OCA'S DATA REQUESTS – SET 2

Date Request Received: 07/15/11
Request No. OCA 2-10

Date of Response: 07/29/11
Witness: David Bronicheski

REQUEST:

Concerning section 3.3 of the Stock Purchase Agreement involving Granite State (JP Attach. 3):

- a. Please describe the impacts on the books of account of Granite State of the Section 338(h)(10) election, including but not limited to the effect, if any, on Granite State's plant accounts and accumulated deferred tax balances.
- b. Has Liberty made a proposal to address the ratemaking impacts of the Section 338(h)(10) election, including but not limited any changes in plant balances and/or accumulated deferred tax balances? If not, why not? If so, please state where such proposal is made.
- c. Please reconcile the provision of the agreement that requires a Section 338(h)(10) election with the statements in Mr. Eichler's testimony that there would not be any "push down" accounting or regulatory accounting changes (page 10 of 20) as a result of the transaction.
- d. Please reconcile the provision of the agreement that requires a Section 338(h)(10) election with the statement in Staff 2-73 that the transaction would not affect Granite State's rate base.
- e. Please reconcile the provision of the agreement that requires a Section 338(h)(10) election with the statement in Staff 2-75 that "no assets are being transferred because the transfer is a sale of stock."

RESPONSE:

- a. Generally, an election under Internal Revenue Code § 338(h)(10) (a "338(h)(10) Election") results in the purchase and sale of stock being treated as the purchase of the assets of the target company for tax purposes, with a resulting step-up in the tax basis of the assets of the target company in an amount equal to the purchase price. So in the case of Granite State, a 338(h)(10) Election would result in a stepped-up tax basis for the company's assets equal to the allocated Purchase Price paid by Liberty Energy. With regard to the impact of a 338(h)(10) Election on the financial statements, there are no accumulated deferred tax balances at the moment after the transaction closes (book balances of assets and liabilities in total equals tax). For regulatory accounting purposes, the accumulated deferred

income tax balances need to be maintained and carried forward based on the balances immediately prior to closing.

- b. As noted in response to answer (a) above, it is anticipated that Granite State will maintain the accumulated deferred tax balances for regulatory purposes so there should be no difference to ratemaking as a result of the 338(h)(10) Election.
- c. The 338(h)(10) Election is an election for tax purposes only and, therefore, has no impact on our statement that there will be no "push down" accounting. As noted above, the regulatory deferred tax balances will be maintained at the same level as reflected immediately prior to the transaction closing.
- d. See answer to part (c.) above.
- e. The 338(h)(10) Election results in the transaction being deemed an asset sale for tax purposes only. Notwithstanding the election, the transaction is a sale of the stock of Granite State.

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JOINT PETITIONERS' RESPONSES TO
OCA'S DATA REQUESTS – SET 2

Date Request Received: 07/15/11
Request No. OCA 2-11

Date of Response: 07/29/11
Witness: David Bronicheski

REQUEST:

Does the Stock Purchase Agreement involving Energy North (JP Attach. 4) include a requirement for there to be a Section 338(h)(10) election? If not, why is a Section 338(h)(10) election required for Granite State but not for Energy North? If so, please state specifically where in the agreement such an election is required.

RESPONSE:

The parties did not include an option for a 338(h)(10) election in the Stock Purchase Agreement for EnergyNorth. The reason is that Energy North had a higher level of tax basis in its stock as compared to its basis in its assets, so a "deemed" asset sale for tax purposes would not have results in a tax efficient transaction. This was not the case for Granite State.

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JOINT PETITIONERS' RESPONSES TO
STAFF'S DATA REQUESTS – SET 3

Date Request Received: 07/15/11
Request No. Staff 3-58

Date of Response: 07/28/11
Witness: Peter Eichler

REQUEST:

Reference 2-61 and Attachment 22 to the Joint Petition (Book 3 of 3, Bates page 139). Is Liberty Energy seeking any approvals in this proceeding from the Commission regarding its cost allocation procedures? If so, please explain.

RESPONSE:

Liberty Energy NH is not seeking approvals for its cost allocation procedures in this proceeding.

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JOINT PETITIONERS' RESPONSES TO
STAFF'S DATA REQUESTS – SET 2

Date Request Received: 05/6/11
Request No. Staff 2-111

Date of Response: 09/02/11
Witness: Gerald Tremblay

REQUEST:

Follow-Up to Petition and Testimony Filings

Reference Tremblay/Bronicheski pre-filed testimony at Bates Stamp 165, lines 10-18 and pre-filed testimony of Ian Robertson at Bates Stamp 20, lines 12-16: Has Algonquin specifically investigated, assessed or analyzed the question of whether the post-closing operating structure for Granite State and EnergyNorth under Liberty Utilities' ownership will be materially the same as or different from the cost structure existing under National Grid's ownership? If so, please provide a copy of any such investigation, assessment or analysis.

RESPONSE:

Liberty Energy NH has reviewed the costs structure currently employed by National Grid, and is in the preliminary stages of assessing the post-closing operating structure for Granite State and Energy North, which based on our experience will be materially similar for the service offering proposed in New Hampshire. Nothing has come to Liberty Energy NH's attention that would lead to the conclusion that it cannot provide similar service offering for similar costs. A copy of this analysis will be provided upon completion.

SUPPLEMENTAL RESPONSE:

Please see Attachment Staff 2-111. The estimated budget is preliminary and based on an analysis of the March 31, 2011 company financials by FERC account and not on a detailed line by line basis. It indicates a minimal increase in costs for both companies of approximately 4%, compared to normalized March 31, 2011 costs for Granite State and EnergyNorth (increased for two years of inflation only). This includes an increase in rent and lease expense for facilities of approximately 1% and an increase in labor costs because of the increased commitment by Liberty Energy NH to staff and provide services directly to the New Hampshire companies.

