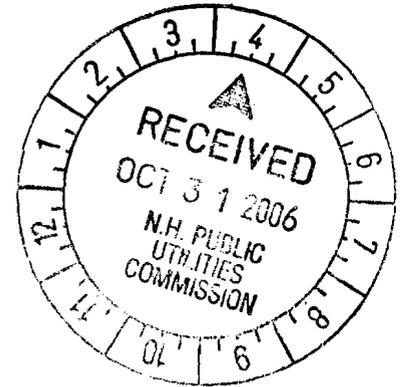


October 31, 2006

VIA HAND DELIVERY & ELECTRONIC MAIL

Edward N. Damon, Esq.
Staff Attorney
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429



Re: **DG 06-107; Responses of Granite State Electric Company d/b/a National Grid to Staff's First Set of Data Requests**

Dear Attorney Damon:

I am submitting the responses of Granite State Electric Company d/b/a National Grid to Staff's First Set of Data Requests in the above-captioned proceeding. Also enclosed are seven copies of a Motion for Confidential Treatment regarding certain of the responses to Staff 1-1 (DPS-3, Part 1(d); DPS-11, Part 1(b); DPS-21; DPS-26, Part 1(a); and DPS-27, Part 1(f)), and the entire responses to Staff 1-18 and 1-19. Electronic versions of the non-confidential responses are included on the enclosed cd. Copies of the cd containing electronic versions of the non-confidential responses have also been provided to all of the parties on the Service List in this proceeding. Please note that the responses to Staff 1-6, 1-13 and 1-15 will be provided as soon as they are complete.

Thank you for your time and attention to this matter. Please feel free to contact me with any questions.

Very truly yours,

Handwritten signature of Alexandra E. Blackmore in cursive.

Alexandra E. Blackmore

cc: Debra A. Howland
Thomas Frantz
Stephen Frink
Randy Knepper
George McCluskey
Amanda Noonan
Meredith A. Hatfield, Esq.
Service List (via electronic & overnight mail)

**STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

**RE: JOINT PETITION OF)
NATIONAL GRID PLC AND)
KEYSPAN CORPORATION)
FOR APPROVAL OF)
STOCK ACQUISITION)
AND OTHER REGULATORY)
AUTHORIZATIONS)
)
)
)**

DOCKET NO. DG 06-107

MOTION FOR CONFIDENTIAL TREATMENT

To the Public Utilities Commission:

NOW COMES National Grid plc (“National Grid”) and hereby moves pursuant to N.H. Code of Administrative Rules Puc 203.07 and 203.08 for confidential treatment by the Commission with respect to portions of National Grid’s responses to Staff’s First Set of Data Requests in the above-captioned proceeding. National Grid is requesting confidential treatment for portions of the responses to Staff 1-1, requesting that National Grid provide responses to certain State of New York Department of Public Service (“DPS”) data requests in Case No. 06-M-0878. Specifically, National Grid is requesting confidential treatment for the responses to DPS-3, Part 1(d); DPS-11, Part 1(b); DPS-21; DPS-26, Part 1(a); and DPS-27, Part 1(f). National Grid is also requesting confidential treatment for its response to Staff 1-18 and for portions of its response to Staff 1-19, which include substantially the same information provided in response to DPS-26, Part 1(a) and DPS-21 respectively.

In support of its Motion, National Grid states the following:

1. N.H. Code of Administrative Rules Puc 203.08(a) provides in pertinent part that “the Commission shall upon motion issue a protective order providing for the confidential

treatment of one or more documents upon a finding that the document or documents are entitled to such treatment pursuant to RSA 91-A:5, or other applicable law based upon the information submitted pursuant to (b) below.”

2. RSA 91-A:5, IV, exempts from public disclosure “records pertaining to...confidential, commercial, or financial information...” In addition, RSA 91-A:5, IV exempts from public disclosure “other files whose disclosure would constitute invasion of privacy.”

