

# KEYSPAN

## A Growth Story



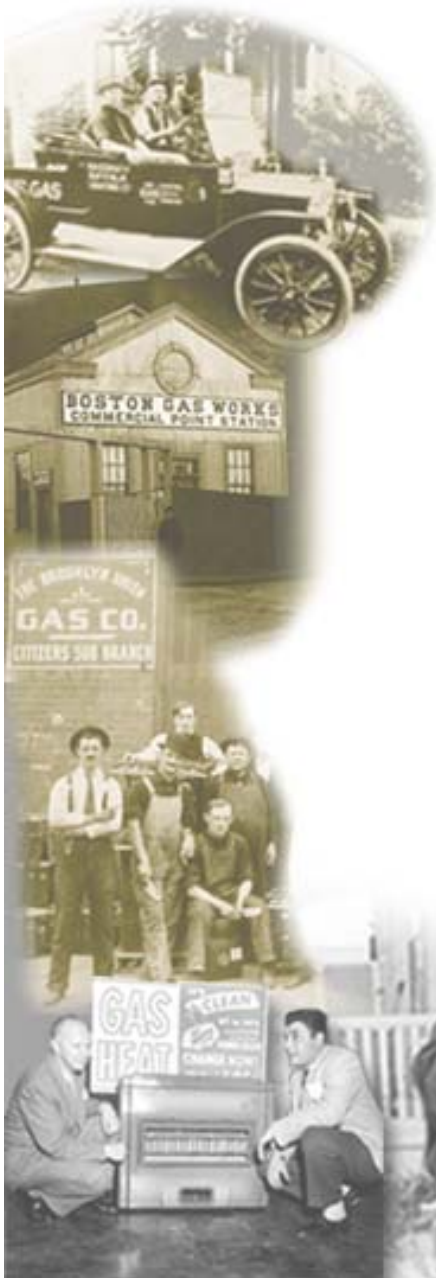
# A KeySpan Milestone: 2/25/2006

- Board unanimously approves National Grid merger
- KeySpan will be acquired for \$42 per share or \$7.3 billion
- Delivers estimated \$1 billion premium



# Evolution & Growth

- Brooklyn Union formed in late 1800s by merging six smaller regional gas companies
- In Boston, several gas companies joined to form basis of Eastern Enterprises
- LILCO formed in 1911 through merger of local electric companies



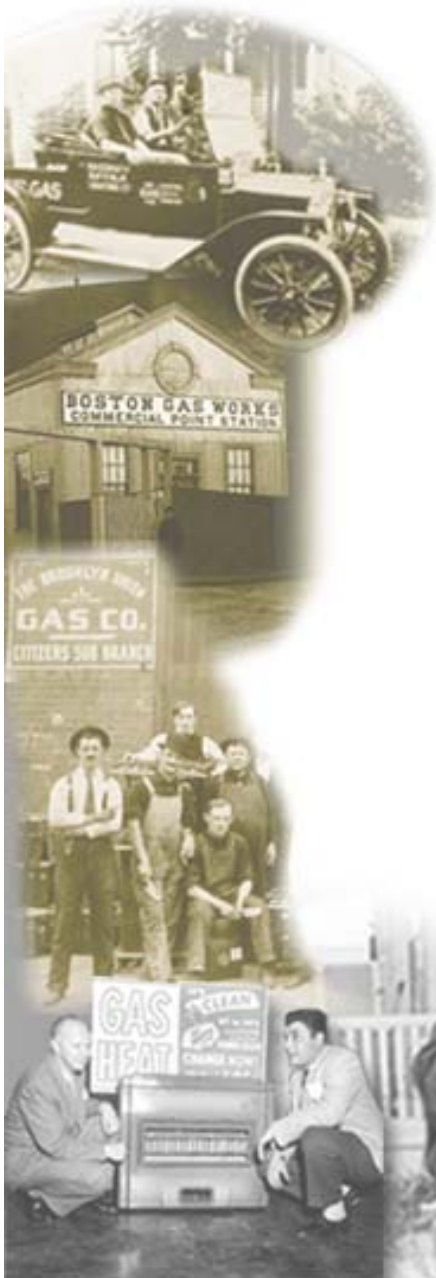
# Benefits of Consolidation

- Made us the company we are today
- Have had to become more efficient and bigger to achieve growth and adapt to marketplace
- Same reasons ring true today