Granite State Operating & Administration Costs 2011											
(*000 USD)											
Labor Costs											
Transmission Expenses-O&M											
Schdt, Sys Cntrl & Dispatch Srv	561400	-		2.5%	-	-		8,853	9,809	857	10,055
Trans Oper-Substations	562000	1.3		2.5%	1.34	1.3					1
Trans Oper-Overhead Lines	563000	0.6		2.5%	0.64	0.6					1
Trans Oper-Underground Lines	564000	0.0									
Trans Oper-Wheeling	565000										
Elcic Rev Wheeling-Elim	565035										
Sale for Resale-Tran CR-Elim	565037										
Trans Oper-Misc Expenses	566000	1.0		2.5%	1.0	1.0					1
Trans Maint-Supervision & Eng	568000	0.3		2.5%	0.3	0.3					0
Trans Maint-Substations	570000	16.1		2.5%	16.54	16.5					17
Trans Maint-Substation-Trouble	570010	3.1		2.5%	3.1	3.1					3
Trans Maint-Overhead Lines	571000	(8.1)		2.5%	(8.26)	(8.3)					(8)
Trans Maint-Right of Way	571020	1.9		2.5%	1.93	1.9					2
Maint Transmission Facilities											
Subtotal Transmission Expenses-O&M	16.3	-			17	17					17
Distribution Expenses-O&M											
Dist Oper-Supervision & Eng	580000	(84.3)		2.5%	(86.39)	(86.4)					(89)
Dist Oper-Load Dispatching	581000	4.5		2.5%	4.64	5					5
Dist Oper-Substations	582000	166.9		2.5%	171.10	171.1					175
Dist Oper-Overhead Lines	583000	54.6		2.5%	55.97	56.0					57
Dist Oper-Underground Lines	584000	77.6		2.5%	79.51	79.5					81
Dist Oper-Outdoor Lighting	585000	6.0		2.5%	6.16	6.2					6
Dist Oper-Electric Meters	586000	58.1		2.5%	59.58	59.6					61
Dist Oper-CustomerInstallation	587000	24.4		2.5%	25.05	25.0					26
Dist Oper-Misc Expenses	588000	301.0		2.5%	308.53	308.5					316
Dist Oper-Rents	589000	0.8		2.5%	0.82	0.8					1
Rents-Building-Dist-Elim	589001	3.6		2.5%	3.71	3.7					4
Dist Maint-Supervision & Eng	590000	2.4		2.5%	2.49	2.5					3
Dist Maint-Structures	591000	1.8		2.5%	1.84	1.8					2
Dist Maint-Substations	592000	38.5		2.5%	39.46	39.5					40
Dist Maint-Substations-Trouble	592010	10.0		2.5%	10.27	10.3					11
Dist Maint-Overhead Lines	593000	(398.7)		2.5%	271.99	272.0					279
Dist Maint-OH Lines-Trouble	593010	22.9		2.5%	23.45	23.4					24
Dist Maint-OH Lines-Veg Mgmt	593020	1,214.0		2.5%	1,244.38	1,244.4					1,275
Dist Maint-Underground Lines	594000	(12.4)		2.5%	(12.740)	(13)					(13)
Dist Maint-Line Transformers	595000	16.9		2.5%	17.28	17.3					18
Dist Maint-Outdoor Lighting	596000	(2.1)		2.5%	(2.15)	(2.1)					(2)
Dist Maint-Electric Meters	597000	10.3		2.5%	10.58	10.6					11
Maint Distribution Facilities											
Subtotal Distribution Expenses-O&M	1,517	664			2,236	2,235.5					2,291.4
Customer Expenses-O&M											
Cust Acct-Supervision	901000	4.6		2.5%	4.67	4.7					5
Cust Acct-Meter Reading Exp	902000	27.7		2.5%	28.39	28.4					29
Cust Records & Collection	903000	1,242.5		2.5%	1,273.52	1,273.5					1,305

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National Grid										Liberty Energy	
	Actuals April to March 2011 Sum '000	Adjustment required to existing P & L	Reference *	Initiation adjustment	Revised April to March 2011 Sum '000	Budget	Variance	Initiation-->	2.5%		
9040000	0.4			2.5%	0.41	0.4	-	-	-		
9050000	1,275.11	-		2.5%	1,306.98	1,306.98	-	-	1,339.66		
9070000			C	2.5%	(208.98)	(209.0)	-	-	(214)		
9080000	(203.9)			2.5%	(0.06)	(0)	-	-	(0)		
9090000	3.4	(3.50)	C	2.5%	83.45	83.4	-	-	86		
9100000	81.4			2.5%	(3.17)	(3.2)	-	-	(3)		
9120000	(3.1)			2.5%	-	-	-	-	-		
9130000	-			2.5%	-	-	-	-	-		
9160000	-			2.5%	(128.77)	(128.8)	-	-	(132.0)		
<i>Administration Expenses-O&M</i>											
9200000	10.0			2.5%	10.21	10.2	-	-	10		
9210000	1,141.9	-		2.5%	1,170.4	1,170.4	-	-	1,199.7		
9220000	1.0			2.5%	1.07	1	-	-	1		
9230000	446.3			2.5%	457.42	457.4	-	-	469		
9240000	389.0			2.5%	398.72	398.7	-	-	409		
9250000	903.4			2.5%	926.03	926.0	-	-	949		
9260000	(1.4)			2.5%	(1.47)	(1)	-	-	(2)		
9280000	579.5			2.5%	593.96	594.0	-	-	609		
9302000	70.4	-	E*	2.5%	72.2	14.6	(58)	14.9	Savings in GS Corporate non-labor		
9310000	163.4			2.5%	167.52	259.0	91	264	Rent additional space (incremental)		
9350000	1.3			2.5%	1.31	1.3	-	-	1		
Subtotal Administration Expenses-O&M											
	3,705	-			3,787	3,830	33		3,926		
O&M Expenses	6,391	661			7,228	7,261	33		7,442		
O&M Expenses + Labor	15,125	661			16,181	17,070	889		17,497		

