

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

National Grid USA, National Grid NE 2 Holdings LLC,
Granite State Electric Company d/b/a National Grid,
EnergyNorth Natural Gas, Inc. d/b/a National Grid NH,

- and -

Liberty Energy Utilities Co. and Liberty Energy Utilities (New Hampshire) Corp.

Docket No. DG 11-040

AGREEMENT REGARDING PROCESS FOR RELEASE OF ESCROW FUNDS

This agreement (“Agreement”) relating to the process for releasing and disbursing escrow funds, is entered into as of this 20th day of July, 2012, by and among EnergyNorth Natural Gas, Inc. (“EnergyNorth”), Granite State Electric Company (“Granite State”), National Grid USA (“National Grid”), Liberty Energy Utilities Co. (“Liberty”), Liberty Energy Utilities (New Hampshire) Corp. (“Liberty Energy NH”), and the staff (“Staff” and together with National Grid, Liberty, and Liberty Energy NH, “Parties”) of the New Hampshire Public Utilities Commission (“Commission”), in order to implement the terms of the Settlement Agreement (“Settlement Agreement”) approved by the Commission’s Order No. 25,370. (EnergyNorth and Granite State together are referred to as the “Companies” and individually are sometimes referred to as a “Company”.)

WHEREAS, National Grid is a party to two certain Stock Purchase Agreements dated as of December 8, 2010 and amended and restated as of January 21, 2011 (together, and as modified from time to time, “Stock Purchase Agreements”), pursuant to which National Grid and National Grid NE Holdings 2 LLC (“National Grid NE”) agreed to sell

all of the issued and outstanding common stock in Granite State and EnergyNorth to Liberty.

WHEREAS, Liberty subsequently assigned its rights under the Stock Purchase Agreements to Liberty Energy NH, and National Grid and Liberty Energy NH modified the Stock Purchase Agreements, pursuant to which National Grid and National Grid NE agreed to sell all of its common stock in the Companies to Liberty Energy NH (“Sale”).

WHEREAS, in connection with the Stock Purchase Agreements, National Grid entered into a Transition Services Agreement dated March 2, 2011 with EnergyNorth, which was subsequently amended and restated on July 3, 2012 (as amended, “ENGI TSA”), and a Transition Services Agreement dated March 2, 2011 with Granite State, which was subsequently amended and restated on July 3, 2012 (as amended, “GSE TSA” and together with the ENGI TSA, “TSAs”), pursuant to which National Grid agreed to provide each Company certain transition services (each, a “Transition Service” and collectively, “Transition Services”) until such date as Liberty and/or each Company, as the case may be, achieves the capability to perform the Transition Services without assistance from National Grid.

WHEREAS, National Grid, National Grid NE, Liberty, Liberty Energy NH, and the Companies filed a joint petition with the Commission requesting approval of the Stock Purchase Agreements, the Sale, and related transactions (“Sale Proceeding”).

WHEREAS, in connection with the Sale Proceeding, National Grid, National Grid NE, Liberty, Liberty Energy NH, the Companies, and Staff, among others, entered into that certain Settlement Agreement dated April 10, 2012 (“Settlement Agreement”), which was approved by the Commission by Order No. 25,370.

WHEREAS, Section V.E of the Settlement Agreement requires National Grid to deposit Twenty-Eight Million Five Hundred Thousand Dollars (\$28,500,000) (“Escrow Deposit”) into a segregated interest-bearing account (“Escrow Account”), of which Thirteen Million Five Hundred Thousand Dollars (\$13,500,000) will be identified and accounted for as the “Pool A Escrow Funds”, Five Million Dollars (\$5,000,000) will be identified and accounted for as the “Pool B Escrow Funds”, and Ten Million Dollars (\$10,000,000) will be identified and accounted for as the “Pool C Escrow Funds”, to be disbursed in accordance with the terms and conditions set forth in Section V.E of the Settlement Agreement.

WHEREAS, National Grid has selected Bank of America, National Association (“Escrow Agent”) as the escrow agent for the Escrow Account, and the Escrow Agent has agreed to the terms and conditions on which it will administer the Escrow Account.

WHEREAS, the Parties agree that the escrow agreement by and among National Grid and the Escrow Agent in the form attached hereto (“Escrow Agreement”) together with this Agreement are intended to implement and satisfy the requirements of the escrow provisions set forth in Section V.E of the Settlement Agreement.

NOW THEREFORE, the Parties agree as follows:

1. Upon receipt of the Escrow Agent’s notification confirming receipt of the Escrow Deposit, National Grid shall submit a copy of such notification to Staff.
2. To effect the release of the Pool A Escrow Funds, excluding the One Million Five Hundred Thousand Dollars (\$1,500,000) to be held in reserve (“Reserve Funds”) until all Transition Services (other than the Attachment L Transition Services¹)

¹ Capitalized terms used but not otherwise defined herein shall have the same meanings as in the Settlement Agreement.

are completed, National Grid and the Companies shall jointly submit to Staff within sixty (60) days after the end of each three-month interval, a written attestation, substantially in the form attached hereto as Schedule 1 (“TSA Transfer Certification”), that the Transition Services identified in the TSA Transfer Certification have been fully transferred pursuant to the terms of the TSAs.

