

# Niagara Mohawk Electric & Gas 2017 Rate Filing

Investor Relations | April 2017

*“This rate filing will enable Niagara Mohawk to make the necessary investments to meet our primary objective of providing safe and reliable electricity and gas networks for customers while also taking significant steps towards modernizing the energy infrastructure.”*

Ken Daly, National Grid President for New York

### National Grid and Niagara Mohawk

2015	Allowed RoE <sup>1</sup>	Achieved RoE
Electric	9.3%	8.1%
Gas	9.3%	8.4%

1. Adjudicated Equity/Debt: 48/52

- National Grid acquired Niagara Mohawk in 2002
- Upstate New York electric and gas transmission and distribution utility
- 1.6m electricity customers
- 0.6m gas customers
- 4,000 employees
- 85,000km electricity lines
- 14,000km gas pipeline
- Regulated by the New York Public Service Commission (NYPSC)

### Rate case history

**2013** Last rate case, a three-year agreement FY14-FY16

**Interim filings and approvals**

**2015** Two-year extension filing allows the company to freeze rates while investing \$1.3bn over FY17 and FY18 using deferred credits to customers

### National Grid promise to our customers

- Invest in infrastructure to provide safe and reliable service
- Help customers manage their energy usage
- Be part of the communities we serve

### Meeting our commitments . . . . . . since the last rate case agreement in 2013

- Capital investments of more than \$2bn to modernize the networks
- Completed major infrastructure projects
  - Asset reliability and reinforcement, customer driven investment, public policy projects
- Strong operational performance through severe weather events (including major snow and wind storms)
- Consistently met regulatory reliability metrics
- Delivered economic development and ground breaking emergency programmes
- Employed state of the art technology to drive efficiency

### Key elements of rate case

- National Grid to modernize the electric and gas networks to further enhance reliability and resiliency
- Programmes to improve customer service and assist the most vulnerable customers, promote economic growth and develop the energy infrastructure and technologies that support the demand of a modern energy system
- 1 year rate plan with two additional years of data creates the opportunity for a multi-year settlement to mitigate bill impact
- Additional electric revenue requirement of \$326m\*
- Additional gas revenue requirement of \$81m\*
- 9.79% ROE (plus 50 basis points stay out premium for a multi-year plan)
- Opportunities to earn performance incentives
- Capital investment of \$652m for electric and \$171m for gas
- Incremental O&M allowance of \$158m for electric and \$46m for gas, excluding pensions funding
- Maintain tracker and true-up mechanisms for property taxes, commodity related bad debt and pension/OPEB expenses
- Investments to modernize the grid and deploy advanced metering infrastructure (AMI)
- Enhanced customer outreach

\* Forecast will be updated based on updated information

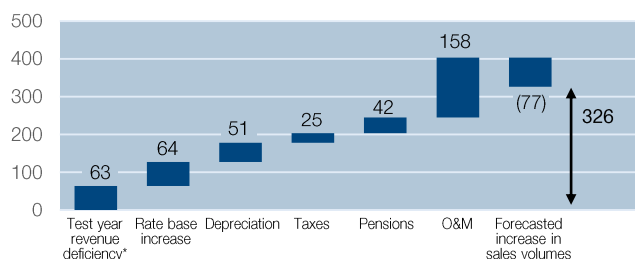
### Year-1 customer bill impact

- Electric:** Typical residential electric customers will see an average net bill increase of \$11.23 (13.9%) per month (delivery bill impact: 21.8%)
- Gas:** Typical residential gas customers will see an average net bill increase of \$10.38 (14.9%) per month (delivery bill impact: 24.8%)
- Proposing the use of customer credits to offset bill impact

## Financing assumptions

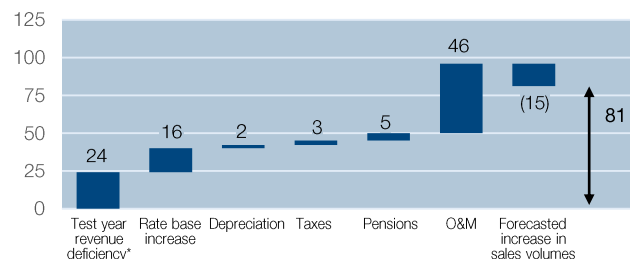
	Cost of equity	Cost of debt	Rate of return	Assumed equity capitalisation
Electric and Gas	9.79%	4.32%	6.93%	48%

### Electric year-1 revenue increase (\$m)



\* Includes deferral revenues not yet in rates

### Gas year-1 revenue increase (\$m)



\* Includes deferral revenues not yet in rates

### Electric capex and opex

#### Capex

- Capital investment of \$652m based on a three year plan of \$2.1bn
- Storm hardening projects
- Enhanced ability to accept increased distributed energy and green power
- Advanced metering infrastructure (AMI)
- Foundational investments in a smarter grid