Reference *

- A. The amount reimbursed by Fairpoint pertains to 2010 Storm related veg management expense and hence backed out of current year's budget projections. (Storm recoveries dependent on incremental costs only to qualify for refund under the program)
- B. Includes third party credit & collection expenses \$220K, bad debts \$500K, postage expenses \$220K
- C. FERC Account #s 908000 relate to energy efficiency program and the expenses are offset by reimbursements under the program.
- D. Also includes expenses incurred on contractors used in energy efficiency program and other related expenses and reimbursements
- E. Includes office materials, supplies from contractors, hardware and software expenses and miscellaneous leasing / rent of office equipment.
- E* LE budget considers incremental rent applicable to Granite State. (Total projected rent for both GS and EN being \$450K)

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National Grid										Liberty Energy		Ingram	
										Budget		Variance	
										2011		2012	
										Sum 1000		Sum 1000	
										Inflation adjustment		Budget	
										Reference *		Budget	
										Adjustment required to existing P & L		Budget	
										Actuals April to March 2011		Revised April to March 2011	
										Sum 1000		Sum 1000	
										2.5%		2.5%	
Energy/North Operating & Administration Costs 2011													
(700 USD)													
Labor Costs													
Gas Expenses-O&M													
T&D-Meas & Reg Station Expense	857000	61.73								17,402	17,947	546	18,386
Gas Oper-Trans Rents	860000	-								63.28	63.28	-	65
Gas Oper-Dist Supv & Eng	870000	1								0.99	0.99	-	1
Gas Oper-Dist-Maine & Services	874000	669								685.67	685.67	-	703
Gas Oper-Residential Meter Exp	878000	182								186.12	186.12	-	191
Gas Oper-Customer Installation	879000	(38)								(38.84)	(38.84)	-	(40)
Gas Oper-Misc Expenses	880000	55								56.52	56.52	-	58
Gas Maint-Supervision & Eng	885000	74								75.47	75.47	-	77
Gas Maint-Structures	886000	11								10.99	10.99	-	11
Gas Maint-Mains	887000	1,322								1,355.43	1,355.43	-	1,389
Gas Maint-Station Exp-General	889000	138								141.72	141.72	-	145
Gas Maint-Services	892000	448								459.04	459.04	-	471
Gas Maint-Residential MeterExp	893000	23								23.24	23.24	-	24
Maintenance of Other Equipment	894000											-	
Maintain Gas Facilities												-	
Subtotal Gas Expenses-O&M		2,946	-							3,020	3,020	-	3,095
Customer Expenses-O&M													
Cust Acct-Supervision	901000	8								8.26	8.26	-	8
Cust Acct-Meter Reading Exp	902000	51								51.93	51.93	-	53
Cust Records & Collection	903000	769								788.26	788.26	-	808
Uncollectible Accounts	904000	(503)								2,512.25	2,512.25	-	2,575
Cust Acct-Misc Expenses	905000	1								1.06	1.06	-	1
Cust Accts Oper Exp-Gas		326								3,362	3,362	-	3,446
Customer Service Expenses													
Cust Service-Supervision	907000	(2)								(1.86)	(1.86)	-	(2)
Cust Assistance Expenses	908000	4								3.61	3.61	-	4
Info&Instruct Advertising Exp	909000	0								0.02	0.02	-	0
Cust Service-Misc Expenses	910000	3								2.69	2.69	-	3
Demo & Selling Expenses	912000	576								590.21	590.21	-	605
Sales-Advertising Expense	913000	134								137.72	137.72	-	141
Sales-Misc Expenses	916000	(171)								(175.14)	(175.14)	-	(180)
Cust Service & Info Expenses		544								557	557	-	571
Administration Expenses-O&M													
A&G-Salaries	920000	(5)								(5.60)	(5.60)	-	(6)
A&G - Office Supplies & Other expenses	921000	1,870								1,917	1,917	-	1,955
Admin Expense Transferred-CR	922000	0								0.02	0.02	-	0
A&G-Outside Services Employed	923000	1,385								(20.39)	(20.39)	-	(21)
Property Insurance	924000	9								9.33	9.33	-	10
Injuries & Damages Insurance	925000	806								826.44	826.44	-	847
Employee Pensions & Benefits	926000											-	
Regulatory Comm Expenses	928000	856								877.08	877.08	-	899
A&G - Miscellaneous Expenses	930200	(22)								(22)	(22)	-	
A&G-Rents	931000	203								208.11	208.11	-	215
Administrative Oper Exp-Elec		-								-	-	-	
A&G-Maint-General Plant-Gas		30								30.75	30.75	-	32
Administrative Maint Expenses												-	
Subtotal Administration Expenses-O&M		5,133	(1,405)							3,821	4,151	330	4,254
O&M Expenses													
		8,946	1,549							10,759	11,089	330	11,366
Incremental corp non-labor costs 152 Incremental corp non-labor costs 377 Rent additional space (incremental)													

