

May 24, 2006

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Division Clerk
RI Division of Public Utilities & Carriers
89 Jefferson Boulevard
Warwick, RI 02888

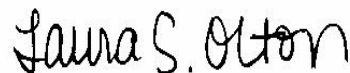
**RE: Docket D-06-13 - Joint Petition of The Narragansett Electric Company and Southern Union Company for Approval of Purchase and Sale of Assets
Responses to Division Data Requests 8-1, 8-2, 8-4, 8-5, 8-6, 8-9 through 8-11**

Dear Ms. Massaro:

Enclosed please find five (5) copies of responses from The Narragansett Electric Company, d/b/a National Grid, to the eighth set of data requests issued by the Division on May 22, 2006, in the above-captioned proceeding. This set includes responses to data requests 8-1, 8-2, 8-4, 8-5, 8-6, and 8-9 through 8-11.

Thank you for your attention to this matter. If you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,



Laura S. Olton

Enclosures

cc: Docket D-06-13 Service List

Division Data Request 8-1

Request:

Re: The response to Division Data Request 2-12, please note that a Distribution Adjustment Clause (DAC) filing is scheduled to be considered by the PUC after the completion of this transaction and prior to any likely resolution of issues relating to a post-acquisition rate filing. In this context, please indicate the capital structure that Narragansett intends to use in required computations for the Earnings Sharing Mechanism (ESM) in the upcoming New England Gas Company DAC filing.

Response:

It is Narragansett's understanding that the upcoming DAC filing and ESM computation will cover the twelve month period ending June 30, 2006, a period prior to the anticipated closing of the transaction, and the imputed capital structure prescribed in the Docket 3401 Rate Plan Settlement will be used. Subsequent to the closing date and until a new rate plan is submitted and approved by the Rhode Island Public Utilities Commission, Narragansett has committed to continuing the provisions of the existing NEGas Rate Plan Settlement including the ESM mechanism and the existing imputed capital structure and cost rates.

Division Data Request 8-2

Request:

Re: the response to Division Data Request 2-13, please provide data and analyses to support the Company's estimate that costs to achieve savings in administrative and operating expenses related to the proposed transaction will equal "roughly two (2) times the annual synergy savings."

Response:

See Attachment 1 to this request.

\$millions	NEES-EUA	Exelon-PSEG		ConEd-NU		NYSEG-RGE
Cost to achieve	76.7	358		356		166.7
3rd year savings (unless noted)	39.1	157	4th yr	146	est	62.0
CTA / 3rd year savings	2.0	2.3		2.4		2.7
				est		
				62/70 NYSEG-RGE		
				x 165 10-year average		
<i>Source</i>	<i>Synergy Savings Update, Mercer</i>	<i>Testimony, WDArndt NJBPU</i>		<i>NYPSC Decision Docket No. 00-01-11</i>		<i>Testimony, TJFlaherty</i>

Division Data Request 8-4

Request:

Re: the response to Division Data Request 2-13, please identify more specifically the labor market to which Narragansett will gain access after the transaction that it cannot presently access.

Response:

In responding to this request, the Company assumes that the reference to Division Data Request 2-13 should be Division Data Request 2-17.

In the context of Rhode Island alone, there is no expansion of the service territory or labor market. However, National Grid has gas and electric operations in New York. National Grid also has gas operations in the UK. National Grid already has access to the labor markets in those regions today. Once the transaction is completed and operations are consolidated, the gas business in Rhode Island will benefit from the wider base of employees already employed by National Grid, as well as the associated labor markets in those areas to which National Grid has existing access.

Division Data Request 8-5

Request:

Please identify each gas supply contract that New England Gas currently uses to supply both Rhode Island and Massachusetts operations, and explain the procedures and strategies that will be used to assign each identified contract or portions thereof to the Company's Rhode Island utility operations.

Response:

The only gas supply contract of the New England Gas that provides for the actual purchase of specific supplies to supply both Rhode Island and Massachusetts is the Firm Liquid Service Contract with Distrigas. Under this contract 38,600 Dt of the contracts 657,000 Dt annual volume of LNG liquid is dedicated to Fall River. The only other contracts shared between Rhode Island and Massachusetts are standard base contracts known as "NAESB'S" because they are standardized base contracts developed by the North American Energy Standards Board (NAESB). A NAESB contract does not involve an actual purchase of supply until a transaction is executed. All executed transactions are specific to either Massachusetts or Rhode Island and appropriate arrangements are being made with suppliers so that all forward supply commitments will be the responsibility of the entity for whom the transaction was executed.

