EXHIBIT PP/KD-4

STANDARD
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RATINGSDIRECT®

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Niagara Mohawk Power Corp.

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Niagara Mohawk Power Corp.

Major Rating Factors

Corporate Credit Rating

A-/Stable/A-2

Strengths:

- Stable distribution operations;
- Operating, market, and regulatory diversity; and
- Supportive regulatory environments.

Weaknesses:

- Requirement for distribution companies to operate as providers of last resort, albeit with full recovery of incurred costs;
- Moderately aggressive financial profile;
- Challenges of integrating electricity and gas utility company KeySpan Corp. into the group; and a
- Revision of NG's dividend policy, which reduces financial flexibility.

Rationale

The ratings on Niagara Mohawk Power Corp. reflect the consolidated credit profile of its parent, National Grid USA, which in turn is an indirect, wholly owned subsidiary of U.K.-based National Grid PLC (NG), and its U.S.-based regulated operating unit, the August 2007 acquisition of KeySpan Corp., and its subsidiaries. The corporate credit ratings of the two New York distribution companies KEDNY and KEDLI are rated one notch higher than the consolidated corporate credit rating to reflect the presence of strong regulatory insulation and their stand-alone financial profiles.

The ratings on NG and its subsidiaries continue to reflect the strong, predictable cash flows generated by the group's low-operating-risk electricity and gas network operations in the U.K. and the U.S. National Grid USA's operations benefit from a generally supportive regulatory regime. Furthermore, NG has a proven track record in managing large acquisitions, delivering identified cost savings, and successfully managing geographically remote subsidiaries. NG's moderately aggressive financial profile, potential future reductions in regulatory revenue at the U.K. operations, and the challenges of integrating KeySpan offset those strengths. National Grid USA's operations serve about 8 million electric and gas customers in New York, Massachusetts, Rhode Island, and New Hampshire. Also, the acquisition of KeySpan added about 4,200 MW of generation capacity in Long Island, N.Y. but has committed to sell the 2,500 MW Ravenswood facility in Queens, N.Y. to TransCanada for $2.9 billion. The sale of this plant was a condition of the regulatory approval. National Grid USA's excellent business position is characterized by:

- A focus on low-risk electric and natural gas transmission and distribution operations;
- Supportive and long-term regulatory agreements reached with the regulators in Massachusetts, Rhode Island, New Hampshire, and New York;
- Some regulatory and operating diversification; and
- Robust economic conditions, which provide for modest customer and load growth on a total basis.

National Grid USA's consolidated business risk profile is excellent, although slightly weaker with the acquisition of KeySpan due to its significant riskier nonregulated generation operations.

Niagara Mohawk distributes electricity to about 1.6 million customers and natural gas to about 569,000 customers. Niagara Mohawk has a strong business position characterized by a supportive regulatory environment, low operating risk electricity and natural gas distribution operations, and a largely residential and commercial customer base (80% of revenues), without any significant customer concentration. These strengths are mostly offset by a below-average service territory in upstate New York that lags the national averages based on most economic performance measures, resulting in very modest sales and load growth throughout the service territory. Niagara Mohawk's business risk profile is excellent.

Standard & Poor's considers the regulatory agreement reached between the New York Public Service Commission and Niagara Mohawk as generally supportive of credit quality, because it allows for the recovery of stranded costs and all power costs incurred in the company's provider-of-last-resort obligation. The agreement, which ends in December 2011, provides for a 10-year delivery rate freeze and a 10.6% ROE after which earnings are shared with customers. The agreement permits recovery of Niagara Mohawk's regulatory assets over 10 years (with larger amortizations occurring in later years) and a 10.6% return on these assets.