3. Upon receipt of each TSA Transfer Certification, Staff shall issue within thirty (30) days a letter to National Grid enclosing a written confirmation, substantially in the form attached hereto as Schedule 2 (“Pool A Release Certification”), that the Transition Services described in the TSA Transfer Certification have been fully transferred in accordance with the terms of the TSAs.

4. To effect the release of the Reserve Funds, (a) National Grid and the Companies shall jointly submit to Staff a certification, substantially in the form attached hereto as Schedule 3 (“Day N Certification”), that all the Transition Services provided under the TSAs (other than the Attachment L Transition Services) have been transferred and that Day N has occurred; and (b) Staff shall issue to National Grid written confirmation, substantially in the form attached hereto as Schedule 4 (“Pool A Final Release Certification”), that all Transition Services (other than the Attachment L Transition Services) are complete.

5. The Pool B Escrow Funds shall be released to National Grid no earlier than 90 days and no later than 120 days after National Grid and the Companies jointly submit the Day N Certification to Staff, and no other or additional certification to or by Staff shall be required to effect the release of the Pool B Escrow Funds to National Grid.

6. To initiate a review (“Staff Review”) of National Grid’s failure to comply with a Performance Metric(s), Staff shall provide notice, substantially in the form attached hereto as Schedule 5 (“Staff Review Notice”), to National Grid.

7. Upon receipt of each Staff Review Notice, National Grid shall promptly direct and instruct the Escrow Agent to earmark and separately account for Two Hundred Fifty Thousand Dollars (\$250,000) (“Earmarked Funds”) of the Pool C Escrow Funds pending further release and/or disbursement instructions from National Grid.

8. Upon conclusion of the Staff Review relating to a particular failure to comply with a Performance Metric, Staff shall promptly issue to National Grid written confirmation, substantially in the form attached hereto as Schedule 6 (“Staff Review Completion Certification”), that the stated Staff Review has been resolved on a final basis, which shall include release and disbursement instructions concerning the Earmarked Funds and, if applicable, non-earmarked Pool C Escrow Funds necessary to implement the final determination resulting from such Staff Review.

9. If costs have been incurred by National Grid to implement a remedy prior to the conclusion of a Staff Review, Staff shall issue to National Grid written authorization, substantially in the form attached hereto as Schedule 7 (“Reimbursement Certification”), that an amount equal to the costs incurred by National Grid to implement the remedy may be released to National Grid from the Earmarked Funds attributable to such Staff Review and/or non-earmarked Pool C Escrow Funds; provided, however, that Staff shall not be required to issue the Reimbursement Certification until Staff has reviewed and approved the costs or, in the absence of approval by Staff, such costs have been approved by the Commission.

10. If, one hundred eighty (180) days after Day N, there are no unresolved or uncorrected performance failures, Staff shall promptly issue to National Grid and the Companies a letter enclosing written confirmation, substantially in the form attached hereto as Schedule 8 (“Performance Certification”), which shall authorize the release of twenty-five percent (25%) of the non-earmarked Pool C Escrow Funds to National Grid.

11. National Grid shall submit to Staff written confirmation, substantially in the form attached hereto as Schedule 9 (“365 Days Certification”), 365 days following Day N, and thereafter National Grid may notify the Escrow Agent that it is authorized to release the balance of the non-earmarked Escrow Funds to National Grid.

12. The Parties shall provide the OCA with copies of any of the foregoing notices, confirmations, and certifications to the extent required under the Settlement Agreement.

13. If there is a loss with regard to any investment of Escrow Funds such that the principal with respect to the Escrow Funds held in any of the three pools held by the Escrow Agent falls below the amount of the Escrow Deposit less all amounts authorized to be released, National Grid shall promptly deposit with the Escrow Agent additional funds equal to the amount of such deficiency.

14. The Parties agree that the Escrow Agreement and the supplemental Schedules 1 through 9 attached to this Agreement are intended to give effect to and implement the escrow provisions under Section V.E of the Settlement Agreement and are being filed with the Commission for notice purposes only.

IN WITNESS WHEREOF, the Parties hereto have executed and delivered this

Agreement as of the day and year first above written.

NATIONAL GRID USA

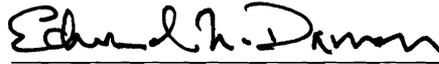
By its attorney:



Steven V. Camerino
McLane, Graf, Raulerson & Middleton, P.A.

STAFF OF THE
NEW HAMPSHIRE PUBLIC
UTILITIES COMMISSION

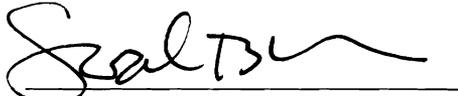
By its attorney:



Edward N. Damon
~~Lynn Fabrizio~~

GRANITE STATE ELECTRIC
COMPANY/ENERGYNORTH NATURAL
GAS, INC.

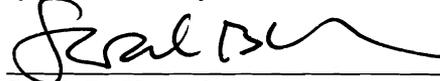
By their attorney:



Sarah B. Knowlton

LIBERTY ENERGY UTILITIES CO.
and Liberty Energy Utilities (New
Hampshire) Corp.

By their attorney:



Sarah B. Knowlton