The remaining gas supply contracts New England Gas currently uses to supply both Rhode Island and Massachusetts are between Southern Union Company and the various suppliers. Southern Union Company will request, or provide notice of, assignment of each of the contracts to The Narragansett Electric Company in accordance with the provisions of each of the contracts. Southern Union Company will then decide how to meet the gas supply needs of its remaining Massachusetts operations. Alternatives include; "duplication" of the assigned contracts, use of other existing Southern Union gas supply contracts, or new gas supply contracts. It is also possible that Southern Union may contract with Rhode Island operation for a small portion of its LNG supply.

Division Data Request 8-6

Request:

Please (a) identify current synergies or other cost savings arrangements between the current New England Gas Company Rhode Island and Massachusetts utility operations with respect to gas supply and/or mutual pressure support and (b) detail the benefits to the Company's Rhode Island utility operations that will be lost or diminished as a result of the proposed transaction between Southern Union and National Grid.

Response:

The Rhode Island and Massachusetts operations are not physically interconnected and the operations rely on separate and distinct upstream pipeline and storage capacities for gas supply and pressure support. As such there are no identifiable benefits to the Company's Rhode Island utility operations that will be lost or diminished as a result of the proposed transaction.

Division Data Request 8-9

Request:

Please detail the manner in which capital expenditures during the period that the proposed transaction is pending, have been, or will be, reflected in the purchase price for New England Gas Company's Rhode Island utility assets.

Response:

The agreed upon purchase price assumed a continuing level of capital expenditures by NEGas. Pursuant to the Purchase and Sale Agreement Section 6.1 – Covenants of Seller, prior to the Closing Date, among other things, NEGas must not make or permit any change in the general nature of the Business and must maintain the Business in the ordinary course of business consistent with Good Utility Practices, which includes the continuation of capital expenditures. Consequently, the purchase price will not be impacted by any differences between the assumed level of capital expenditures used in the valuation and the actual capital expenditures during the period that the transaction is pending.

Division Data Request 8-10

Request:

Please detail the impacts that the pending nature of the proposed transaction has had, or will have, on environmental response activities planned by New England Gas Company in Rhode Island. The response to this request should list all budgeted environmental response activity for the current year and identify any that have been, or will be, deferred, eliminated, or reduced in scale and the reasons for those changes in planned activities.

Response:

National Grid takes great pride in our Environmental Management System (EMS). Through the commitment by senior management, we have been able to achieve and maintain ISO 14001 certification of our EMS. It is our belief that implementation of our EMS with the New England Gas operations will benefit the environment. As detailed below, the proposed transaction will not have any adverse impact on environmental response activities currently planned by New England Gas Company in Rhode Island.

Operating Budget

New England Gas Company's operating budget includes the following costs:

- Waste disposal for operations in Rhode Island as well as Massachusetts,
- Salaries for the environmental staff.

Other than as a result of efforts to minimize waste generation, conducted in accordance with National Grid's Environmental Policy for a Sustainable Business, there will be no impact on the waste disposal operating budget for Rhode Island operations as a result of the proposed transaction. Wastes will continue to be properly managed in accordance with applicable state and federal regulatory requirements. The budget for environmental staff salaries will be adjusted in accordance with the size of the environmental staff following the proposed transaction.

Capital Budget

Attached please find a spreadsheet detailing New England Gas Company's 2006 environmental capital budget. While this budget itemizes capital projects in Rhode Island, please note that some Massachusetts work is included under the miscellaneous projects item. National Grid does not propose to reduce or delete any items listed on this spreadsheet. However, please be aware that as National Grid takes over active management of these environmental projects, we will continue to seek the best approach for protecting the environment while minimizing ratepayer impact. The results of these efforts may alter planned activities resulting in adjustments to the budget as appropriate.