#### Opex

- \$158m year-1 O&M increase reflects:
  - Larger capital programme
  - Increased vegetation management
  - Non-wires alternatives
  - Economic development
  - Enhanced customer outreach
  - Energy demonstration projects
  - Includes pass through costs for low income programmes (\$46m)

### Gas capex and opex

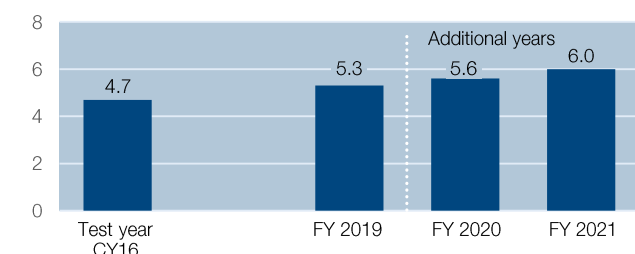
#### Capex

- Capital investment of \$171m based on a three year plan of \$627m
- Leak prone pipe replacement
- Replacement of non-pipe infrastructure
- Albany Loop Closure project

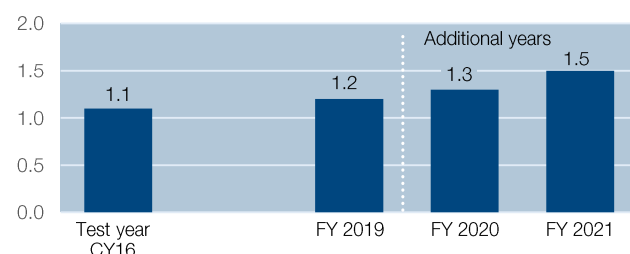
#### Opex

- \$46m year-1 O&M increase reflects:
  - Larger capital programme
  - Implement pipeline safety programme
  - New compliance requirements
  - Economic development
  - Enhanced customer outreach
  - Energy demonstration projects
  - Includes pass through costs for low income programmes (\$6m)

### Electric rate base forecast (\$bn)



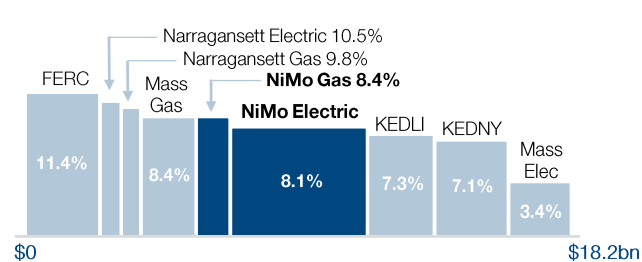
### Gas rate base forecast (\$bn)



### Timetable

<b>April 2017</b>	Proposal filed
<b>Late Summer / Early Fall 2017</b>	PSC initial response
<b>Early Fall 2017</b>	Hearings
<b>December 2017</b>	ALJ decision
<b>February / March 2018</b>	Commission order

### 2015 RoE/Rate base (\$m)



#### Important notice

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### Further information

#### Aarti Singhal

Director of Investor Relations  
T +44 (0) 20 7004 3170  
M+44 (0) 7989 492447  
[aarti.singhal@nationalgrid.com](mailto:aarti.singhal@nationalgrid.com)

#### David Brining

Senior Investor Relations Officer  
T +44 (0) 1926 656844  
M+44 (0) 7816 847918  
[david.brining@nationalgrid.com](mailto:david.brining@nationalgrid.com)

#### Mike Ioanilli

Investor Relations Officer  
T +1 (929) 324 4232  
M+1 (781) 405 5699  
[michael.ioanilli@nationalgrid.com](mailto:michael.ioanilli@nationalgrid.com)

#### Tom Edwards

Investor Relations Officer  
T +44 (0) 20 7004 3460  
M+44 (0) 7976 962791  
[tom.edwards@nationalgrid.com](mailto:tom.edwards@nationalgrid.com)

#### Caroline Dawson

Investor Relations Manager  
T +44 (0) 20 7004 3172  
M+44 (0) 7789 273241  
[caroline.dawson@nationalgrid.com](mailto:caroline.dawson@nationalgrid.com)

#### Richard Foster

Investor Relations Manager  
T +44 (0) 20 7004 3169  
M+44 (0) 7768 294017  
[richardfoster1@nationalgrid.com](mailto:richardfoster1@nationalgrid.com)



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@nationalgridR

#### National Grid plc

1-3 Strand  
London WC2N 5EH  
United Kingdom  
[www.nationalgrid.com](http://www.nationalgrid.com)