The Massachusetts, New York, and Rhode Island regulatory environments generally support credit quality, as the restructuring framework has allowed for full recovery of stranded costs and the elimination of exposure to commodity prices, while allowing a reasonable ROE. In Massachusetts and Rhode Island, restructuring laws allow utilities to recover through surcharge mechanisms all purchased-power costs that they incur as providers of last resort, although with some lag. In New York, utilities pass power costs through to retail ratepayers, removing any commodity exposure. Strong cash flows from NG's regulated electricity and natural gas utilities in the U.K. and U.S. support credit quality, with the U.S. utilities expected to contribute about 55% of consolidated cash flow. Offsetting the business's strong cash flow is a moderately aggressive financial risk profile, potential future reductions in regulatory revenue at the U.K. operations, and the challenges of integrating KeySpan into the group. Debt associated with the KeySpan acquisition and ongoing large capital-expenditure programs will likely weaken NG's credit ratios.

Standard & Poor's expects FFO interest coverage to remain above 3.0x and FFO to total debt of at least 13% following the KeySpan acquisition, despite the increase in debt. Partly due to NG's strategy of issuing debt at the holding company level, National Grid USA's credit measures remain stronger than those of its parent, with FFO interest coverage, FFO to total debt, and debt to capital of 6x, 27%, and 42%, respectively.

Liquidity/short-term factors

The short-term rating on NG and its subsidiaries is 'A-2'. National Grid USA's liquidity is managed by NG. Expectations of continued strong cash flow generation over the near term, benefits from the collection of stranded costs, and favorable regulatory treatment of power cost deferrals in Massachusetts and New York support the short-term rating.

NG has adequate liquidity in the form of committed backup lines, which enable it to repay any commercial paper it might issue and fund maturing bond issues during the next 12 months. NG has completed its funding for the KeySpan acquisition, and the group's funding requirements for the remainder of the year are covered by NG's committed backup facilities of £2.4 billion. We expect, however, that virtually all of NG's remaining funding requirements will be met through additional debt issuance from its medium-term note programs and through CP, and that the backup facilities will remain undrawn.

The group's debt-maturity profile is relatively long, with more than 50% of debt maturing after March 2011. Furthermore, annual maturities are manageable, with about 5% of debt maturing through fiscal year-end March 31, 2008.

Outlook

The stable outlook reflects our expectations of continued solid operational and financial performance. In addition, Standard & Poor's expects NG to maintain its strategy of focusing on regulated networks businesses in the U.K. and U.S., while at the same time producing consolidated FFO interest coverage of about 3.0x and FFO to total debt of about 13%. Higher ratings would be possible over time if NG materially improves its financial profile. Downward rating pressure could develop if NG's financial performance deviated significantly from expectations, or if its business risk profile were to increase, for example, through further diversification into nonregulated activities.

Table 1

National Grid PLC -- Peer Comparison*

Industry Sector: Electric Utility

	--Average of past three fiscal years--			
	National Grid PLC¶	**Consolidated Edison Inc.**	**Vectren Corp.**	**NSTAR**
Rating as of June 25, 2008	A-/Stable/A-2	A-/Stable/A-2	A-/Stable/--	A+/Stable/A-1
(Mil. mix curr.)	£	$	$	$
Revenues	9,849.7	12,299.3	2,117.2	3,184.1
Net income from cont. oper.	1,404.3	798.3	129.6	208.1
Funds from operations (FFO)	2,434.1	1,443.9	295.9	584.0
Capital expenditures	2,076.6	1,884.3	282.3	398.5
Cash and short-term investments	0.0	139.3	24.6	22.0
Debt	15,719.1	9,835.8	1,716.7	2,515.9
Preferred stock	0.0	106.5	0.0	35.8
Equity	4,124.2	7,382.4	1,176.3	1,514.4
Debt and equity	19,843.3	17,218.1	2,893.0	4,030.3
Adjusted ratios				
EBIT interest coverage (x)	3.0	2.9	2.8	3.5
FFO int. cov. (x)	3.4	3.4	3.9	5.1
FFO/debt (%)	15.5	14.7	17.2	23.2
Discretionary cash flow/debt (%)	(7.5)	(10.8)	(5.0)	(12.1)
Net cash flow / capex (%)	49.2	48.0	71.8	113.7
Total debt/debt plus equity (%)	79.2	57.1	59.3	62.4
Return on common equity (%)	34.9	10.0	10.8	13.0
Common dividend payout ratio (un-adj.) (%)	55.0	69.9	72.0	63.8

*Fully adjusted (including postretirement obligations). ¶Excess cash and investments netted against debt.