FY06**ENVIRONMENTAL CAPITAL****\$1,469,166**

	Project Nos.	Project Description	Est. Cost
Rhode Island \$1,219,166	0907, 0908	642 ALLENS AVE FMGP (SASSAFRAS POINT)	\$129,800
	700	642 ALLENS AVE FMGP (SASSAFRAS POINT) - GAS HOLDERS	\$143,000
	379	170 ALLENS AVE FMGP (SOUTH STATION)	\$13,000
	317	FORMER CM BRACKETT (PLYMPTON, MA DISPOSAL SITE)	\$0
	171	MERCURY REGULATOR REPLACEMENT PROGRAM	\$210,366
	178	JT CONNELL HIGHWAY (FORMER NEWPORT OPS CENTER)	\$0
	307	PCB PIPE ABANDONMENT/DISPOSAL - RHODE ISLAND	\$197,000
	783	HAMLET AVENUE FMGP	\$26,000
	782	TIDEWATER FMGP	\$130,000
	NEW	GAS HOLDERS AT TIDEWATER	\$80,000
	NEW	MENDON ROAD SEWER CONNECTION	\$290,000
	NEW	SMALL PROJECTS - MISCELLANEOUS (MA & RI)	\$250,000

Division Data Request 8-11

Request:

Please provide copies of all general communications to employees regarding the proposed transaction that have been distributed by either Narragansett or New England Gas Company.

Response:

The following documents have been provided to National Grid and New England Gas Company employees:

Attachment 1	letter from Michael E. Jesanis, National Grid USA President and CEO, announcing the acquisition of New England Gas Company's Rhode Island assets by National Grid
Attachment 2	letter from Michael E. Jesanis, National Grid USA President and CEO, announcing the acquisition Keyspan
Attachment 3	a Business Overview of New England Gas Company
Attachments 4 through 7	Integration Updates distributed periodically to all employees
Attachment 8	Press Release announcing acquisition of New England Gas Company's Rhode Island assets by National Grid

The following additional documents have been provided to New England Gas Company employees:

Attachment 9	Extract from an email memo sent to New England Gas Company employees announcing the acquisition of New England Gas Company's Rhode Island assets by National Grid
--------------	---

Michael E. Jasanis
President and Chief Executive Officer

February 16, 2006

Dear Fellow Employee,

When National Grid first came to the U.S., we had a swift succession of mergers and acquisitions. We made it clear that we wanted to continue to grow in the U.S. Now an excellent opportunity has presented itself.

I am excited to announce that we will be purchasing New England Gas Company's Rhode Island business. This is a natural fit. In Rhode Island, we share the same service territory, customers and commitments to the community. We also share deep experience in natural gas.

What does this mean for National Grid? It means we're growing our gas business and expanding our overall customer base. As we move forward we will make decisions about how to merge our operations, being guided by how best to deliver safe, reliable, efficient service to our combined customers. An integration team will be created to determine this and we will share information as soon as possible after decisions are made.

We know the next several months will be a busy and exciting time as we work to close this transaction. In the meantime, we must stay focused on working safely every day and serving our customers reliably and efficiently. Toward this end, we will continue with our ongoing U.S. business review. Both the review and the latest acquisition are important steps as we continue to pursue our vision of becoming the premier energy delivery company in the U.S.

A handwritten signature in black ink that reads "Mike".



Michael E. Jasanis
President and Chief Executive Officer

February 27, 2006

Dear Fellow Employee,

At National Grid, excitement comes in pairs. Ten days ago we announced that we will acquire the Rhode Island gas business of Southern Union. Today we are announcing the acquisition of KeySpan.

National Grid is a great match for KeySpan. Its core business is energy delivery – the same as us. It operates in New York, Massachusetts and New Hampshire – three of our states, as well. It has a combination of electric and gas businesses – similar to us. Yet while our business has been weighted to the electricity side, KeySpan's is weighted to the gas side. The acquisition thus complements what we already do and creates a stronger balance between electricity and gas.

The KeySpan and New England Gas acquisitions send a clear message about our growth strategy in the U.S. and our desire to be in the top tier among U.S. utilities. Based on number of customers served, we will be one of the top three utilities in the country.

This acquisition will nearly double the size of our U.S. business. While that is exciting, I know it may also cause anxiety concerning subjects such as jobs, facilities and how we're organized. While we don't have all the answers, we expect to achieve workforce reductions through attrition and voluntary programs as we have in the past. Over the coming months, the integration team will work on this and share information with you as soon as it is available.

