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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

October 3, 2006 - 10:03 a.m.
Concord, New Hampshire

RE: DG 06-107
NATIONAL GRID USA AND KEYSpan CORPORATION.
Approval of the Indirect Acquisition of
EnergyNorth Natural Gas, Inc. by way of the
Merger of KeySpan Corporation with an
Indirect Subsidiary of National Grid, PLC,
and Other Regulatory Approvals.
(Prehearing conference)

PRESENT: Chairman Thomas B. Getz, Presiding
Commissioner Graham J. Morrison
Commissioner Clifton C. Below

Diane Bateman, Clerk

APPEARANCES: **Reptg. National Grid USA:**
Alexandra E. Blackmore, Esq.
Thomas Robinson, Esq.
Donald Pfundstein, Esq. (Gallagher...)
Reptg. KeySpan Energy Delivery New England:
Steven V. Camerino, Esq. (McLane...)
Thomas P. O'Neill, Esq.
**Reptg. the United Steel Workers of
America, Local 12012-3:**
Shawn Sullivan, Esq. (Cook...)
Reptg. Residential Ratepayers:
Meredith Hatfield, Esq., Consumer Advocate
Office of Consumer Advocate
Reptg. PUC Staff:
Edward N. Damon, Esq.

Court Reporter: Steven E. Patnaude, CCR

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Ms. Blackmore	7
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Mr. Sullivan	9
Ms. Hatfield	9
Mr. Damon	10

1 **CMSR. MORRISON:** Good morning.

2 **CMSR. BELOW:** Good morning.

3 **MR. CAMERINO:** Good morning,
4 Commissioners. Steve Camerino, from McLane, Graf,
5 Raulerson & Middleton, on behalf of KeySpan Energy
6 Delivery New England. And, also appearing with me this
7 morning is Tom O'Neil, Senior Counsel for KeySpan, and
8 Joseph Bodanza.

9 **CHAIRMAN GETZ:** Good morning.

10 **CMSR. MORRISON:** Good morning.

11 **CMSR. BELOW:** Good morning.

12 **MR. SULLIVAN:** Good morning. Shawn
13 Sullivan, from Cook & Molan. I'm here on behalf of Local
14 12012-3. And, with me here today is Kevin Spottiswood
15 from the Union.

16 **CHAIRMAN GETZ:** Good morning.

17 **CMSR. MORRISON:** Good morning.

18 **CMSR. BELOW:** Good morning.

19 **MS. HATFIELD:** Good morning,
20 Commissioners. Meredith Hatfield, from the Office of
21 Consumer Advocate. And, with me is Kenneth Traum,
22 Assistant Consumer Advocate.

23 **CHAIRMAN GETZ:** Good morning.

24 **CMSR. MORRISON:** Good morning.

1 **CMSR. BELOW:** Good morning.

2 **MR. DAMON:** Good morning, Commissioners.
3 Edward Damon, for the Staff. And, with me this morning at
4 counsel table are Tom Frantz, Steve Frink, Randy Knepper,
5 sorry, and also Amanda Noonan and Bob Wyatt.

6 **CMSR. MORRISON:** Good morning.

7 **CMSR. BELOW:** Good morning.

8 **CHAIRMAN GETZ:** Good morning. Well,
9 let's address the two motions to intervene first.
10 Mr. Sullivan, the Petition to Intervene on behalf of the
11 United Steel Workers I believe indicates that Staff and
12 National Grid and KeySpan do not object to the
13 intervention. Ms. Hatfield, does the OCA take a position
14 on the intervention?

15 **MS. HATFIELD:** We don't object.

16 **CHAIRMAN GETZ:** Thank you. Now, with
17 the Petition to Intervene from the Utility Workers Union
18 of America, it appears that there's -- counsel is not here
19 this morning representing the Utility Workers Union. And,
20 I do not see any representation about concurrence. Is
21 there any objection to the Petition to Intervene by the
22 Utility Workers Union?

23 **MS. BLACKMORE:** We're not objecting
24 completely to their Petition to Intervene. But we have

1 some concerns about their interest and participating
2 fully, given that they don't actually have any employees
3 of either National Grid or KeySpan, who are currently
4 employed in New Hampshire. So, to the extent that they
5 would participate, we would hope that it would be limited.

6 **CHAIRMAN GETZ:** Okay. Mr. Camerino, do
7 you have a position as well?

8 **MR. CAMERINO:** I think we would just
9 join in Grid's statement that there's no apparent interest
10 stated by the Union, and, therefore, we would hope that
11 the intervention would be limited in nature.

12 **CHAIRMAN GETZ:** Well, let's do this
13 then. Let's -- We'll grant the Petition to Intervene of
14 the United Steel Workers, recognizing that there are no
15 objections and that they have demonstrated rights, duties,
16 interests or privileges affected by this proceeding. And,
17 we will defer any action with respect to the Petition to
18 Intervene of the Utility Workers Union of America. And, I
19 guess, Mr. Damon, I would just ask that you reach out to
20 counsel for the Utility Workers Union and find out what
21 their interests are and what their plan as next steps in
22 this proceeding.

23 Are there any other procedural matters,
24 before we give the opportunity for statements of positions

1 from the parties?

2 (No verbal response)

3 **CHAIRMAN GETZ:** Hearing nothing, then,
4 Ms. Blackmore.