Supplemental Attachment Staff 2-111
National Grid/Liberty Energy
DG 11-040
Page 4 of 4

Energy/North Operating & Administration Costs 2011		National Grid		Liberty Energy		Inflation ->		2.5%
(000 USD)		Actuals April to March 2011 Sum 100	Adjustment required to existing P & L	Reference *	Inflation adjustment	Revised April to March 2011 Sum 100	Budget	Budget 2012
O&M Expenses + Labor		25,925	1,549			28,161	29,035	29,762

Reference *

- A. Bad debt for 2010 includes bad debt provision that was reversed following PwC assessment. Assessed bad debt charge off is \$2.5M for EN.
 B. FERC Account #s 908000 relate to energy efficiency program and the expenses are offset by reimbursements under the program.
 C. Includes rental cost of CIS system (\$55K), printing and mailing expenses (\$475K) and amount expended on contractors (\$135K).
 D. Gas marketing and advertising expenses to retain business, advertising at trade shows to promote gas sales.
 E. \$1.4M relating to rate case expense charged to Income Statement - not expected to be incurred therefore excluded from budget.
 F. LE budget considers incremental rent applicable to Granite State. (Total projected rent for both GS and EN being \$450K)

NATIONAL GRID/LIBERTY ENERGY
DG 11-040

JOINT PETITIONERS' RESPONSES TO
OCA'S DATA REQUESTS – SET 2

Date Request Received: 07/15/11
Request No. OCA 2-19

Date of Response: 07/29/11
Witness: Timothy F. Horan

REQUEST:

(National Grid) For each service included within the transition services agreement, please provide the current unit cost(s) included in current rates.

RESPONSE:

Costs by department are included in response to Staff 3-33 and 3-34 for the years 2008, 2009, 2010 and year-to-date 2011. These costs will be used to estimate the cost of providing transition services. Costs used to determine rates are driven by the FERC account structure and not by type of transition service, and therefore the two cannot be compared. However, because the costs to be charged by National Grid for the transition services are the same costs that would have been allocated to Granite State and EnergyNorth for those services in the absence of the sale, the costs for the transition services are expected to be comparable to the costs that would have been incurred by the two utilities for those services.

NATIONAL GRID/LIBERTY ENERGY
DG 11-040

JOINT PETITIONERS' RESPONSES TO
STAFF'S DATA REQUESTS – SET 1

Supplemental Response

Date Request Received: 04/04/11
Request No. Staff 1-27

Date of Supplemental Response: 09/02/11
Witness: Ian E. Robertson

REQUEST:

Reference Robertson testimony, Bates 23. Please identify specific transition costs anticipated as a result of the acquisition and, for each transition cost identified, whether or not Algonquin will seek recovery through rates.

RESPONSE:

An estimate of transition costs (being temporary costs related to transitioning the businesses) has not yet been made, and as such, no determination of recovery through rates has been made.

SUPPLEMENTAL RESPONSE:

Please see Supplemental Attachment Staff 1-27 for an estimate of Transition costs. Where these costs relate to system implementation that is likely to result in future benefits for New Hampshire customers, Liberty Energy NH will likely apply for recovery of these costs through rates.

1-25 Financing/Legal/Transaction/Transition Cost
In Millions of Dollars

Supplemental Attachment Staff 1-27
National Grid/Liberty Energy
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	<u>Total</u>
<u>Financing Costs</u>	
Debt Issuance	0.95
Equity Issuance-Emera	
Equity Issuance	<u>3.75</u>
	4.70
<u>Legal Costs</u>	
Legal	0.50
<u>Transaction Costs</u>	
Investment Banker	0.75
Due Diligence Consultants	0.15
Misc Costs- ie travel etc	<u>0.15</u>
	1.05
<u>Transitional Costs</u>	
Finance	0.03
Energy Procurement	0.09
Customer Care	0.33
Human Resources	0.07
Health and Safety	0.09
Regulatory	<u>0.02</u>
	0.63

Assumptions

0.7% of Debt Issuance

5% of non Emera Equity Issuance

NATIONAL GRID/LIBERTY ENERGY

DG 11-040

JOINT PETITIONERS' RESPONSES TO
STAFF'S TECH SESSION DATA REQUESTS – SET 2

Date Request Received: 09/21/11
Request No. Staff TS 2-21

Date of Response: 10/03/11
Witness: Gerald Tremblay

REQUEST:

Please provide the following for Granite State and Energy North:

- Any 5-year (or whatever time period is available) financial forecasts prepared for either internal or financing purposes that include:
 - o Cash flow forecasts
 - o Balance sheets
 - o Income statements
 - o Financial ratios, including interest coverage
 - o Future financing plans (to the extent not included in cash flow forecasts)
- Please include a description of all underlying assumptions included in the forecasts

RESPONSE:

Please see Attachments Staff TS 2-21(a) – (c) for forecast models as of September 30, 2011. Liberty Energy understands that through its natural course of business, National Grid is currently reviewing and updating its five year capital plan. If the capital plan is updated, Liberty Energy plans to review the plan and update its forecasts accordingly.