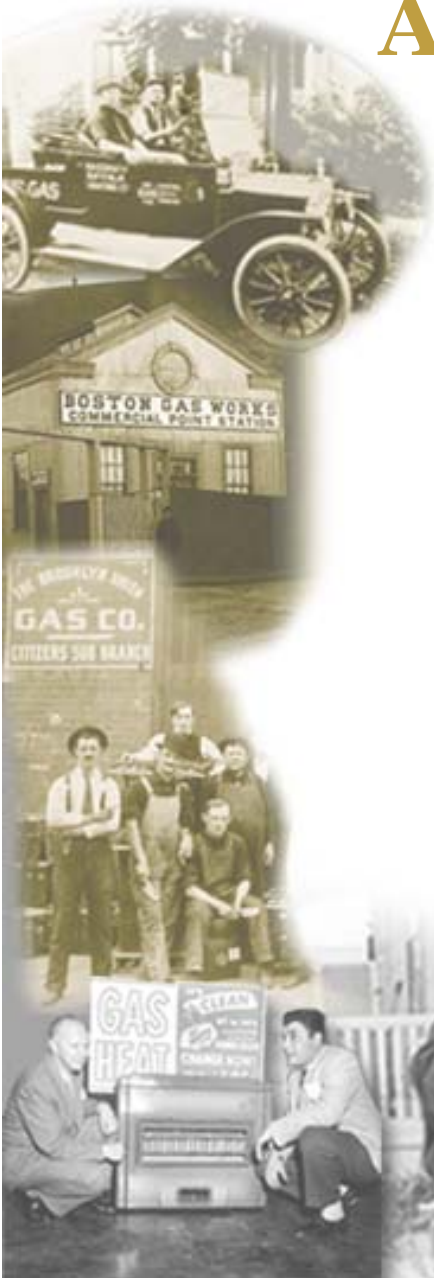
# A Changing Industry

- Brooklyn Union organic growth was limited
- Need size, scale and financial resources to grow
- Apprehension about energy costs, supplies, global energy, the environment and reliability
- Penalties for missing growth targets



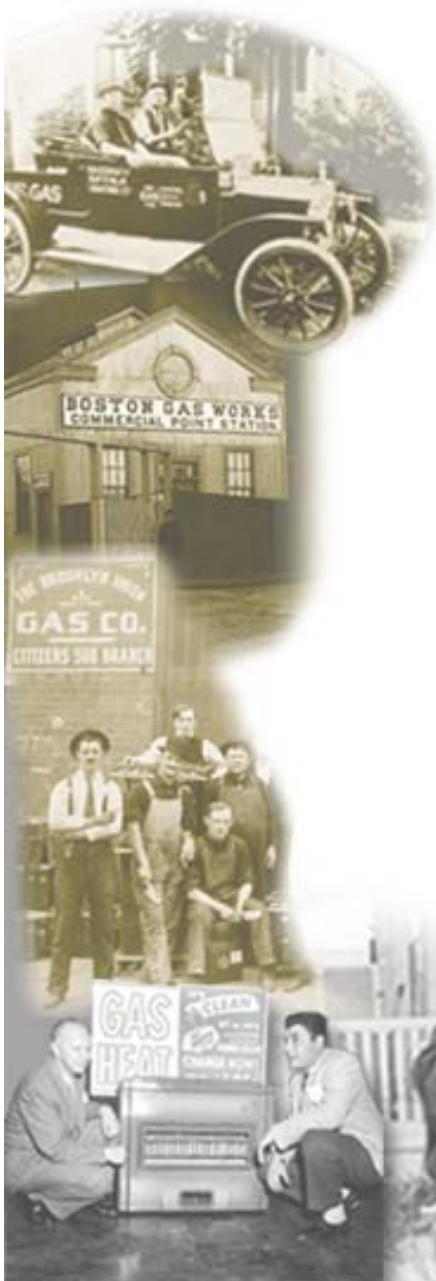
# A Strong Efficient Company

- Firm grasp of the issues
- Ability to manage complexity
- Commitment to core businesses
- Fortified balance sheet
- Focused on long-term solutions



# National Grid's Offer

- Premium return on your investment
- Protects against rising interest rates
- \$42 per share cash payment
- \$1 billion in additional shareholder value
- 16-20% premium over \$35-36 per share price



# Prior to the Merger Announcement

- Stock trading in much lower interest rate environment
- Challenges to achieve growth
- Prospects of significant rate increase