3. The response to DPS-3, Part 1(d) consists of approximately three paragraphs that provide National Grid’s internally prepared, aggregate, preliminary savings estimate calculated during the due diligence period. That initial figure included estimated synergy savings associated with bad debt expense, which were not reflected in the public announcement at the time of the merger and are not included in the synergy analysis in this proceeding. The response also refers to a valuation study presented to the National Grid Board of Directors provided in response to DPS-26. We believe that the response constitutes confidential, commercial or financial information that is exempt from public disclosure under RSA 91-A:5, IV because the response includes information associated with National Grid’s due diligence process that was developed using information supplied by Keyspan pursuant to the attached non-disclosure agreement. Publicly disclosing the results of National Grid’s due diligence and valuation analysis undertaken with information supplied by Keyspan pursuant to a non-disclosure agreement is inconsistent with National Grid’s contractual obligations under the agreement and could cause unfair economic or competitive damage to National Grid by requiring confidential due diligence analysis to be made public, revealing the methodology used by National Grid to complete its valuation analyses, and creating an impediment to full disclosure between future potential merger and acquisition participants in transactions of this kind. All of these effects would

produce an unfair economic or competitive damage to National Grid in the event that the information is disclosed to the public. The information in the response has not been disclosed publicly or even broadly within the company. The information would also not likely be replicable based on a complete understanding of the proposed merger.

4. The response to DPS-11, Part 1(b) consists of a one-page table prepared by the same National Grid staff who prepared the analysis reflected in the response to DPS-3, part 1(d). The table identifies estimated costs to achieve various initiatives in the areas of HR/Compensation, IT Infrastructure, IT Applications Consolidations and certain other types of expenses. The table was developed as part of National Grid's due diligence analysis using information provided by Keyspan pursuant to the non-disclosure agreement referenced above. We believe the response constitutes confidential, commercial or financial information that is exempt from public disclosure under RSA 91-A:5, IV because public disclosure of the response could cause unfair economic or competitive damage to National Grid by requiring confidential due diligence analysis and methodologies to be made public, and would create an impediment to full disclosure between future potential merger and acquisition participants in transactions of this kind. In particular, the cost-to-achieve figures requested contain line-item estimates for certain staffing optimization measures. Parties with economic interests affected by these listed initiatives, such as unions, could use the information to create greater negotiating leverage for themselves outside of the established collective bargaining process. Moreover, other utilities or companies with whom we compete would be provided with information that they could use to increase their recruitment leverage with National Grid and Keyspan employees. This risk is exacerbated while the merger is pending and the uncertainty for the workforce is high, contributing to undesirable workforce talent erosion. In addition, disclosure of this information without additional information to provide the appropriate context and rationale risks providing

incomplete information to employees at both National Grid and Keyspan, regarding the specific initiatives that remain to be developed by the integration team. That ambiguity could exacerbate the current uncertainty faced by our employees with adverse impacts on employee retention. Currently, these estimates and the initiatives with which they are associated are known by a relatively limited number of senior management at National Grid. Because the information is known by only a small number of National Grid personnel, we do not believe it could be replicated without considerable internal assistance or the investment of significant effort and expense.

5. The response to DPS-21 consists of several PowerPoint presentations, each approximately 40 pages, made between September 2005 and July 2006 to various rating agencies. The presentations relate to National Grid's existing businesses in the UK, US and throughout the world, as well as the now completed acquisition of New England Gas Company's Rhode Island assets and the proposed transaction with Keyspan. The presentations generally overview for the worldwide Group operations: National Grid's corporate strategy, dividend policy, projected investments through 2011, certain ongoing UK regulatory proceedings, current Group performance relative to plan, UK pension information, projected global debt composition through 2011, inter-company balances and expected cash movements through 2012, the Group business plan through 2011, changing composition of the Group, information regarding the unregulated UK businesses, Group funding and business plans, forecast Group capital expenditures through 2010 and other similar information. The December 7, 2005 presentation of previous National Grid USA CFO focuses on US operations but contains certain forward-looking projections through 2011. We believe the response constitutes confidential, commercial or financial information that is exempt from public disclosure under RSA 91-A:5, IV because disclosing the response to the public could cause unfair economic or competitive damage to