Granite State		2012	2013	2014	2015	2016
Consolidated Statements of Operations		Annual	Annual	Annual	Annual	Annual
(thousands of US dollars, except per unit amounts)		8	12	16	20	24

Granite State Electric						
Customers -	Residential	36,540	36,907	37,277	37,652	38,029
	Small Commercial	6,709	6,777	6,845	6,913	6,983
	Large Commercial/Industrial	243	245	248	250	253
	Other	-	-	-	-	-
	Total	43,492	43,929	44,370	44,815	45,265

INCOME STATEMENT

Total revenues	\$	86,749	\$	89,026	\$	98,194	\$	102,348	\$	104,864
Expenses										
Total Payroll and Benefits		10,055		10,256		10,461		10,670		10,884
Materials		626		639		652		665		678
Consultants and Contractors		5,305		5,411		5,519		5,630		5,742
Rent		390		398		406		414		422
Hardware and Software		180		183		187		191		195
Bad Debt Expense		500		510		520		531		541
Transportation Expense		341		347		354		361		369
Property and Other Taxes		2,650		2,703		2,757		2,812		2,868
Other Expense		174		177		181		185		188
Total O&M Expense	\$	20,220	\$	20,625	\$	21,037	\$	21,458	\$	21,887
Commodity Costs	\$	59,877	\$	61,494	\$	63,156	\$	64,864	\$	66,459
EBITDA	\$	6,652	\$	6,908	\$	14,002	\$	16,027	\$	16,517
Depreciation and Amortization		5,166		5,705		6,310		6,889		7,348
EBIT		1,487		1,203		7,692		9,137		9,170
Total Interest Expense		2,002		2,012		2,012		2,012		2,012
EBT		(515)		(809)		5,680		7,125		7,157
Total Income Tax Expense/(Recovery)		(180)		(283)		1,988		2,494		2,505
Net earnings / (loss)		(335)		(526)		3,692		4,631		4,652

STATEMENT OF CHANGES IN FINANCIAL POSITION

Cash provided by (used in):

Operating Activities:

Net earnings from continuing operations	(335)	(526)	3,692	4,631	4,652
Items not affecting cash:					
Deferred Income Taxes	1,446	1,263	1,080	887	686
Amortization: Granite State assets	5,166	5,705	6,310	6,889	7,348
Amortization of Capital Assets	-	5,705	6,310	6,889	7,348
	1,111	6,441	11,082	12,408	12,686
Changes in non cash working capital	(27)	(29)	(116)	(58)	(23)
Total Cash from Operating Activities	1,084	6,413	10,966	12,349	12,662

Financing Activities:

Contributions From /(Return to) Parent	(20,650)	-	-	-	-
Increase/(decrease) in private placement notes payable	20,650	-	-	-	-
Increase/(Decrease) in long term indebtedness	20,650	-	-	-	-
Total Cash from Financing Activities	-	-	-	-	-

Investing Activities:

Investment in Capital Assets					
Granite State Capex	(8,600)	(10,100)	(10,900)	(9,200)	(6,700)
Investment in Capital Assets	(8,600)	(10,100)	(10,900)	(9,200)	(6,700)
Total Cash From Investing Activities	(8,600)	(10,100)	(10,900)	(9,200)	(6,700)
Cash, beginning of the period	(1,700)	(9,216)	(12,903)	(12,837)	(9,688)
Increase /(decrease) in cash from continuing operations	(7,516)	(3,687)	66	3,149	5,962
Cash, end of the period	(9,216)	(12,903)	(12,837)	(9,688)	(3,725)

CASHFLOW STATEMENT

Net Income	(335)	(526)	3,692	4,631	4,652
Plus: Depreciation & Amortization	5,166	5,705	6,310	6,889	7,348
Plus: Deferred Taxes - Acquisition, capex	1,446	1,263	1,080	887	686
Less: Capex	(8,600)	(10,100)	(10,900)	(9,200)	(6,700)
Less: Changes in Working Capital	(27)	(29)	(116)	(58)	(23)
Free Cash Flow	(2,350)	(3,687)	66	3,149	5,962
Cash	(4,050)	(7,738)	(7,672)	(4,522)	1,440

BALANCE SHEET

ASSETS

Cash	(2,350)	(6,038)	(5,972)	(2,822)	3,140
Utility Plant					
Utility Plant in service - Granite State	146,153	156,253	167,153	176,353	183,053
Accumulated Depreciation	(57,420)	(63,125)	(69,435)	(76,324)	(83,672)
Utility Plant - Net	88,733	93,128	97,718	100,029	99,381
Accounts receivable	8,956	8,956	8,956	8,956	8,956
Restricted cash	3,270	3,270	3,270	3,270	3,270
Unbilled revenues	1,095	1,124	1,239	1,298	1,321
Materials	540	540	540	540	540
Current portion - deferred income tax assets	1,166	1,166	1,166	1,166	1,166
Prepaid & other current assets	3,285	3,285	3,285	3,285	3,285
Other Assets					
Regulatory Assets	4,965	4,965	4,965	4,965	4,965
Goodwill	19,352	19,352	19,352	19,352	19,352
Other Deferred Charges	1,119	1,119	1,119	1,119	1,119
Other Assets	25,436	25,436	25,436	25,436	25,436
TOTAL ASSETS	130,130	130,867	135,639	141,157	146,495

LIABILITIES AND CAPITALIZATION

Long Term Debt					
Existing Granite State Notes	15,000	15,000	15,000	15,000	15,000
New Long Term Debt	20,650	20,650	20,650	20,650	20,650
Indebtedness	35,650	35,650	35,650	35,650	35,650
Accounts Payable	6,272	6,272	6,272	6,272	6,272
Taxes accrued	703	703	703	703	703
Customer deposits	644	644	644	644	644
Regulatory liabilities	8,536	8,536	8,536	8,536	8,536
Post retirement benefits & other reserves	6,335	6,335	6,335	6,335	6,335
Other deferred credits & liabilities	4,819	4,819	4,819	4,819	4,819
Accumulated Deferred Income Taxes	15,981	17,244	18,324	19,211	19,897
Capitalization					
Shareholders' capital	25,444	25,444	25,444	25,444	25,444
Retained earnings	25,746	25,220	28,912	33,543	38,195
Net Equity	51,191	50,665	54,356	58,987	63,640