# 2005 Accomplishments

- Strong performance
- Increased earnings per share by 5% over 2004
- Reduced debt-to-capitalization ratio
- Strengthened balance sheet
- Internal analysis: 5 years to sustain \$42 share price



# Focus: Profitable, Sustainable Growth

- Providing excellent work environment
- Commitment to the communities
- Delivered on our promises
- Made KeySpan attractive to suitors



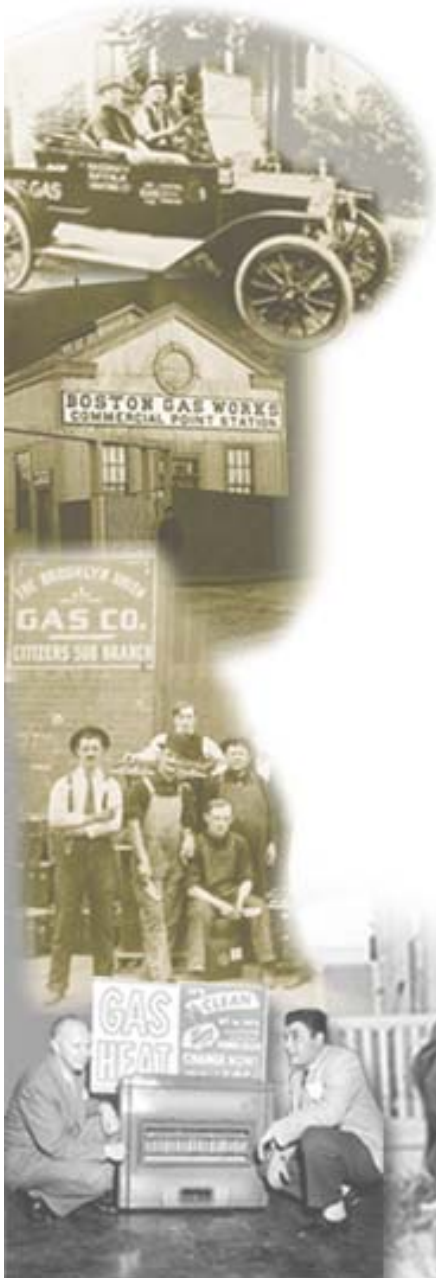
# Opportunities have Existed

- National Grid merger is a “win-win” situation
- The right price at the right time
- Overall compatibility
- Potential for growth
- Cash transaction a better, more secure return



# The Timing was Right

- Today's market conditions
- Repeal of PUHCA increased possibility of mergers
- Energy industry catching up to banking and telecommunications
- Utility consolidations must create value