We recognize the organization is focused on other priorities, including the U.S. business review and the New England Gas integration, as well as of course our core job of keeping the lights on and gas flowing for our customers. We are working on harmonizing these important efforts to best utilize the time and talents of our employees, and will communicate more about this in the coming weeks.

Acquisitions such as KeySpan and New England Gas are made possible by strong performance, which generates the types of returns that enable us to be an acquirer and grow the business. With these acquisitions, we will become a bigger and better company, yet we must never take our eye off what got us here – delivering energy safely, reliably and efficiently to our customers. Thank you for your continuing hard work and commitment.

A handwritten signature in black ink that reads "Mike".



**New England Gas Company
Business Overview**

Summary

New England Gas Company (www.negasco.com), headquartered in Providence, Rhode Island, serves over 240,000 residential and commercial customers in Rhode Island and employs approximately 600 people in Rhode Island. New England Gas Company has more than 3,000 miles of natural gas mains within the Rhode Island service area, which enables the Company to service customers in 33 cities and towns. The headquarters of New England Gas Company is located at 100 Weybosset Street, Providence, Rhode Island. It is a division of Southern Union Company (NYSE: SUG; www.sug.com). Southern Union, headquartered in Houston, Texas, is engaged primarily in the transportation, storage and distribution of natural gas.

Management

Thomas C. Robillard
President and Chief Operating Officer

David L. Black
Vice President, Legal

Karen M. Czaplewski
Vice President, Customer Service and IT

Sharon Partridge
Vice President, Finance and Regulatory Affairs

D'Anna D. Soehnge
Vice President, Human Resources

Michael Sullivan
Vice President, Operations

Christopher J. Medici
Director, Communications and Community Relations

William M. Pratt
Director, Sales and Marketing

History

New England Gas Company was formed in 2000 with the acquisitions of the former Providence Energy Corporation, Valley Resources, Inc. & Subsidiaries and Fall River Gas Company.

Providence Energy Corporation, the parent company of Providence Gas Company, or "ProvGas," was founded in 1847, and was the largest natural gas distribution company in Rhode Island. Prior to its acquisition by Southern Union, ProvGas served the majority of Rhode Island's thirty-nine cities and towns with natural gas service. Providence Energy Corporation was also the parent company to North Attleboro Gas, which served two Massachusetts communities: North Attleboro and Plainville.

Valley Resources, Inc. and Subsidiaries (parent company of Valley Gas and Bristol-Warren Gas) traced its roots back to its founding in 1850 as the Pawtucket Gas Company. Valley Gas was formerly part of Blackstone Valley Gas & Electric Company, which divested the gas operations in 1964. Bristol-Warren Gas Company was acquired by Valley Resources in 1992. Together, Valley and Bristol-Warren Gas served nine Rhode Island communities with natural gas.

Along with Providence Gas Company and Valley Resources, Fall River Gas Company had a long history of serving New Englanders' energy needs, beginning in 1880. Fall River Gas served four communities in the greater Fall River area (Fall River, Westport, Somerset and Swansea).

Collectively, these formerly separate utilities now comprise New England Gas Company, a name chosen in 2001 to mark a renewed commitment to providing Rhode Island and Massachusetts customers with safe, reliable and efficient natural gas service.

###

Integration *update*

National Grid • New England Gas

April 6, 2006

New England Gas Integration: Setting the Stage

Ever since the National Grid-New England Gas Integration Team was announced, they have been busy gathering data about both companies and developing implementation plans in an effort to complete the first phase of integration – the transfer of New England Gas’s Rhode Island business from Southern Union to National Grid – in August 2006. Led by Tim Horan, senior vice president of Business and Retail Services for National Grid, and Karen Czaplewski, vice president of Customer Service and Information Technology for New England Gas Company, the team consists of more than 20 employees from functions throughout both companies who are focused on three key objectives:

- Ensure a seamless transition for customers;
- Maintain the safety of the Rhode Island natural gas distribution system; and
- Consolidate operations while taking advantage of the talented people within both companies.

