

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 ___ day of June, 2012, by and among 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.

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 Electric Company (“Granite State”) and EnergyNorth Natural Gas, Inc. (“EnergyNorth” and together with Granite State, the “Companies” and each, a “Company”) 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 _____, 2012 (as amended, “ENGI TSA”), and a Transition Services Agreement dated March 2, 2011 with Granite State, which was subsequently amended and restated on _____, 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) 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

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

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.

GRANITE STATE ELECTRIC
COMPANY/ENERGYNORTH NATURAL
GAS, INC.

By its attorney:

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

STAFF OF THE
NEW HAMPSHIRE PUBLIC
UTILITIES COMMISSION

By its attorney:

Lynn Fabrizio

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

By its attorney:

Shannon P. Coleman

Schedule 1

TSA Transfer Certification

On this ___ day of _____, 201___, National Grid USA and _____ hereby certify to the Staff of the New Hampshire Public Utilities Commission that National Grid USA has completed and transferred the following Transition Services¹ to _____ in accordance with the terms of the respective Transition Service Agreement(s) for the three-month period _____ (“Current Period”):

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____
11. _____
12. _____
13. _____
14. _____
15. _____
16. _____
17. _____
18. _____
19. _____
20. _____

(Additional services completed and transferred per attached schedule.)

Signature page follows.

¹ All capitalized terms used but not otherwise defined herein shall have the same meanings as in the Settlement Agreement dated April 10, 2012 and approved by Order No. 25,370.

NATIONAL GRID USA

By:_____

As Appropriate:

GRANITE STATE ELECTRIC COMPANY

By:_____

ENERGYNORTH NATURAL GAS, INC.

By:_____

LIBERTY ENERGY UTILITIES CO.

By:_____

Schedule 2

Pool A Release Certification

On this _____ day of _____, 201__, the Staff of the New Hampshire Public Utilities Commission (“Staff”) hereby confirms that National Grid USA has completed and transferred the following Transition Services¹ to _____ in accordance with the terms of the respective Transition Service Agreement(s) for the three-month period _____ (“Current Period”):

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____
11. _____
12. _____
13. _____
14. _____
15. _____
16. _____
17. _____
18. _____
19. _____
20. _____

(Additional services completed and transferred per attached schedule.)

¹ All capitalized terms used but not otherwise defined herein shall have the same meanings as in the Settlement Agreement dated April 10, 2012 and approved by Order No. 25,370.

Accordingly and pursuant to the Settlement Agreement dated April 10, 2012 and approved by Order No. 25,370, Staff hereby authorizes the prompt release and disbursement of the following amount from the Pool A Escrow Funds to National Grid USA:

	# of TSA Services	# of Schedule L TSA Services	Adjusted # of TSA
Services			
Completed in Current Period:			
Previously Completed:			
Cumulative Completed:			
Total # of TSAs:	153 ²	10	143
Adjusted Cumulative Completed Divided by Adjusted Total:			%
Total Pool A Escrow Funds (non-reserved):			\$12,000,000
Pool A Escrow Funds for Disbursal (% x total):			
Less Pool A Escrow Funds Previously Disbursed:			
Total Disbursement Amount for Current Period:			

STAFF OF THE NEW HAMPSHIRE PUBLIC
UTILITIES COMMISSION

By: _____
 [insert name]
 General Counsel

² This is intended as a sample calculation. All calculations in this Schedule 2 shall include adjustments as appropriate for any changes in the number of Transition Services provided. The number of Transition Services shall exclude Attachment L Transition Services.

Schedule 3

Day N Certification

On this ____ day of _____, 201__, National Grid USA, Granite State Electric Company, and EnergyNorth Natural Gas, Inc. hereby certify to the Staff of the New Hampshire Public Utilities Commission that all Transition Services,³ other than the Attachment L Transition Services, have been completed in accordance with the TSAs and have been transferred to Liberty Energy Utilities Co., Granite State Electric Company and/or EnergyNorth Natural Gas, Inc. Accordingly, on this even date, Day N has occurred.

NATIONAL GRID USA

By: _____

GRANITE STATE ELECTRIC COMPANY

By: _____

ENERGYNORTH NATURAL GAS, INC.

By: _____

³ All capitalized terms used but not otherwise defined herein shall have the same meanings as in the Settlement Agreement dated April 10, 2012 and approved by Order No. 25,370.

Schedule 4

Pool A Final Release Certification

On this ___ day of _____, 201__, the Staff of the New Hampshire Public Utilities Commission (“Staff”) hereby confirms that all Transition Services,¹ other than the Attachment L Transition Services, for both Granite State Electric Company and EnergyNorth Natural Gas, Inc. (together, the “Companies”) have been completed by National Grid USA and transferred to Liberty Energy Utilities Co. and/or the Companies in accordance with the TSAs, and that all Transition Services other than the Attachment L Transition Services are complete.