Table 2

National Grid PLC -- Financial Summary*

Industry Sector: Electric Utility					
	--Fiscal year ended Mar. 31--				
	2008	**2007**	**2006**	**2005**	**2004**
Rating history	A-/Stable/A-2	A/Watch Neg/A-1	A/Watch Neg/A-1	A/Stable/A-1	A/Stable/A-1
(Mil. £)					
Revenues	11,498.0	8,778.0	9,273.0	7,452.0	9,033.0
Net income from continuing operations	1,578.0	1,308.0	1,327.0	1,120.0	1,103.0
Funds from operations (FFO)	2,703.4	2,141.3	2,457.7	2,591.2	2,338.1
Capital expenditures	2,720.2	1,967.0	1,542.5	1,642.9	1,389.2
Cash and short-term investments	0.0	0.0	0.0	96.0	616.0
Debt	19,842.1	13,615.2	13,700.0	16,627.4	15,146.4
Preferred stock	0.0	0.0	0.0	0.0	0.0
Equity	4,786.4	4,103.8	3,482.5	2,091.6	(383.4)
Debt and equity	24,628.5	17,719.0	17,182.5	18,719.0	14,763.0
Adjusted ratios					
EBIT interest coverage (x)	2.9	2.9	3.3	3.1	2.3
FFO int. cov. (x)	3.2	3.2	4.0	4.1	3.2
FFO/debt (%)	13.6	15.7	17.9	15.6	15.4
Discretionary cash flow/debt (%)	(4.8)	(4.1)	(14.6)	1.3	1.9
Net Cash Flow / Capex (%)	70.7	70.4	(15.8)	119.5	128.0
Debt/debt and equity (%)	80.6	76.8	79.7	88.8	102.6
Return on common equity (%)	30.8	32.5	45.3	63.6	90.1
Common dividend payout ratio (un-adj.) (%)	52.7	59.5	53.4	65.3	55.2

*Fully adjusted (including postretirement obligations). Excess cash and investments netted against debt.

Table 3

Reconciliation Of National Grid PLC Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. £)*

	--Fiscal year ended Mar. 31, 2008--								
National Grid PLC reported amounts									
	Debt	**Shareholders' equity**	**Operating income (before D&A)**	**Operating income (before D&A)**	**Operating income (after D&A)**	**Interest expense**	**Cash flow from operations**	**Cash flow from operations**	**Capital expenditures**
Reported	21,003.0	5,362.0	3,958.0	3,958.0	2,964.0	993.0	3,165.0	3,165.0	2,832.0
Standard & Poor's adjustments									
Operating leases	531.1	--	81.5	33.1	33.1	33.1	48.4	48.4	7.2
Postretirement benefit obligations	466.0	(593.6)	88.0	88.0	88.0	--	291.2	291.2	--
Surplus cash and near cash investments	(2,158.0)	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	--	119.0	(119.0)	(119.0)	(119.0)

Table 3

Reconciliation Of National Grid PLC Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. £)*(cont.)

Share-based compensation expense	--	--	--	18.0	--	--	--	--	--
Reclassification of nonoperating income (expenses)	--	--	--	--	215.0	--	--	--	--
Reclassification of interest, dividend, and tax cash flows	--	--	--	--	--	--	(694.0)	(694.0)	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	155.0	--
Minority interests	--	18.0	--	--	--	--	--	--	--
Other	--	--	--	--	--	--	(143.3)	(143.3)	--
Total adjustments	(1,160.9)	(575.6)	169.5	139.1	336.1	152.1	(616.6)	(461.6)	(111.8)

Standard & Poor's adjusted amounts

	Debt	Equity	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Capital expenditures
Adjusted	19,842.1	4,786.4	4,127.5	4,097.1	3,300.1	1,145.1	2,548.4	2,703.4	2,720.2

*Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Ratings Detail (As Of August 26, 2008)*

Niagara Mohawk Power Corp.	
Corporate Credit Rating	A-/Stable/A-2
Preferred Stock (3 Issues)	BBB
Senior Secured (2 Issues)	AA/Negative
Senior Unsecured (3 Issues)	AA/Negative
Senior Unsecured (1 Issue)	BBB+
Corporate Credit Ratings History	
24-Aug-2007	A-/Stable/A-2
25-Jun-2007	A/Watch Neg/A-1
24-Feb-2006	A/Watch Neg/--
Debt Maturities	
(National Grid PLC) As of March 31, 2008: 2009: £1.2 bil. 2010: £710 mil. 2011: £0 2012: £215 mil.	

Ratings Detail (As Of August 26, 2008)*(cont.)

Related Entities	
KeySpan Corp.	
Issuer Credit Rating	A-/Stable/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured (1 Issue)	A
Senior Unsecured (7 Issues)	A-
KeySpan Energy Delivery Long Island	
Issuer Credit Rating	A/Stable/--
KeySpan Energy Delivery New York	
Issuer Credit Rating	A/Stable/NR
Senior Secured (3 Issues)	AA/Negative
Senior Unsecured (6 Issues)	A
Senior Unsecured (1 Issue)	AAA
KeySpan Generation LLC	
Issuer Credit Rating	A-/Stable/--
Senior Unsecured (1 Issue)	AA/Negative
Lattice Group PLC	
Issuer Credit Rating	A-/Stable/--
Massachusetts Electric Co.	
Issuer Credit Rating	A-/Stable/A-2
Preferred Stock (1 Issue)	BBB
Senior Secured (1 Issue)	AA/Negative
Senior Unsecured (4 Issues)	A-/A-2
Senior Unsecured (1 Issue)	NR/NR
Narragansett Electric Co.	
Issuer Credit Rating	A-/Stable/A-2
Preferred Stock (1 Issue)	BBB
Senior Secured (1 Issue)	AA/Negative
National Grid Electricity Transmission PLC	
Issuer Credit Rating	A-/Stable/A-2
Commercial Paper	
Foreign Currency	A-2
Senior Unsecured (21 Issues)	A-
Senior Unsecured (2 Issues)	AA/Negative
Senior Unsecured (1 Issue)	BBB+
National Grid Gas Holdings PLC	
Issuer Credit Rating	A-/Stable/--
National Grid Gas PLC	
Issuer Credit Rating	A-/Stable/A-2
Senior Unsecured (41 Issues)	A-
National Grid Holdings One PLC	
Issuer Credit Rating	A-/Stable/A-2
Senior Unsecured (1 Issue)	BBB+

Ratings Detail (As Of August 26, 2008)*(cont.)	
National Grid PLC	
Issuer Credit Rating	A-/Stable/A-2
Commercial Paper	
Foreign Currency	A-2
Senior Unsecured (15 Issues)	BBB+
National Grid USA	
Issuer Credit Rating	A-/Stable/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured (3 Issues)	BBB+
New England Power Co.	
Issuer Credit Rating	A-/Stable/A-2
Preferred Stock (1 Issue)	BBB
Senior Unsecured (4 Issues)	A-/A-2
Providence Gas Co.	
Senior Secured (2 Issues)	A

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

Moody's Investors Service

Credit Opinion: Niagara Mohawk Power Corporation

Niagara Mohawk Power Corporation

Syracuse, New York, United States

Ratings

Category	Moody's Rating
Outlook	Negative
Issuer Rating	A3
Senior Secured	A2
Senior Unsecured	A3
Preferred Stock	Baa2
Ult Parent: National Grid Plc	
Outlook	Negative
Issuer Rating	Baa1
Senior Unsecured	Baa1
Commercial Paper	P-2
Other Short Term	P-2
Parent: National Grid USA	
Outlook	Negative
Issuer Rating	A3
Senior Unsecured	A3
Commercial Paper	P-2