During the first phase of the New England Gas integration, the team is focused on the key items necessary to transfer New England Gas’ operations to National Grid and separate the company from Southern Union, while delivering on those objectives. Phase two will conquer the additional tasks needed to fully integrate New England Gas into National Grid’s Ocean State operations.

Work Schedule

Name integration teams	February 2006
Gather data, conduct meetings	February - mid-April
Develop implementation plans	Mid-April - May
Finalize implementation plans	August 2006

Integration Team Focuses on Core Business Systems

The core business applications being studied by Integration Team subgroups over the next few months are:

- Human Resources/Benefits/Payroll
- Financial Systems
- Information Technology
- Operations/Safety
- Customer Service/Business Services
- Regulatory/Rates
- Procurement and Supply Management
- Facilities

The overall objective is to develop a comprehensive integration plan. This includes which systems to integrate, the timing of that integration, and deciding which systems to keep separate and on what schedule.

Keys to Success

Integration Team members and other National Grid and New England Gas employees who have been asked to contribute to the overall integration effort are being guided by the following principles to achieve success:

- Appreciate and learn from each other's strengths and areas of expertise;
- Be willing to listen and work together; and
- Be sensitive to near-term priorities.

While keeping those guiding principles in mind as they do their work, Integration Team members will be working to prepare for Day One (when the sale is completed), have a plan in place to drive toward common approaches and processes, and make the integration a success.

Share Your Questions and Concerns

If you have any questions or concerns about the National Grid-New England Gas integration, there are many avenues for sharing them:

If you're currently a New England Gas Company employee:

- Call the Integration Hotline at 401-574-2386 (or by dialing extension 2386 directly)
- Send a message to the Integration Questions e-mail box; direct.connections@negasco.com or
- Ask your manager or supervisor.

If you're currently a National Grid employee:

- Call the Integration Hotline at 1-800-523-1044
- Send a message to the Integration Questions e-mail box; IntegrationQuestions@us.ngrid.com or
- Ask your manager or supervisor.

Watch for more detailed information and updates on the progress of the merger in future *Integration Updates*.



National Grid • KeySpan • New England Gas

Frequently Asked Integration Questions

Listed below are some frequently asked questions about the integration of KeySpan and New England Gas Company's Rhode Island business with National Grid. If you have additional questions, please submit them through the Integration Hotline at 1-800-523-1044 or via e-mail at IntegrationQuestions@us.ngrid.com. This and other Integration Updates can be viewed on the new Integration Information Infosite on InfonetUS.

General

What is the correct term for these transactions, mergers or acquisitions?

Both acquisition and merger are correct. We are acquiring the assets of New England Gas Company's Rhode Island business from Southern Union, and we are acquiring KeySpan's entire company. In both cases, we will integrate or merge the operations with National Grid's to become one company.

How will customers benefit from these purchases?

National Grid has a track record of increasing the efficiency of its operations to benefit customers, and this merger will give us an opportunity to do so again. We also bring experience in delivering gas to more than 11 million homes and businesses in the U.K. and U.S., including use of advanced technologies.

How many employees do KeySpan and New England Gas have, and what impact will this acquisition have on existing National Grid employees?

KeySpan employs more than 9,400 employees across its service territory, including approximately 2,770 people in New York City, 4,300 people on Long Island and 1,800 people in New England. New England Gas employs approximately 600 employees in Rhode Island.

National Grid has agreed to offer employment to all active New England Gas employees in the Rhode Island business upon completion of the sale, and all KeySpan employees will become employees of National Grid. Integration teams are studying how best to integrate the two companies with our existing business after the transactions close, including where we have duplicate functions and facilities, all guided by how best to deliver safe, reliable, efficient service to customers. To the extent that the integrations result in job reductions, as previously stated, our objective is to achieve any reductions through voluntary means and attrition, as has been the case in past transactions.

Many of KeySpan and New England Gas' employees are 55 and over. When do you expect natural attrition and voluntary early retirement to take place? Will these options be offered to National Grid employees, too?

At this time, no decision has been made as to when workforce reductions will be necessary or whether they'll be achieved solely through attrition or an early retirement offering or a combination of the two. As soon as determined, this information will be shared with employees.

Will we close any facilities as a result of these acquisitions?