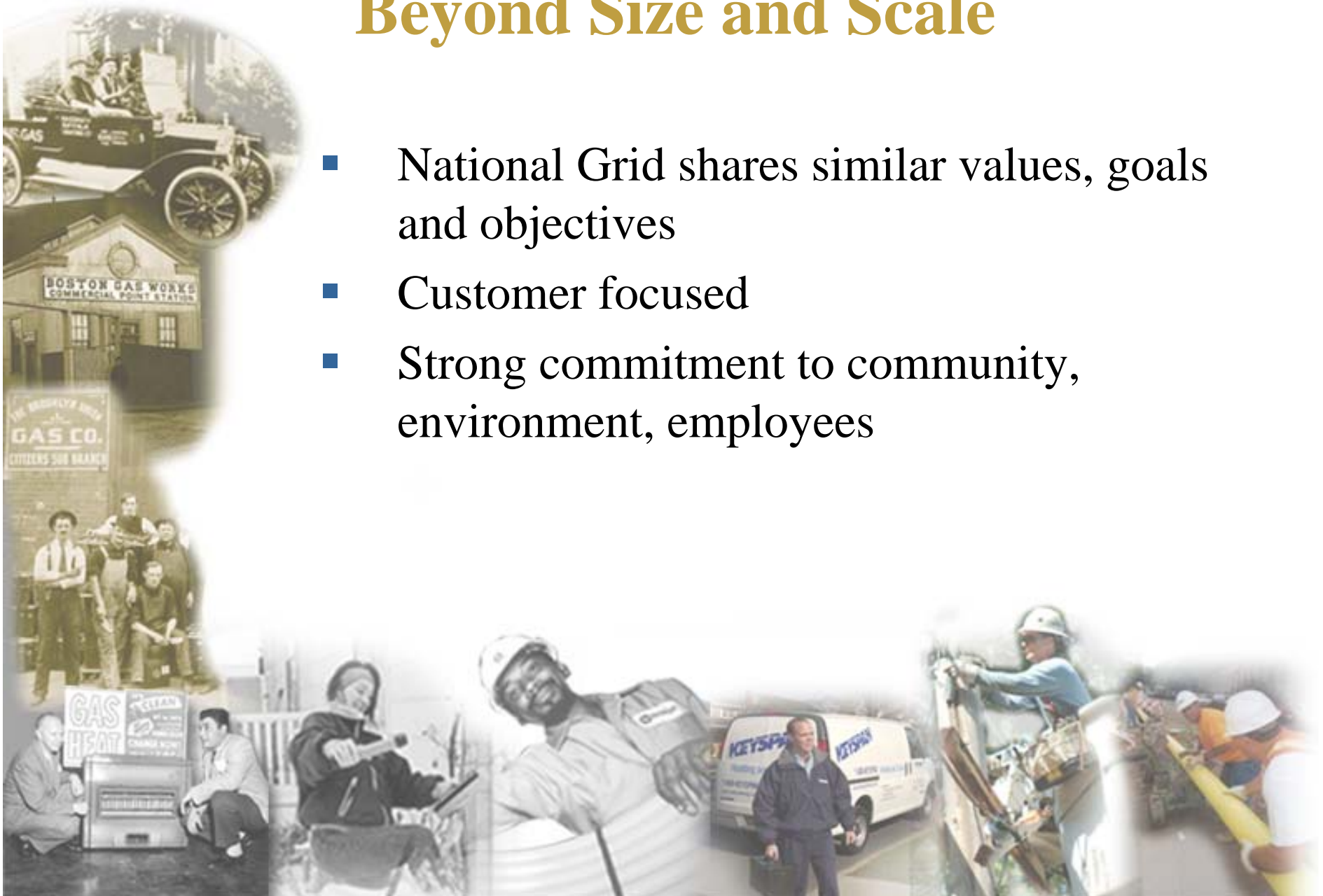
# Coming Together

- Leverage KeySpan's model of organic growth
- Platform for future acquisitions
- Evolution of plan to deliver value



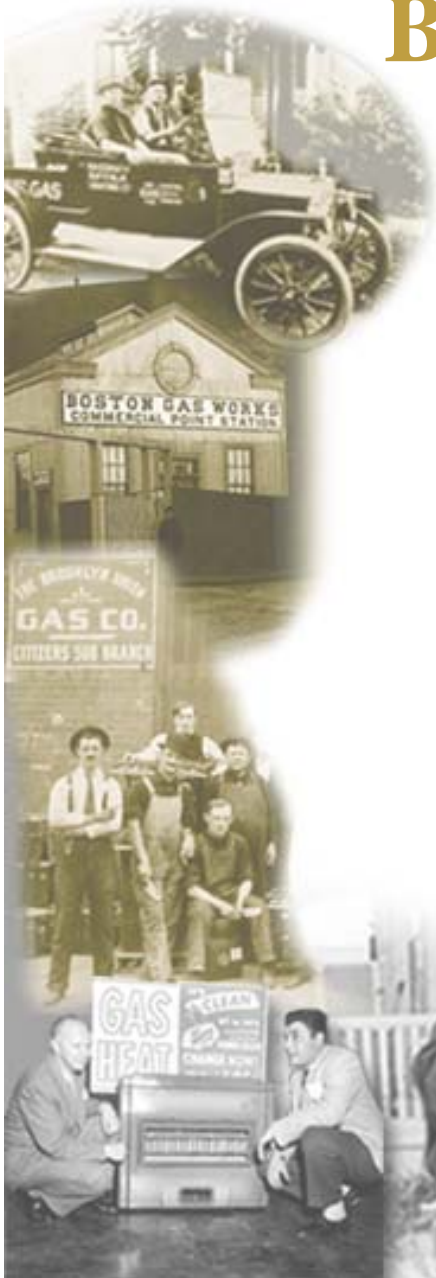
# Beyond Size and Scale

- National Grid shares similar values, goals and objectives
- Customer focused
- Strong commitment to community, environment, employees