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Key Indicators

[1]
Niagara Mohawk Power Corporation

	FY 2Q 08	FY 2007	FY 2006	FY 2005
(CFO Pre-W/C + Interest) / Interest Expense	4.9	5.5	4.4	4.5
(CFO Pre-W/C) / Debt	27%	31%	21%	22%
(CFO Pre-W/C - Dividends) / Debt	27%	31%	21%	22%
(CFO Pre-W/C - Dividends) / Capex	244%	306%	316%	361%
Debt / Book Capitalization	36%	37%	42%	46%
EBITA Margin %	23%	24%	24%	25%

[1] All ratios calculated in accordance with the Global Regulated Electric Utilities Rating Methodology using Moody's standard adjustments

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Company Profile

Niagara Mohawk Power Corporation (NiMo), is a wholly-owned subsidiary of National Grid USA, which is the United States-based intermediate level holding company for the U.S. regulated utility businesses ultimately owned by National Grid plc, a holding company headquartered in the United Kingdom (UK) for a range of largely regulated businesses in the U.S. and the UK.

NiMo provides electric transmission and distribution (T&D) service to about 1.6 million customers in 669 communities in upstate New York and delivers natural gas to about 569,000 customers in 197 communities in eastern, northern, and central New York. For the fiscal year ended March 31, 2007, NiMo accounted for about 51% of National Grid USA's revenues, 57% of its operating income and 57% of its total assets. NiMo's retail rates are subject to the jurisdiction of the New York Public Service Commission (NYPSC).

Recent Events

Effective January 31, 2008, Moody's affirmed all of the ratings of National Grid plc and its rated subsidiaries but changed the rating outlooks for all the companies to negative from stable. The change in rating outlooks was in response to the announcement by National Grid plc that it will increase its dividend for the 2007/08 financial year by 15% over the 2006/07 dividend. Moody's had previously indicated that following the completion of the KeySpan acquisition in August 2007, the anticipated financial profile would leave the National Grid family with limited financial flexibility. Moody's believes that National Grid's decision to significantly step up its dividend increases the risk that the group fails to achieve the minimum credit metrics seen as consistent with the current ratings (consolidated ratio of RCF to Net Debt of 9% and FFO Interest Cover of 3.0x).

Due to the significant financial and operational interdependencies that exist within the National Grid family of companies, the negative rating outlook has been incorporated for all the rated subsidiaries within the group. Moody's view also takes into account the timing of the dividend increase which is only a few months following the completion of a major acquisition (KeySpan Corporation) which left ratings weakly positioned along with potential execution risk at a time when the group intends to undertake large capital expenditure and debt raising programs. Moody's believes that the decision to adopt a more shareholder-friendly measure at the expense of financial flexibility may signal a shift towards more aggressive financial policies.

Rating Rationale

NiMo's ratings reflect Moody's collective assessment of several key factors, including its favorable business and operating risk profile which we consider typical of some A-rated T&D utilities; the strong degree of supportiveness provided by the NYPSC which has allowed NiMo to institute a performance-based rate (PBR) plan that provides a means for the utility to receive cash recovery of its significant regulatory assets; consistent key financial metrics that are also typical of A-rated electric T&D utility peers; and a liquidity position that is viewed as sufficient but more consistent with the Baa category as NiMo has historically supplemented its internally generated cash flow by being an active borrower under the National Grid USA money pool. The quality of alternate liquidity could be improved upon, in our opinion, by arranging for more substantial committed standalone multi-year bank credit facilities not burdened by a material adverse change clause.

Using the Moody's Rating Methodology for Global Regulated Electric Utilities in concert to some degree with the Rating Methodology for European Complex Holding Company Structures as a framework, the key drivers influencing NiMo's rating and outlook are:

BUSINESS, OPERATING, AND REGULATORY RISK PROFILES

NiMo's business activities are entirely focused on the transmission and distribution of electricity and delivery of natural gas, which contributes to its generally low business risk profile. Since divesting its generation assets, NiMo has been recovering the significant regulatory assets created by the sales under the terms provided by the ten-year merger rate plan. In particular, the rate plan has provided for accelerated amortization of the regulatory assets in recent years, which is apparent in the favorable trend noted for key credit metrics (see Financial Metrics below for more specifics). Also, NiMo is able to retain a portion of excess earnings above the allowed 10.6% return on equity as defined in the agreement.