We expect to find that certain facilities can be combined, however it is too early to discuss specifically what may happen. The integration teams will look at this and decisions will be communicated as soon as possible after they are made.

Do these acquisitions mean that the U.S. business review will have to begin from Phase 1 all over again?

The business review will continue moving forward, as it is likely that the integration teams for New England Gas and KeySpan will need six months or more to complete their work. In the meantime, it's important that we continue the focus on finding ways to improve our efficiency, and ultimately, our reliability. This means pressing ahead and not losing valuable time. Of course, the business review teams will work closely with the integration teams and make adjustments as necessary.

New England Gas

There's only a tiny sliver of business left in Massachusetts. Why didn't we purchase that portion of the company, too?

To date, Southern Union has only offered New England Gas' Rhode Island assets for sale.

Will business continue as usual for New England Gas? How will the acquisition affect their business operations?

Current plans call for New England Gas' Rhode Island operations to be integrated into our Ocean State Division. While there may be some behind the scenes changes due to the integration, there will be no changes to the delivery of gas to customers in the short term.

KeySpan

Does this mean a change in our strategy as a delivery company, given the generation aspects of KeySpan? Will we keep the generation?

No, we are not changing our strategy, even though we will own generation assets as a result of purchasing KeySpan. The generating stations we are purchasing in conjunction with this transaction are low risk and well managed. As a result, our plan is to retain the stations and maintain the excellent operational performance currently exhibited.

What will happen with the Long Island Power Authority (LIPA) contracts?

LIPA is a non-profit electric utility, which owns the retail electric system assets on Long Island and provides electric service to nearly 1.1 million customers in Nassau and Suffolk counties, and the Rockaway Peninsula in Queens, N.Y. KeySpan manages and operates LIPA's transmission and distribution system assets under a contract termed the Management Services Agreement (MSA). KeySpan and LIPA recently agreed to extend the MSA through 2013. However, under the existing contract with KeySpan, LIPA has change of control provisions that give them the right to exit the contract if they are not satisfied with proposals from National Grid as the purchaser of KeySpan. This issue is currently under review by executives from LIPA, KeySpan and National Grid. As more information is available, it will be shared with employees.



New England Gas Company Integration Clears HSR

On April 3, 2006, the Hart-Scott-Rodino (HSR) Act waiting period expired on National Grid's proposed integration with New England Gas Company. HSR gives the Federal Trade Commission (FTC) or the U.S. Department of Justice the opportunity to review the proposed transaction during a "waiting period." In this case, the FTC reviewed the transaction and allowed the waiting period to expire. If they had believed there were serious competition concerns, the FTC could have conducted a more extensive investigation instead of letting the period lapse.

Approval still is needed from the Rhode Island Division of Public Utilities and Carriers. A petition was filed with the division in March and a notice published in the newspaper providing an opportunity for parties to file requests for intervention. A preliminary hearing is scheduled for April 25 to consider certain intervention requests that were filed. But evidentiary hearings have not yet been scheduled.

There also is a technical filing that needs approval from the Federal Energy Regulatory Commission pertaining to a small interconnection of gas facilities in southern Rhode Island that reaches over the Connecticut border.



National Grid • KeySpan • New England Gas

April 18, 2006

Additional Members Appointed to KeySpan and New England Gas Integration Teams

The following is a message from Kwong Nuey and Tim Horan, National Grid leads for the KeySpan and New England Gas Integration Teams:

Kwong Nuey is pleased to announce that **Pat Hogan** and **Bob Lorkiewicz** will join the National Grid - KeySpan Integration Team. Pat, currently director of Electric Systems Operations, will be the KeySpan lead for the Electric Transmission and Distribution team. Bob, currently director of IT Strategy, will be the National Grid lead for the Information Technology team.

With the addition of Bob and Pat, the National Grid - KeySpan Integration Lead Team is now complete. The Integration Team will hold its first official meeting on April 26th in Brooklyn. More information will be shared with employees following that meeting.

Tim Horan is pleased to announce that **MaryAnne Douville** will join the National Grid - New England Gas Integration Team. MaryAnne, currently director of Distributed Computing, will become the National Grid Information Technology lead replacing Bob Lorkiewicz.

Thank you,

A handwritten signature in black ink that reads "Kwong Nuey".