TOTAL LIABILITIES AND EQUITY	130,130	130,867	135,639	141,157	146,495
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Balance Sheet	0	0	0	0	0
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Financial Ratios

Debt to Equity	0.70	0.70	0.66	0.60	0.56
Debt Service	0.74	0.60	3.82	4.54	4.56

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National Grid/Liberty Energy
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EnergyNorth	2012	2013	2014	2015	2016
Consolidated Statements of Operations	Annual	Annual	Annual	Annual	Annual
(thousands of US dollars, except per unit amounts)	8	12	16	20	24

EnergyNorth Gas

Customers -	Residential	Commercial / Industrial	Transportation	Other	Total
	74,402	75,901	77,430	78,991	80,582
	9,905	10,104	10,308	10,516	10,727
	1,247	1,272	1,297	1,324	1,350
	-	-	-	-	-
	85,553	87,277	89,035	90,830	92,660

INCOME STATEMENT

Total revenues	153,958	156,694	162,690	166,410	170,226
Expenses					
Total Payroll and Benefits	18,396	18,764	19,139	19,522	19,912
Materials	673	686	700	714	728
Consultants and Contractors	3,742	3,817	3,893	3,971	4,050
Rent	1,114	1,137	1,159	1,183	1,206
Hardware and Software	998	1,018	1,038	1,059	1,080
Bad Debt Expense	2,575	2,627	2,679	2,733	2,787
Transportation Expense	874	891	909	927	946
Property and Other Taxes	5,561	5,786	6,140	6,646	7,338
Other Expense	1,391	1,419	1,447	1,476	1,505
O&M Expense	35,323	36,143	37,104	38,230	39,553
Commodity Costs	92,921	95,030	97,188	99,394	101,650
EBITDA	25,713	25,520	28,388	28,786	29,023
Depreciation and Amortization	10,055	10,478	10,913	11,357	11,805
EBIT	15,658	15,042	17,485	17,429	17,218
Total Interest Expense	4,188	4,192	4,192	4,192	4,192
EBT	11,470	10,850	13,293	13,237	13,025
Total Income Tax Expense / (Recovery)	4,014	3,798	4,652	4,633	4,559
Net earnings / (loss)	7,455	7,053	8,640	8,604	8,467

Attachment Staff TS 2-21(b)
National Grid/Liberty Energy
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Page 2 of 3

STATEMENT OF CHANGES IN FINANCIAL POSITION

Cash provided by (used in):

Operating Activities:

Net earnings from continuing operations	7,455	7,053	8,640	8,604	8,467
Items not affecting cash:					
Deferred Income Taxes	4,333	4,009	3,703	3,409	3,127
Amortization: EnergyNorth	10,055	10,478	10,913	11,357	11,805
Amortization of Capital Assets	10,055	10,478	10,913	11,357	11,805
Changes in non cash working capital	21,844	21,539	23,256	23,369	23,398
	(1,287)	(391)	(843)	(520)	(532)
Total Cash from Operating Activities	20,557	21,148	22,414	22,850	22,867

Financing Activities:

Contributions From /(Return to) Parent	(72,910)	-	-	-	-
Increase/(decrease) in private placement notes payable	72,911	-	-	-	-
Increase/(Decrease) in long term indebtedness	72,911	-	-	-	-
Total Cash from Financing Activities	0	-	-	-	-

Investing Activities:

Investment in Capital Assets					
EnergyNorth Capex	(14,600)	(14,700)	(15,500)	(15,300)	(15,800)
Investment in Capital Assets	(14,600)	(14,700)	(15,500)	(15,300)	(15,800)
Total Cash From Investing Activities	(14,600)	(14,700)	(15,500)	(15,300)	(15,800)
Cash, beginning of the period	-	5,958	12,405	19,319	26,869
Increase /(decrease) in cash from continuing operations	5,958	6,448	6,914	7,550	7,067
Cash, end of the period	5,958	12,405	19,319	26,869	33,936

CASHFLOW STATEMENT

Net Income	7,455	7,053	8,640	8,604	8,467
Plus: Depreciation & Amortization	10,055	10,478	10,913	11,357	11,805
Plus: Deferred Taxes - Acquisition, capex	4,333	4,009	3,703	3,409	3,127
Less: Capex going forward	(14,600)	(14,700)	(15,500)	(15,300)	(15,800)
Less: Changes in Working Capital	(1,287)	(391)	(843)	(520)	(532)
Free Cash Flow	5,957	6,448	6,914	7,550	7,067

BALANCE SHEET

ASSETS

Cash	5,958	12,405	19,319	26,869	33,936
Utility Plant					
Utility Plant in service - Energy/North	356,125	370,825	386,325	401,625	417,425
Accumulated Depreciation	(103,994)	(114,472)	(125,385)	(136,741)	(148,546)
Utility Plant - Net	252,131	256,353	260,940	264,884	268,879
Accounts receivable	21,633	22,028	22,875	23,400	23,936
Inventories	13,000	13,000	13,000	13,000	13,000
Other Assets					
Regulatory assets - Current	2,700	2,700	2,700	2,700	2,700
Current deferred income taxes	3,985	3,985	3,985	3,985	3,985
Prepaid & Other assets	299	299	299	299	299
Pension Asset	6,500	6,500	6,500	6,500	6,500
Regulatory assets	68,596	68,596	68,596	68,596	68,596
Goodwill	2,115	2,115	2,115	2,115	2,115
Deferred Financing Costs	13	13	13	13	13
Other deferred charges	13,642	13,642	13,642	13,642	13,642
Other Assets	97,850	97,850	97,850	97,850	97,850
TOTAL ASSETS	390,571	401,637	413,985	426,002	437,600