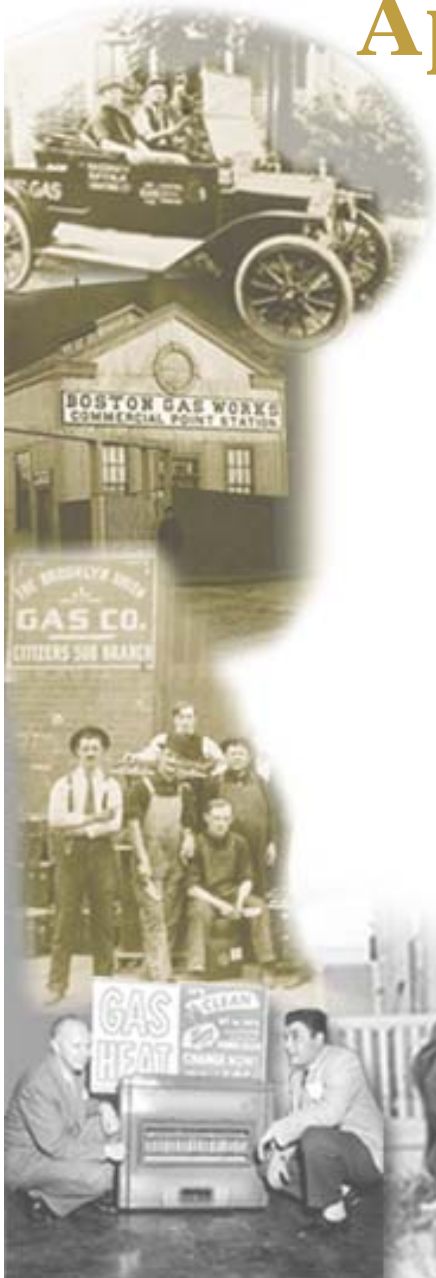
# Better Together Than Alone

- Provide \$500 million in permanent savings
- Operate more efficiently to tackle issues
- Invest in advanced technologies to enhance customer service
- Achieve benefits of scale
- Maintain commitment to the community and the environment
- Provide foundation for continued growth



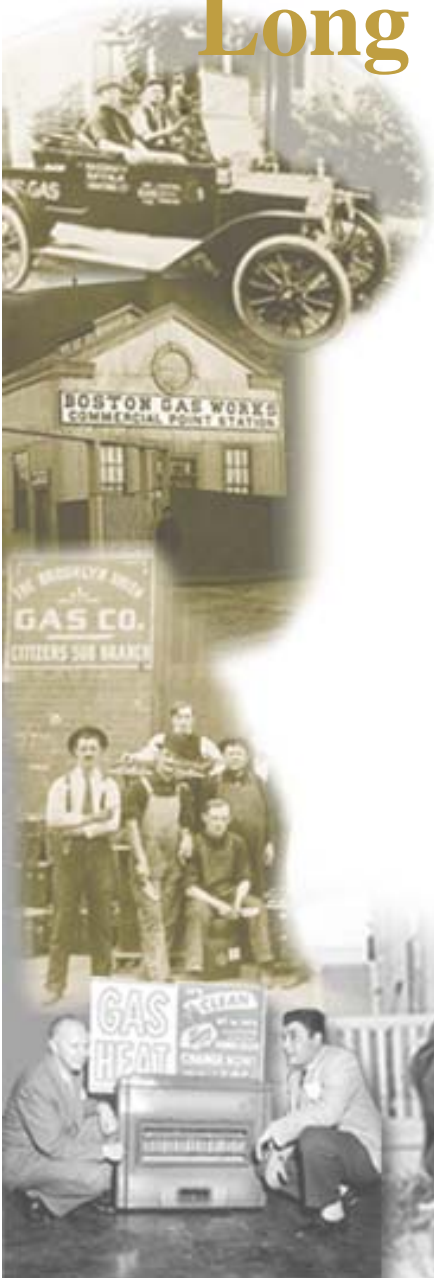
# Approvals and Endorsements

- ✓ Hart-Scott-Rodino
- ✓ Committee of Foreign Investment in the U.S.
- ✓ National Grid shareholders
- ✓ Institutional Shareholder Services
- ✓ Glass, Lewis
- Federal Energy Regulatory Commission
- New York State Public Service Commission
- New Hampshire and New Jersey PUCs