National Grid and potentially lead to a disorderly market in its securities. The requested documents contain non-public information about the Group's global operations and a variety of detailed, non-public projections. National Grid has never disclosed financial projections of this sort to the market, and did not prepare the financial projections included in the response with financial disclosure in mind. The financial forecasts contain a number of assumptions and uncertainties that are not fully reflected in the response and that may or may not occur. Consequently, public disclosure of the response could provide the marketplace with information that may be incomplete, outdated, or superseded by later events, or otherwise confuse or potentially mislead the marketplace. Trading activity based on this information could thus adversely affect National Grid's share price, intentionally subjecting it to the fluctuations of a disorderly marketplace. We emphasize that the uncoordinated release of information to the marketplace is a fundamental concern of National Grid. Public disclosure of the information contained in the response risks initiating difficult-to-control effects in the securities marketplace. For example, public release of the response could create disorderly trading in National Grid shares. That uneven trading could produce share price fluctuations which could rightly elicit attention from securities regulators requiring us to explain the market's response. In this instance, our explanation would likely consist of describing the unintended consequences of the release of projections which we have not made in the past. One cure which the regulators could propose would be for us to correct the market's misperception in order to stabilize trading and prices, possibly requiring us to release more of the sort of information which created the situation in the first instance. While we recognize that the precise details of any such scenario are indeed difficult to predict, it is precisely because of the potential complications of such a scenario that we are so cautious about what information we release and how we manage release of this information to the marketplace. By contrast, public disclosure of the response through regulatory

discovery would bypass all the internal controls and disclosure processes we have in place to guard against such undesirable market impacts. No external party knows any of the information contained in the responses. For example, although we have previously announced our intention to raise debt to provide the cash necessary to fund our proposed cash acquisition of Keyspan, we have not disclosed the details that outline the timing, incremental amounts and targeted markets for that financing. Nor have we disclosed to the public generally the details regarding our forecast debt composition or internal cash movements. While we have disclosed to certain rating agencies our revenues in the ongoing fiscal year which ends March 31, 2007 against budget, we have not disclosed projected revenue forecasts of the sort contained in the confidential portions of the responses. The responses also have information of value to others in the marketplace. By knowing when we planned to seek certain funding, potential financiers could manage their bidding strategy in an effort to realize higher interest rates on our planned financings. Similarly, publicly disclosing potentially price-sensitive information could result in unfair share trading in the investment community, adversely affecting National Grid's share price. External parties would encounter extremely high degrees of difficulty and costs of developing the information contained in the proposed responses. Indeed, we believe that no external party could easily develop all the information without some considerable assistance from National Grid personnel. The rationale for protecting the response to DPS-21 from public disclosure also applies equally to portions of the responses to Staff 1-19, which consists of the same PowerPoint presentations made to various rating agencies.

6. The response to DPS-26, Part 1(a) consists of a 46-page PowerPoint presentation made to the National Grid Board of Directors on February 23, 2006 regarding the proposed merger. The original document was marked "Confidential" to limit circulation to the original audience. In general, the presentation describes our due diligence efforts, valuation methodology

and assessment of the proposed transaction's financial impact on the Group. The presentation is supported by six appendices which overview Keyspan, its executives and board members, provide a comparative analysis of the proposed transactions at different prices, describe proposed tax structuring and provide additional support for the valuation. We believe the response constitutes confidential, commercial or financial information that is exempt from public disclosure under RSA 91-A:5, IV because publicly disclosing the analysis performed during due diligence, which is derived from and relies upon information provided by Keyspan under a formal non-disclosure agreement would cause unfair economic or competitive damage to National Grid. The valuation analysis due diligence also discloses to Keyspan and third parties the methodology and assumptions used by National Grid to arrive at the offering price for Keyspan. Providing this information to Keyspan prior to the closing could affect ongoing administration of the Agreement and Plan of Merger (Attached as Appendix 2 to the Petition filed in this proceeding) to the detriment of National Grid. Providing the valuation analysis and assumptions used by National Grid in this case to other potential purchasers or merger partners would also cause unfair economic or competitive damage in future transactions of this kind. As demonstrated by the competitive bidding process which reportedly led to the proposed merger, a company's valuation methodology can have a dispositive impact on its ability to consummate a transaction. Our valuation methodology and analysis are tantamount to how investors value and analyze stock picks, information which is guarded equally closely for the potentially harmful economic consequences which disclosures could yield. The valuation analysis also contains financial forecasts and the public disclosure of the information in these forecasts will create the same harm that was discussed in the request for confidential treatment associated with the response to DPS-21, which is incorporated by reference in this request. The valuation analysis also contains National Grid's synergy savings and cost to achieve analyses used in the valuation