Meanwhile, NiMo retains the provider of last resort (POLR) role for its electric customers and has been comfortably meeting this responsibility by purchasing power under long-term purchase power agreements (PPAs) and other open market purchases through the New York Independent System Operator. The arrangements with the NYPSC have been providing for generally timely and virtually full recovery of the costs associated with serving as the POLR. This is a heavily weighted consideration in our overall assessment of the supportiveness of the regulatory environment (SRE) in New York, leading to the current SRE 2 ranking on a scale of 1 through 4, with 1 being most supportive and so on down with 4 being least supportive. Since commodity prices can tend to be volatile at times, any shift by the NYPSC to restrict timely and full recovery of these costs could contribute to weaker financial results and downward rating pressure.

Although revenues generated by delivery of natural gas comprised only 15% of NiMo's consolidated revenues for the 12-months ended March 31, 2007, it is still important for NiMo to maintain sufficient access to the lowest possible cost supplies in fulfilling its responsibility to meet gas demands of retail customers in its franchise service territory. The company has done reasonably well in this regard, thanks in part to the multiple points of direct connections with interstate pipelines, including 19 with Dominion Transmission, Inc., two with Iroquois Gas Transmission, and one each with Tennessee Gas Pipeline and Empire State Pipeline (intrastate).

FINANCIAL METRICS

Thanks to profitable utility operations and cash recovery through accelerated amortization of regulatory assets under the ten-year rate plan, a healthy level of positive free cash flow has been the norm for NiMo for the past three years. NiMo has used this cash to achieve significant reduction in the utility's gross debt level, which has contributed to corresponding favorable improvements in key credit metrics such as the extent to which cash flow from operations (exclusive of changes in working capital) covers interest and debt, and the level of adjusted debt as a percentage of total capitalization. For the 12 months ended September 30, 2007, NiMo's cash flow from operations (exclusive of changes in working capital) covered its interest and debt by 4.9x and 26.8%, respectively. Also, as of September 30, 2007, NiMo's adjusted debt to adjusted capitalization, calculated in accordance with Moody's Global Rating Methodology for Regulated Electric Utilities (i.e., including non-current deferred income taxes as part of total capitalization) was 36.4%. These levels are typical of some utility companies carrying at least an A3 senior unsecured debt rating and were among the key factors we considered in the decision to upgrade NiMo's senior unsecured debt rating to A3 from Baa1 in November 2007. Against the backdrop of the higher dividend planned at National Grid plc, we will monitor dividend payments to National Grid USA, which undoubtedly will move further up the corporate family to help service acquisition related debt and the planned increase in dividends at National Grid plc, with a careful eye on NiMo's ability to sustain its currently healthy financial profile. At the same time, we will be wary of any unexpected change in support provided by the NYPSC.

Liquidity

Moody's believes that NiMo has adequate liquidity to meet its short-term cash needs over the next four quarters. NiMo maintains sufficient liquidity by supplementing its cash on hand and internally generated cash flow from operating activities with borrowings from other NG USA companies through the inter-company money pool. Cash management in the NG USA system is conducted through an inter-company pool, which serves as an investment vehicle for the participants' excess cash as well as a relatively inexpensive short-term liquidity reserve. The quality of alternate liquidity could, however, be improved upon, in our opinion, by arranging for more substantial committed standalone multi-year bank credit facilities not burdened by a material adverse change clause. Participating regulated utility subsidiary companies contribute their excess cash to the pool. The surplus cash invested in the pool is first used to meet the short-term borrowing needs of eligible subsidiaries. Companies borrowing from the pool pay rates approximately equal to their market rates for short-term debt. Any remaining cash is typically invested into securities rated Aa3 or better with an average duration of 30 days. As a measure of additional security, NG USA's parent, the UK-based National Grid plc, has the ability to increase the amount of cash in the pool through direct loans to NG USA. Alternatively, NG USA can also issue commercial paper and medium term notes in lieu of or to supplement direct loans from the UK parent.