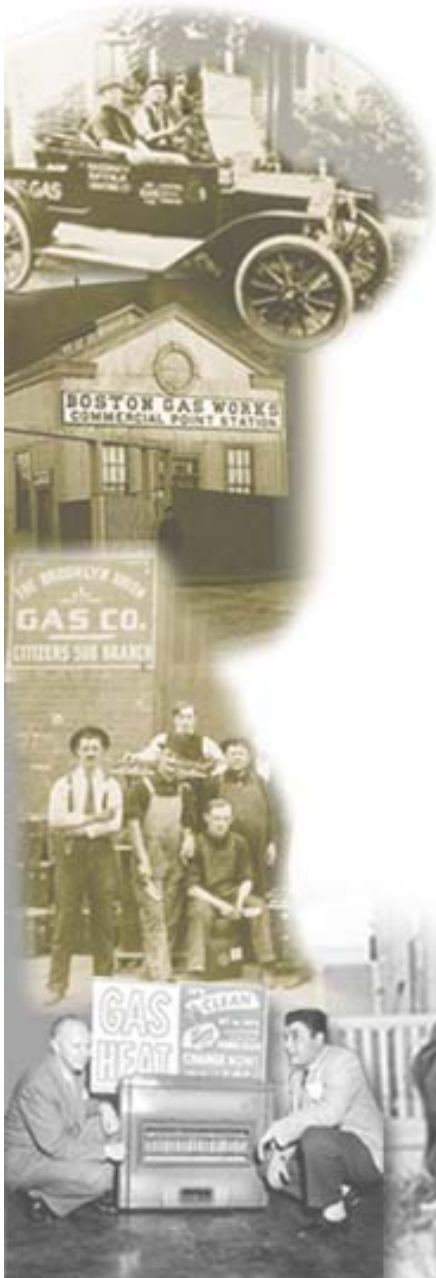
# Long Island Power Authority Update

- No formal LIPA approval necessary
- Change in control does affect Management Services Agreement
- New contract benefits customers and the environment
- Discussing improvements to current arrangement



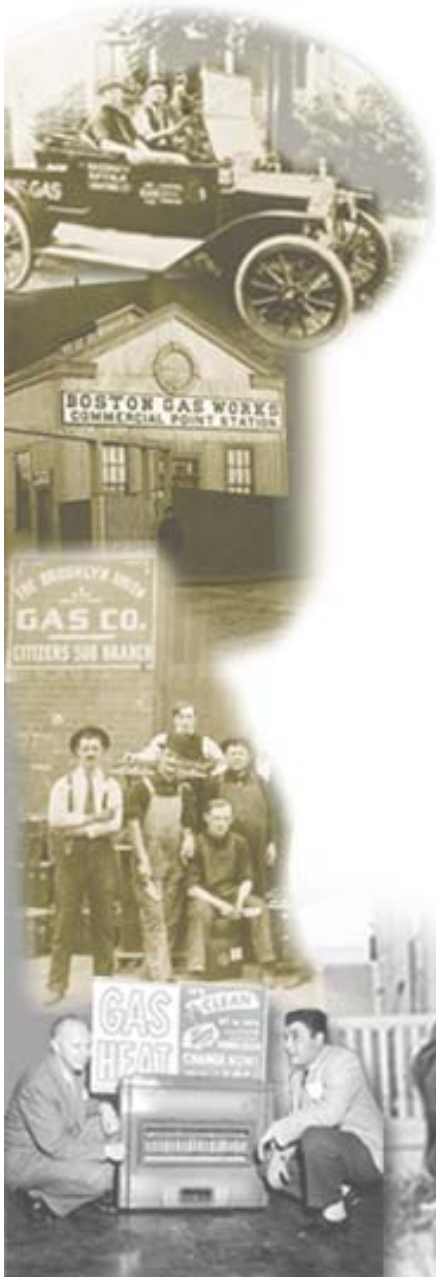
# Still to Come

- Final approvals lead to closing and trigger cash payout
- Continue to pay dividend each quarter
- Working on process to help shareholders who wish to buy National Grid stock
- Smooth transition seamless to customers and communities we serve



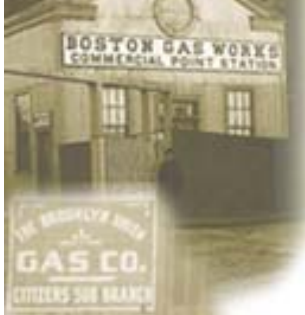
# The New Company

- Will serve as Executive Chairman of National Grid US operations and Deputy Chairman of National Grid plc
- KeySpan joins one of the finest investor-owned energy companies in the world
- 8 million gas and electric customers in US
- Deliver service and growth in cost-effective, customer-focused manner





**Thank You**



# KEYSPAN