
FEDERAL ENERGY REGULATORY COMMISSION



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NEWS RELEASE

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FOR IMMEDIATE RELEASE

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Docket Nos. EC06-125 and
EL06-85, EC06-127, *et al.*

COMMISSION APPROVES THE MERGERS OF NATIONAL GRID AND KEYSPAN, AND NORTHWESTERN CORP., BABCOCK AND BROWN

The Federal Energy Regulatory Commission today approved the merger of KeySpan Corp. and London, U.K.-based National Grid. Separately, the Commission approved NorthWestern Corp.'s merger with Babcock & Brown Infrastructure Ltd. (BBI), a company based in Sydney, Australia.

“These orders were decided under the new rules implementing our expanded authority to review electricity industry mergers and acquisitions. We find the transactions to be consistent with our rules, and approve the acquisitions,” Chairman Joseph T. Kelliher stated.

National Grid owns and operates transmission facilities and distributes electricity and natural gas in New York State, and owns and operates transmission facilities in New England. KeySpan, a holding company headquartered in Brooklyn, N.Y., provides utility and nonutility services in the Northeast U.S., primarily in the New York and Long Island region. KeySpan is also the largest natural gas distributor in the Northeast.

“[T]he combination of their electric generation resources is not likely to harm competition in any relevant market,” the Commission found. National Grid has and will likely continue to have significant POLR (provider of last resort) obligations, and has all of its generation resources dedicated to serving those obligations, thus removing that generation capacity from the wholesale market. Therefore, National Grid will have no Available Economic Capacity that would increase the market concentration in any relevant market. In addition, most of KeySpan's generation is committed under long-term contracts to the Long Island Power Authority.

The Commission determined that the National Grid-KeySpan merger would not adversely affect wholesale power rates, noting that the companies have stated their commitment to hold ratepayers harmless from transaction-related costs in excess of transaction-related savings for five years.

The Commission also granted the applicants' request that, after the merger, KeySpan's subsidiaries may pay dividends out of common equity funds, which before the merger had been retained earnings.

Butte, Montana-based NorthWestern and its power marketing subsidiaries, NorthWestern Energy Marketing LLC and Clark Fork and Blackfoot LLC, operate in the upper Midwest and Montana. NorthWestern acquired the electric and gas transmission and distribution of Montana Power Co. in 2002. In 2004, NorthWestern voluntarily reorganized under Chapter 11 bankruptcy. NorthWestern also provides natural gas service and retail electric service in South Dakota as well as Montana, and provides gas service in Nebraska. BBI owns and manages infrastructure in Australia, New Zealand, Europe, and the United States. Among its U.S. projects, BBI and its affiliates own interests in wind-power facilities from California to New York.

As a subsidiary of BBI, NorthWestern will continue to provide utility services; the merger only involves a change in upstream ownership.

The Commission found that the merger is consistent with the public interest, because it will not have an adverse effect on competition, rates or regulation, and will not result in cross-subsidization of a non-utility associate company.

The merger of BBI and NorthWestern "does not result in any new combination of generating assets that would compete in the same geographic markets," the Commission found. In addition, NorthWestern has committed to hold wholesale sales and transmission customers harmless from rate increases that are the result of merger costs for five years and to not pass on any acquisition costs to its customers.

Under the Federal Power Act and the standards set under the Commission's 1996 merger policy guidelines, Order No. 592, the Commission reviews public utility mergers to evaluate the transaction's effect on competition, rates and regulation. The Commission must approve a merger if it finds it is consistent with the public interest. The Commission also must determine that the transaction will not result in cross-subsidization of a non-utility associate company (Order No. 669).

In separate orders, the Commission acted on the following transactions:

- **BOSTON EDISON CO., CAMBRIDGE ELECTRIC LIGHT CO., COMMONWEALTH ELECTRIC CO. AND CANAL ELECTRIC CO. – ALL WHOLLY OWNED SUBSIDIARIES OF NSTAR OPERATING COS.** The Commission conditionally approved Boston Edison's acquisition of the jurisdictional facilities of its affiliates, Cambridge, Commonwealth and Canal Electric, directing the Applicants

to submit an information filing regarding costs before they are included in formula rates (Docket No. EC06-126).

- **MORGAN STANLEY & CO., EBG HOLDINGS LLC, BOSTON GENERATING LLC, MYSTIC I LLC, MYSTIC DEVELOPMENT LLC AND FORE RIVER DEVELOPMENT LLC.** The Commission conditionally provided blanket authorization for future transfers and acquisitions of voting equity interest in EBG Holdings (Docket EC06-144).
- **ENTEGR A POWER GROUP LLC, GILA RIVER POWER L.P., UNION POWER PARTNERS L.P., MORGAN STANLEY & CO. INC., AND MERRILL LYNCH, PIERCE FENNER & SMITH INC.** The Commission conditionally approved certain future transfers and acquisition of voting equity interests in Entegra (Docket EC06-147).
- **NORTHEAST GENERATION CO., HOLYOKE WATER POWER CO., NU ENTERPRISES INC., SELECT ENERGY INC., NE ENERGY INC., MT. TOM GENERATING CO. LLC, ECP ENERGY LLC.** The Commission authorized the transfer of all stock of Northeast from NU Enterprises to NE Energy; the transfer of a 145.7 megawatt coal-fired generating facility and related interconnection facilities from Holyoke to Mt. Tom; and the assignment of Select's rights and obligations under certain contracts to ECP Energy (Docket EC06-154).

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