LIABILITIES AND CAPITALIZATION

Long Term Debt					
New Long Term Debt	72,910	72,910	72,910	72,910	72,910
Indebtedness	72,910	72,910	72,910	72,910	72,910
Accounts Payable	8,633	8,633	8,633	8,633	8,633
Taxes accrued	675	675	675	675	675
Customer deposits	904	908	913	918	922
Regulatory liabilities	75	75	75	75	75
Current postretirement benefits	282	282	282	282	282
Derivative contracts	1,188	1,188	1,188	1,188	1,188
Other current liabilities	772	772	772	772	772
Deferred credits & other liabilities					
Regulatory liabilities	29,303	29,303	29,303	29,303	29,303
Asset retirement obligation	956	956	956	956	956
Deferred income tax liabilities	64,035	68,044	71,747	75,155	78,282
Pension Liability	6,500	6,500	6,500	6,500	6,500
Post retirement benefits & other reserves	3,876	3,876	3,876	3,876	3,876
Environmental remediation costs	59,807	59,807	59,807	59,807	59,807
Other deferred credits & liabilities	3,502	3,502	3,502	3,502	3,502
Capitalization					
Shareholders' capital	221,857	221,857	221,857	221,857	221,857
Retained earnings	(84,704)	(77,652)	(69,011)	(60,408)	(51,941)
Net Equity	137,152	144,205	152,845	161,449	169,916
TOTAL LIABILITIES AND EQUITY	390,571	401,637	413,985	426,002	437,600

Balance Sheet 0 0 0 0 0 0

Financial Ratios

Debt to Equity	0.53	0.51	0.48	0.45	0.43
Debt Service	3.74	3.59	4.17	4.16	4.11

Granite State Electric&EnergyNorth Gas Assumptions

Details	Metrics	Comments
Customer & usage growth	Customer - EN- 2% - GS- 1% Usage - EN- 0.25% - GS- 1.0%	
Inflation	Assumed 2% inflation; however tariff not inflation adjusted.	
O & M expenses	Follow 2012 budget presented to PUC earlier in Sept. 2011	
Capital Structure		The capital structure for both GS & EN is based on: Debt – 45% of rate base Equity – 55% of rate base
Cost of Equity	GS @ 9.67 % EN @ 9.67 %	
Cost of debt	GS @ 5.5 % EN @ 5.5 %	
Inventories	Gas – is based on prior year's monthly / quarterly inventory holding pattern.	Past year's trend indicate total gas consumption for Q1 plus Q4 are about three times that of Q2 plus Q3 (calendar year).
Capital	Capital based on previously approved capital plan as submitted in response OCA 1-47.	

NATIONAL GRID/LIBERTY ENERGY
DG 11-040

JOINT PETITIONERS' RESPONSES TO
OCA'S DATA REQUESTS – SET 1

Date Request Received: 05/06/11
Request No. OCA 1-20

Date of Response: 05/20/11
Witness: Daniel Saad
David Pasieka

REQUEST:

On Bates page 107, at lines 4-5, of the joint testimony of Ling, Mercier, Saad, and Demmer, the witnesses state: "At this point, we are comfortable with the level of capital spending projected in both Granite State and EnergyNorth's five year capital plans." Please provide a copy of the most recent five year capital plans under National Grid and under Liberty Energy.

RESPONSE:

Please see below for the latest version of National Grid's five-year Capital Plan for both EnergyNorth and Granite State. Liberty Energy NH has not yet developed its Capital Plan for the two companies. Initially, Liberty Energy NH expects to adopt National Grid's capital plan; with the intention of reviewing and amending as required by business conditions.

(\$ millions)	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>
Mandated	\$9.0	\$9.1	\$9.4	\$9.5	\$9.7
Growth	\$4.7	\$4.8	\$4.9	\$4.9	\$5.2
Reliability / Other	<u>\$0.9</u>	<u>\$0.8</u>	<u>\$1.2</u>	<u>\$0.9</u>	<u>\$0.9</u>
Total Energy North	\$14.6	\$14.7	\$15.5	\$15.3	\$15.8

(\$ millions)	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>
Statutory / Regulatory	\$2.8	\$2.9	\$3.1	\$3.3	\$3.4
Damage / Failure	\$1.1	\$1.2	\$1.2	\$1.3	\$1.3
System Capacity & Performance	\$3.6	\$4.9	\$5.2	\$3.4	\$1.0
Asset Condition	\$0.2	\$0.2	\$0.3	\$0.3	\$0.2
Cost of Removal / Other	<u>\$0.9</u>	<u>\$0.9</u>	<u>\$1.1</u>	<u>\$0.9</u>	<u>\$0.8</u>
Total Granite State	\$8.6	\$10.1	\$10.9	\$9.2	\$6.7

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Published online May 17, 2011

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ENERGY

National Grid may decide on U.S. unit sale by March

By Kari Lundgren
Bloomberg News

LONDON - National Grid Plc, the operator of Britain's power-distribution network, may decide to sell its U.S. operations by March next year after struggling to boost transmission rates, according to Nomura Holdings Inc.

"A perennial debate for investors with respect to National Grid is the value of the U.S. business," Nomura analysts including John Musk said Tuesday in a note to investors. "Recent disappointing rate cases in New York and Rhode Island have only served to intensify this debate."

Regulators in New York and Massachusetts since November have rejected the London-based utility's requests for higher transmission rates. The lower returns drove National Grid to announce 1,200 job cuts and plans to restructure its U.S. operations in January. The company divested businesses in New Hampshire in December.