of Keyspan. For the reasons set forth in the request for confidential treatment for information supplied in response to DPS-11, set forth above and incorporated by reference in this response, public disclosure of this information would cause competitive harm to National Grid by adding to employee uncertainty, providing unions with access to information outside of the normal collective bargaining process, and providing competitive firms with access to information about our employees and plans. With regard to the unions, the information in the proposed response outlines many attributes, including staffing impacts, of the proposed merger. Providing that sort of information to the unions, where they might otherwise not be able to access it, would unfairly disadvantage the company in future collective bargaining negotiations. Furthermore, this information is not known by others outside the company. Even within the company, the precise details of the valuation methodology and the quantitative details of its application to the proposed acquisition are known only by a very limited number of employees. We believe that it would be extremely difficult, if not impossible, for a third party to develop this information. It has not been shared in other venues and there are no plans to disclose it intentionally. Its confidentiality has been well preserved for many years. The rationale for protecting the response to DPS-26, Part 1(a) from public disclosure also applies equally to the responses to Staff 1-18, which consist of the same 46-page PowerPoint presentation made to the National Grid Board of Directors on February 23, 2006 regarding the proposed merger provided in response to DPS-26, Part 1(a), as well as the minutes from the meeting of the National Grid Board of Directors on February 24, 2006 in which the same information contained in the PowerPoint presentation was discussed.

7. The response to DPS-27, part 1(f) consists of a 15-page report prepared for National Grid by the Brattle Group at the request of National Grid legal counsel. Consequently, it is covered by the Attorney-Client and Work Product privileges. We propose to waive those

privileges for the limited production proposed here, without prejudice to our right to reassert those privileges for this or any other applicable materials in the future. The report analyzes certain potential regulatory and legal consequences for a merger between Keyspan and a specific third-party. It was performed as part of National Grid's due diligence in this transaction. We believe the response constitutes confidential, commercial or financial information that is exempt from public disclosure under RSA 91-A:5, IV because the disclosure of the information provided in this response would harm National Grid by providing third parties with proprietary information developed by National Grid during its due diligence phase of the transaction. Although the information on which the analysis is based was not derived from Keyspan pursuant to the non-disclosure agreement, the public disclosure to third parties of the proprietary analysis undertaken by National Grid as part of this transaction would produce unfair economic and competitive damage to the Company. The information contained in the response is not generally known by others, could be valuable to potential competitors and could only be replicated with considerable effort and expense. Although other experts similar to the Brattle Group might be able to complete a similar analysis, it is unlikely that any other study would use the exact same methods employed for this report. This information could potentially assist another competitor interested in devaluing this specific, third party's perceived ability to enter into certain transactions. In any event, replication of the proposed response would involve specific expertise.

WHEREFORE, National Grid respectfully requests that the Commission grant confidential treatment for the responses to DPS-3, Part 1(d); DPS-11, Part 1(b); DPS-21; DPS-26, Part 1(a); and DPS-27, Part 1(f), and also for the responses to Staff 1-18 and portions of the responses to Staff 1-19 for all of the reasons set forth above.

In accordance with N.H. Code of Administrative Rules Puc 203.08(g), this information should, at minimum, be labeled "Confidential," held in a secure location within the

Commission's offices, and not disclosed to the public or any of the parties in this proceeding other than the Commission Staff and the Office of Consumer Advocate, subject to our standing Non-Disclosure Agreement with that agency, without National Grid's consent.

Respectfully submitted,

NATIONAL GRID
By its attorneys,

Alexandra E. Blackmore

October 31, 2006

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CERTIFICATE OF SERVICE

I certify that an electronic copy of the foregoing Motion for Confidential Treatment has been served this date to the Office of the Consumer Advocate and to the parties named on the Service List in this proceeding.

Alexandra E. Blackmore

October 31, 2006

Alexandra E. Blackmore