NiMo has historically been a borrower under the money pool and we expect that trend to continue as the company moves ahead with its T&D utility strategies. At this stage, NiMo has no standalone bank credit facility. It does, however, have $100 million of sub-limit availability for letters of credit under a joint arrangement among NG USA and several other affiliates in the US, which expires November 29, 2009. The joint arrangement has a traditional material adverse change clause that does not apply beyond closing and does not contain any rating triggers that would result in any acceleration or put of obligations. The arrangement also contains a 65% maximum allowable debt level (as defined) that applies to NiMo. As of September 30, 2007 there was significant headroom versus the 65% level allowed for NiMo and we expect that to remain the norm for the foreseeable future.

As of September 30, 2007, NiMo had about $14.8 million of unrestricted cash on hand, while owing about $512.6 million to affiliates under the money pool and reporting no CPLTD. With regard to CPLTD, we note that NiMo has historically been repaying debt with positive free cash flow or otherwise refinancing with inter-company instead of third party debt. The next material long term debt maturity for NiMo is a $600 million debt issue, which is due October 1, 2008. We expect that NiMo will consider a variety of options to address this maturity, including either a loan from the ultimate parent or a standalone debt issue at the operating company level. In considering NiMo's near term calls on cash, we also note that the company has embarked on a Reliability Enhancement Program (REP), aimed at improving the utility's overall performance and reliability to enhance opportunities to achieve financial benefits under performance based regulation in place. Setting aside the impending maturity of long term debt, but taking into account spending for the REP, which could result in NiMo making capital expenditures near $400 million over the next four quarters, and anticipated dividends to be paid to National Grid USA, we anticipate that NiMo will still be cash flow positive, leaving it well positioned to further reduce its overall debt level.

Rating Outlook

The negative rating outlook for NiMo mirrors the negative rating outlook for its ultimate parent National Grid plc and all the other rated entities in the group, largely reflecting the recently announced plans by National Grid plc to increase its dividend for the 2007/08 financial year by 15% over the 2006/07 dividend. Although we expect that NiMo will continue to generate stable and predictable cash flow, the significant interdependencies that exist among the National Grid group of companies raises the specter that NiMo could be expected to contribute an even larger than originally anticipated dividend payout when compared to historical levels as management moves ahead with integration plans following the completion of the KeySpan acquisition and copes with the need to service the significant acquisition related debt at the ultimate parent, National Grid plc.

What Could Change the Rating - Up

Against the backdrop of a negative outlook and assuming some guidance under the Moody's Rating Methodology for Complex European Holding Company Structures, it is unlikely that the ratings for NiMo will go up in the near future, unless there is a change in view of the overall group rating for the National Grid plc family. However, the outlook for the ratings could stabilize if the financial pressures associated with the recent increase in dividends to be paid by the ultimate parent are less than our expectations, and the future financial profile of NiMo becomes extremely robust, similar to what has been exhibited historically by some of its affiliated utilities in the New England region. In addition, if further regulatory ring fencing is introduced that affords additional insulation from the potential need for cash elsewhere within the family, then there could be upward pressure on NiMo's ratings, albeit to the probable detriment of creditworthiness elsewhere within the National Grid family.

What Could Change the Rating - Down

NiMo's ratings could go down if there is a change to the overall group rating for National Grid plc or if there is significant change to the standalone financial metrics resulting from an increase in its dividend obligation. Ratings could also be pressured if National Grid plc decides to increase the leverage at the company as part of its further expansion in the US. For example, ratings could be pressured down if NiMo's coverage of interest and debt by cash flow from operations (exclusive of the effects of changes in working capital) falls below 3.5x and 22%, respectively, for a sustained period.