Kwong Nuey
KeySpan Integration Lead
kwong.nuey@us.ngrid.com

A handwritten signature in black ink that reads "Timothy F. Horan".

Tim Horan
NE Gas Integration Lead
timothy.horan@us.ngrid.com

News

**Contact: Jackie Barry
David Graves
508.389.2637**

FOR IMMEDIATE RELEASE

Feb. 16, 2006

ADVISORY

National Grid will conduct a news conference and media conference call today at 10 a.m. related to the following news release. The news conference will be held at National Grid's Providence, RI office located at 280 Melrose St. Conference call participants in the U.S. should call 800-821-1449 or 001-973-2401 for participants outside the U.S. and enter the conference ID number 7056613. A digital replay of the news conference will be available for 24 hrs. by calling 877-519-4471 and entering the conference number.

NATIONAL GRID TO ACQUIRE RHODE ISLAND ASSETS OF NEW ENGLAND GAS COMPANY FROM SOUTHERN UNION COMPANY

Providence, RI -- National Grid (LSE:NG., NYSE:NGG) announced today that the company will acquire the Rhode Island natural gas business and assets of New England Gas Company from Southern Union Company (NYSE:SUG) for \$575 million.

New England Gas distributes natural gas to approximately 245,000 customers in 33 Rhode Island communities via a network of more than 3,000 miles of mains.

"This transaction is a natural for us; it fits perfectly with our core energy delivery business and our company has a legacy of service in Rhode Island that dates back more than a century," said Michael E. Jesanis, president and chief executive officer of National Grid's U.S. business. "The addition of New England Gas will expand our business presence in the Ocean State and reaffirms our commitment to its communities and to our customers."

Jesanis added, "When it comes to natural gas, National Grid already serves approximately 11 million homes and businesses in the United Kingdom and approximately 565,000 customers in upstate New York. New England Gas customers will reap the benefits

- more -

National Grid to Acquire New England Gas Company / 2

of our strong local delivery focus and experience in developing and implementing new technologies and innovations that enable us to serve customers safely, reliably and efficiently.”

Jesanis went on to say that National Grid has agreed to honor the labor agreements currently in effect with the New England Gas unions, and to offer employment with National Grid to all active New England Gas employees upon completion of the sale. He added that further plans on how to combine operations and functions will be developed over the next several months.

The transaction requires approval by Rhode Island regulatory authorities and clearance under the federal Hart-Scott-Rodino Act. The companies expect the sale to close in the summer of 2006.

National Grid is an international energy delivery business with principal activities in the regulated electricity and natural gas industries. In the U.S., National Grid transmits and distributes electricity and natural gas to nearly 4 million customers across 29,000 square miles of Massachusetts, New Hampshire, New York and Rhode Island. In Rhode Island, National Grid delivers electricity to approximately 477,000 customers in 38 communities.

The company owns the high-voltage electricity transmission network in England and Wales and operates the system across Great Britain. It also owns and operates the high-pressure gas transmission system in Britain and, through its gas distribution business, delivers gas to over 10 million homes and businesses in Britain. In addition, it has a number of businesses operating in related areas such as LNG importation, wireless infrastructure for broadcast and telecommunications, property, metering and interconnectors.

Southern Union Company is engaged primarily in the transportation, storage and distribution of natural gas.

The company’s pipeline interests operate approximately 18,000 miles of interstate pipelines serving major markets in the Southeast, West, Midwest and Great Lakes region.

Through its local distribution companies, Southern Union also serves approximately one million natural gas end-users in Missouri, Pennsylvania, Rhode Island and Massachusetts.

To: All New England Gas Company Employees

From: Thomas C. Robillard, President and COO

Subject: New England Gas Company Rhode Island Assets

Date: February 16, 2006

As part of Southern Union's strategy to be a leader in the natural gas transportation and services business, the Company has announced plans to sell the Rhode Island operations of its New England Gas Company division to National Grid USA for a purchase price equal to \$575 million less assumed debt of \$77 million. Under the terms of the agreement, all active employees of the Rhode Island operations will be offered employment with National Grid. New England Gas' Massachusetts assets will remain with Southern Union.

This sale, which is expected to close by the third quarter, and the recently announced PG Energy sale, will allow Southern Union to help finance the Sid Richardson acquisition.