"In our view, National Grid is now actively considering an exit from the U.S. as a potential option, although the current mantra remains trying to turn around the business," Musk said. The analyst has a "neutral" rating on the stock.

The 7 percent reduction in management and administrative positions will account for more than 70 percent of the \$200 million in cost reductions targeted by the company, CEO Steve Holliday said in January.

The New York Public Service Commission set a return on equity of 9.1 percent and a common equity ratio of 48 percent, National Grid said in January. The company had asked for a return of 10.85 percent. In Massachusetts, the Department of Public Utilities declined the utility's request for additional revenue of \$104 million, granting \$58 million instead.

The utility may be able to sell U.S. operations for as much as 16.2 billion pounds (\$26.3 billion) and could return as much as 8 billion pounds to investors as a special dividend, the analyst said. With operations in New York, Massachusetts and Rhode Island, the company may struggle to find a single buyer and consider pursuing an initial public offering instead, Musk said.

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NATIONAL GRID PLC may decide to sell its U.S. operations by March next year, according to analysts at Nomura Holdings Inc.

Possible National Grid sale in U.S. could yield billions for shareholders

Possible sale of National Grid properties in U.S. could yield billions for shareholders

By Larry Rulison Business writer

Updated 02:46 p.m., Wednesday, May 18, 2011

ALBANY -- Wall Street analysts believe that National Grid could be preparing a sale of its utilities in New York and New England -- or possibly even an initial public offering -- by next spring.

Nomura Equity Research wrote in a report published Tuesday that it believes that National Grid's U.S. operations could fetch \$25 billion or more, allowing it to return billions of dollars to shareholders as part of a special one-time dividend payment.

"We do not think (National Grid) will push the button on an exit from the U.S. this year but suggest a decision could be concluded by March 2012," Nomura analyst John Musk wrote.

Speculation of National Grid's possible sale of its U.S. units has been rampant ever since January, when the state Public Service Commission approved a \$113 million electric rate increase for upstate New York -- far below the \$360 million request it had been seeking for shareholders.

That speculation is expected to increase this week because National Grid will announce its year-end earnings on Thursday -- when company officials will likely once again express their disappointment in its U.S. returns.


"Recent disappointing rate cases in New York and Rhode Island have only served to intensify this debate, and in our view, (National Grid) is now actively considering an exit from the U.S. as a potential option, although the current mantra remains trying to turn around the business."

National Grid has steadfastly said it has no plans to sell its U.S. operations, although its New Hampshire units were sold earlier this year in a \$285 million deal after regulators fell short of rate increases it says it needed.

"We are committed to our U.S. business and do not comment on market speculation," National Grid spokesman Alberto Bianchetti said Tuesday.

Shortly after the PSC ruled on the upstate electric rate case in late January, National Grid announced a restructuring plan for its U.S. operations that would save \$200 million annually



and cut 1,200 jobs. That plan,  to improve the company's relationship with both customers and regulators, is expected to be completed by this summer.

National Grid entered upstate New York when it purchased the former Niagara Mohawk Power Corp. in 2001 in a deal valued at nearly \$9 billion.

In 2007, National Grid expanded its reach in New York and New England with an \$11.8 billion deal, including debt, for KeySpan Corp. of Brooklyn.

As part of that deal, National Grid also sold off KeySpan's Ravenswood power plant for \$2.9 billion.

The PSC would also likely have to approve any sale of the company or an IPO.

Shares of National Grid PLC (NYSE: NGG) gained 52 cents to close at \$50.50.

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The Telegraph

National Grid hires Sir Peter Gershon as chairman

National Grid has hired the chairman of Tate & Lyle to fill the same role at the power company.



Sir Peter Gershon is also chairman of Tate & Lyle

12:53PM BST 01 Jul 2011

Sir Peter Gershon will join National Grid on August 1, and assume the role of chairman on January 1, 2012 when Sir John Parker steps down.

Sir Peter, who is also a chairman of General Healthcare Group and Vertex, has spent most of his international business career in the technology and telecommunications industries before becoming director of GEC from 1994 to 1999, with responsibility for its worldwide defence business.

Following the sale of GEC's defence business to BAE Systems in 1999, Sir Peter joined the Civil Service in April 2000, as the first chief executive of the Office of Government Commerce. In 2003, the UK Prime Minister invited him to lead a major review of efficiency across the UK Public Sector. He was knighted in 2004 for his work on public procurement.

Last year *The Telegraph* revealed that National Grid was under investigation for passing on management costs to US consumers.

The company later repaid millions of dollars of expenses. An independent investigation commissioned by National Grid concluded the excessive claims were a mistake rather than deliberate.

Lord Browne on shortlist for National Grid

(<http://www.telegraph.co.uk/finance/newsbysector/utilities/8468823/Lord-Browne-on-shortlist-for-National-Grid.html>)

National Grid to cut 1,200 US jobs

(<http://www.telegraph.co.uk/finance/newsbysector/epic/ngdot/8293515/National-Grid-to-cut-1200-US-jobs.html>)

US rejects National Grid price hike

(<http://www.telegraph.co.uk/finance/newsbysector/energy/8272721/US-rejects-National-Grid-price-hike.html>)

National Grid shares fall prior to US ruling

(<http://www.telegraph.co.uk/finance/newsbysector/energy/8269829/National-Grid-shares-fall-prior-to-US-price-ruling.html>)

National Grid is now expected to sell part or all of its US operations.

The new chairman will also have to repair relations with institutional shareholders, that were damaged last year by a £3bn rights issue.

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