Accordingly and pursuant to the Settlement Agreement dated April 10, 2012 and approved by Order No. 25,370 (“Settlement Agreement”), Staff hereby authorizes the prompt release and disbursement of One Million Five Hundred Thousand Dollars (\$1,500,000) from the Pool A Escrow Funds plus any and all remaining Pool A Escrow Funds to National Grid USA.

STAFF OF THE NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

By: _____
[insert name]
General Counsel

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

Schedule 5

Staff Review Notice

Notice is hereby given to National Grid USA that the Staff of the New Hampshire Public Utilities Commission (“Staff”) has initiated a review of National Grid USA’s performance level relating to the following Performance Metric(s)¹ as set forth in the Settlement Agreement dated April 10, 2012 and approved by Order No. 25,370 (“Settlement Agreement”):

In accordance with the terms of the Settlement Agreement, Staff hereby directs National Grid USA to earmark and set aside an amount of Two Hundred Fifty Thousand Dollars (\$250,000) of the Pool C Escrow Funds pending final resolution of, or further instruction regarding, this review and the earmarked funds.

STAFF OF THE NEW HAMPSHIRE PUBLIC
UTILITIES COMMISSION

Dated: _____

By: _____
[insert name]
General Counsel

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

Schedule 6

Staff Review Completion Certification

On this _____ day of _____, 201____, the Staff of the New Hampshire Public Utilities Commission hereby certifies that the following review (“Staff Review”) relating to the notice dated _____ has been resolved on a final basis:¹

Accordingly and pursuant to the Settlement Agreement dated April 10, 2012 and approved by Order No. 25,370 (“Settlement Agreement”), Staff hereby authorizes the prompt release and disbursement of funds from the Pool C Escrow Funds as follows [more than one disbursement option may apply]:

- To National Grid USA: \$_____ from the Earmarked Funds attributable to such resolved Staff Review plus an amount equal to \$_____ from the non-earmarked Pool C Escrow Funds.
- To National Grid USA: \$_____ from the Earmarked Funds attributable to such resolved Staff Review plus an amount equal to \$_____ from the non-earmarked Pool C Escrow Funds, to be applied to remedy the deficiency identified herein.
- To the Commission in accordance with Order No. _____: \$_____ from the Earmarked Funds attributable to such resolved Staff Review.
- To be returned from the Earmarked Funds attributable to such resolved Staff Review to the non-earmarked Pool C Escrow Funds: \$_____.

STAFF OF THE NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

By: _____
[Insert Name]
General Counsel

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

Schedule 7

Reimbursement Certification

On this _____ day of _____, 201__, the Staff of the New Hampshire Public Utilities Commission (“Staff”) hereby certifies that National Grid USA is entitled to reimbursement of costs incurred by National Grid USA in an amount equal to \$_____ relating to the following review (“Staff Review”), which is ongoing and pending:

A notice regarding this Staff Review was issued on _____. Accordingly and pursuant to the Settlement Agreement dated April 10, 2012 and approved by Order No. 25,370, Staff hereby authorizes the prompt release and disbursement of \$_____ from the non-earmarked Pool C Escrow Funds¹ and \$_____ from the Earmarked Funds attributable to the Staff Review described in this certification to National Grid USA.

STAFF OF THE NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

By: _____
[insert name]
General Counsel

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

Schedule 8

Performance Certification

On this _____ day of _____, 201__, the Staff of the New Hampshire Public Utilities Commission hereby confirms that Day N¹ occurred at least 180 days prior to the date of this Certification, and there are no unresolved or uncorrected performance failures outstanding for National Grid USA under the TSAs.

Accordingly and pursuant to the Settlement Agreement dated April 10, 2012 and approved by Order No. 25,370, Staff hereby authorizes the Escrow Agent to promptly release and disburse to National Grid USA an amount equal to twenty-five percent (25%) of the Pool C Escrow Funds, excluding any funds currently identified as Earmarked Funds.

STAFF OF THE NEW HAMPSHIRE PUBLIC
UTILITIES COMMISSION

By: _____
[insert name]
General Counsel

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

Schedule 9

365 Days Certification

National Grid USA hereby certifies to the Staff of the New Hampshire Public Utilities Commission (“Staff”) that the 365th day after Day N¹ occurred on _____, 20__.

Accordingly and pursuant to the Settlement Agreement dated April 10, 2012 and approved by Order No. 25,370, please take notice that National Grid USA will direct the Escrow Agent to promptly release and disburse the balance of the Pool C Escrow Funds, other than any funds that constitute Earmarked Funds, to National Grid USA.

NATIONAL GRID USA

Dated: _____

By: _____

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