I believe that New England Gas Company and National Grid share a common commitment to their employees, investors and the communities they serve. Additionally, I believe that the New England Gas assets will complement National Grid's existing infrastructure in Rhode Island.

As we move through the process, you will have an opportunity to have more interaction with National Grid employees and you will be seeing them as they visit our facilities to learn more about our operations.

Thank you for remaining focused on your jobs and for continuing to provide outstanding customer service.

Certificate of Service

I hereby certify that a copy of the cover letter and materials accompanying this certificate were mailed or hand-delivered to the parties listed below.



Joanne M. Scanlon

Date: May 24, 2006

National Grid & Southern Union - Docket D-06-13 Updated Service List as of 5/15/06

Name/Address	E-mail Distribution	Phone/FAX
Laura S. Olton, General Counsel Narragansett Electric Co. d/b/a National Grid 280 Melrose Street Providence, RI 02907	laura.olton@us.ngrid.com	401-784-7667 401-784-4321
	Joanne.scanlon@us.ngrid.com	
Thomas G. Robinson, Esq. Narragansett Electric Co. d/b/a National Grid 25 Research Drive Westborough, MA 01582	Thomas.robinson@us.ngrid.com	508-389-2877
	Ronald.Gerwatowski@us.ngrid.com	
For New England Gas Co.: Cheryl Kimball, Esq. Keegan Werlin LLP 265 Franklin St. Boston, MA 02110	ckimball@keeganwerlin.com	617-951-1400 617-951-1354
	Rkeegan@keeganwerlin.com	
Kevin Penders, Esq. Manager, Regulatory Relations New England Gas Co. 100 Weybosset St. Providence, RI 02903	Kevin.Penders@negasco.com	401-272-5040 401-751-0698
For New England Gas Co.: Gerald J. Petros, Esq. Hinckley, Allen & Snyder LLP 1500 Fleet Center Providence, RI 02903	gpetros@haslaw.com	401-274-2000 ext. 5666 401-277-9600
For the Division of Public Utilities Advocacy: Leo Wold, Esq. Dept. of Attorney General 150 South Main St. Providence RI 02903	lwold@riag.ri.gov	401-222-2424 401-222-3016
	RDIMeglio@riag.ri.gov	
	sscialabba@ripuc.state.ri.us	

For the Dept. of Attorney General: William Lueker, Esq. Dept. of Attorney General 150 South Main Street Providence, RI 02903	Wlueker@riag.ri.gov	401-222-2424 401-222-3016
	Proberti@riag.ri.gov	
Brian A. Wagner, Deputy Chief Legal Counsel RI Dept. of Environmental Management Office of Legal Services 235 Promenade St., 4th Flr. Providence, RI 02908	Brian.wagner@dem.ri.gov	401-222-6607 401 222-3378
For the Town of Tiverton: Andrew M. Teitz, Esq. Ursillo, Teitz and Rich, Ltd. 2 Williams St. Providence, RI 02903-2918	zoning@utrlaw.com	401-331-2222 401-751-5257
	jeannescott@utrlaw.com	
For the George Wiley Center: B. Jean Rosiello, Esq. 340 Olney St. Providence, RI 02906	jeanrosiello@cox.net	401-751-5090 401-751-5096
Adrienne G. Southgate, Deputy City Solicitor Law Department City of Providence 275 Westminster Street, Suite 200 Providence RI 02903	asouthgate@providenceri.com	401- 421-7740 Ext. 333
John Spirito, Esq. Division of Public Utilities & Carriers 89 Jefferson Blvd. Warwick, RI 02888	jspirito@ripuc.state.ri.us	401-780-2152 401-941-9207
For Division of Public Utilities Advocacy: Bruce Oliver Revilo Hill Associates 7103 Laketree Drive Fairfax Station VA 22039	Boliver@cox.net	
For Division of Public Utilities Advocacy: David J. Effron Berkshire Consulting 12 Pond Path North Hampton, NH 03862-2243	Djeffron@aol.com	
File an original & four (4) copies w/: Luly E. Massaro, Division Clerk Division of Public Utilities & Carriers 89 Jefferson Blvd. Warwick, RI 02888	Lmassaro@puc.state.ri.us	401-780-2107 401-941-1691