5 **MS. BLACKMORE:** Thank you. As National
6 Grid stated in our joint merger petition with KeySpan,
7 we're seeking the Commission's approval of the proposed
8 merger pursuant to Revised Statutes Annotated 369,
9 Section 8, and Revised Statutes Annotated 374, Section 33.
10 We're also seeking several other regulatory approvals
11 necessary to effectuate the merger. We believe that the
12 proposed merger meets the statutory requirements for the
13 Commission's approval in that it will not have an adverse
14 effect on the rates, terms, service or operation of
15 EnergyNorth and Granite State in New Hampshire, and that
16 the transaction is lawful, proper, and in the public
17 interest.

18 We also believe that the merger will
19 provide real benefits to customers of both National Grid
20 and KeySpan. We expect the merger to produce synergy
21 savings of approximately \$200 million per year across the
22 combined system, with approximately \$12.8 million of
23 savings allocated to EnergyNorth over the next ten years.
24 We're proposing to share the net synergy savings resulting

1 from the merger equally with EnergyNorth's customers.

2 We're committing to freeze EnergyNorth's
3 current delivery rates for at least twelve months
4 following the closing of the merger, and to exclude any
5 rate recovery of the acquisition premium associated with
6 the merger. We expect the merger to create gas supply
7 benefits that will be reflected in EnergyNorth's Cost of
8 Gas Clause.

9 We're proposing to improve EnergyNorth's
10 response to customer telephone calls by committing to
11 update the service quality standards in place at the time
12 of EnergyNorth's next deliver rate case. And, finally,
13 the merger will avoid capital investments and costs
14 associated with billing and information systems that would
15 otherwise have to be incurred by the stand-alone
16 companies.

17 National Grid views the merger as an
18 opportunity to strengthen our business presence in New
19 Hampshire and to increase the efficiency of our operations
20 within the state. So, to that end, we respectfully
21 request the Commission's approval of the merger petition.
22 And, we look forward to working with the Commission,
23 Staff, the Office of Consumer Advocate, and other
24 interested parties in this proceeding. Thank you.

1 **CHAIRMAN GETZ:** Ms. Blackmore, with
2 respect to the procedural schedule, is the plan to meet
3 during the technical session to discuss that further or do
4 you have something to add on the record with respect to
5 the procedural schedule?

6 **MS. BLACKMORE:** No, I believe we're
7 planning to discuss those items further during the
8 technical session.

9 **CHAIRMAN GETZ:** Thank you.
10 Mr. Camerino.

11 **MR. CAMERINO:** Thank you, Mr. Chairman.
12 KeySpan concurs in the statement of position by Attorney
13 Blackmore.

14 **CHAIRMAN GETZ:** Thank you.
15 Mr. Sullivan.

16 **MR. SULLIVAN:** Thank you for granting
17 the Petition to Intervene. And, we've got nothing at this
18 point. Thank you.

19 **CHAIRMAN GETZ:** Thank you.
20 Ms. Hatfield.

21 **MS. HATFIELD:** Thank you. Due to what
22 the OCA believes are limitations in the merger statute, we
23 will be focussing very closely on customer interests in
24 this docket, including rates, customer service, quality of

1 service, and also the issue of jobs remaining in the State
2 of New Hampshire. We also wanted to thank National Grid
3 for their willingness to answer our early data requests.
4 And, we appreciate their willingness to get the ball
5 rolling quickly. Thank you.

6 **CHAIRMAN GETZ:** Thank you. Mr. Damon.

7 **MR. DAMON:** Staff's positions are not
8 fully developed yet. However, as a preliminary matter,
9 Staff believes that the petition itself falls short of
10 demonstrating on its face that the proposed merger will
11 not have an adverse impact on rates, terms, service or
12 operation of the New Hampshire utilities involved in the
13 transaction. And, accordingly, further proceedings are
14 appropriate pursuant to RSA 369:8, II(b).

15 And, Staff has reached an agreement with
16 the Joint Petitioners relating to further proceedings in
17 this docket. And, under this agreement, the issue of
18 adverse impact within the meaning of RSA 369:8, II(b)
19 would be deferred pending the Commission's ultimate
20 resolution of all issues in the docket, notwithstanding
21 any provisions -- provisions entitling the Joint
22 Petitioners to preliminary determinations under RSA 369:8,
23 II(b).

24 Staff expects to conduct a thorough

1 review of the issues raised in the petition. And, it has
2 obtained certain of the discovery requested in the New
3 York proceeding, and hopes to use that in part in order to
4 provide discovery of its own in this docket.

5 **CHAIRMAN GETZ:** Thank you. One, I
6 guess, request I would make, I anticipate that there will
7 be some written proposal out of the technical session.
8 That, if you could just, when that's filed, include a
9 status of proceedings in other states with respect to the
10 -- where those states are in the -- or even if their
11 approvals are required, and, if they are, what the status
12 of the proceedings are would be helpful.

13 Is there anything else that we need to
14 address this morning?

15 (No verbal response)

16 **CHAIRMAN GETZ:** Okay. Hearing nothing,
17 then we will close the prehearing conference. Await for a
18 recommendation of the parties and take the matter under
19 advisement. Thank you.

20 **(Whereupon the prehearing conference**
21 **ended at 10:13 a.m. and the parties**
22 **convened a technical session**
23 **thereafter.)**

24