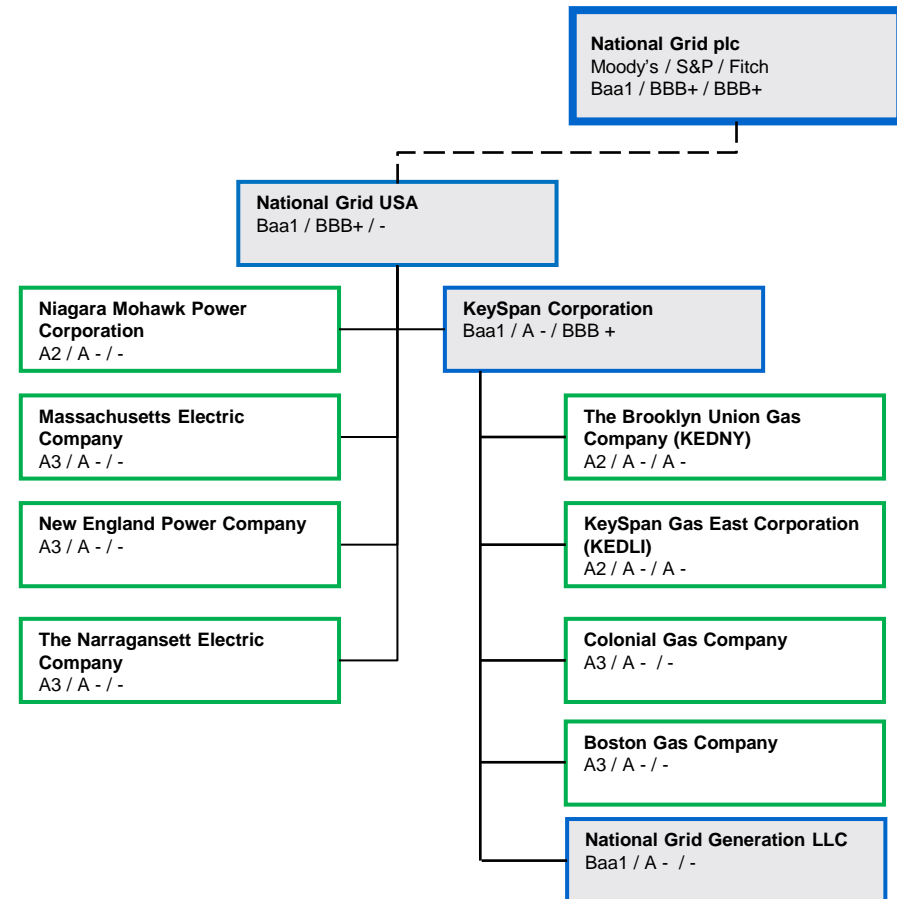


## National Grid US Operations – Credit Information Pack



## US Operations Long-term Debt Issuing Companies

- National Grid's US companies have several rated issuing entities. The large number is for regulatory transparency.
- The operating companies typically issue in USD 144A or private placement format
- KeySpan Corporation is a legacy holding company that will not issue new debt
- National Grid USA (NGUSA) has no long-term debt but does have active commercial paper programmes

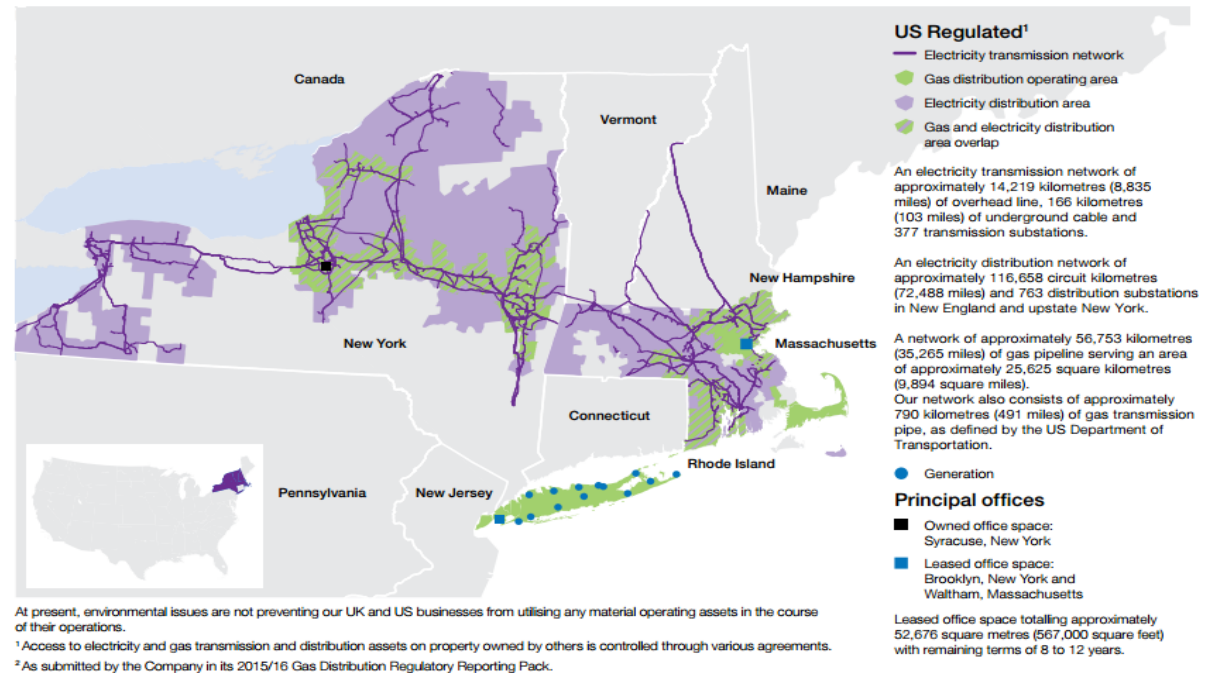


\* Ratings shown are senior unsecured long-term ratings, or issuer/corporate ratings where there is no senior unsecured rating.

# Our US Operations

- We both own and operate electricity transmission facilities across upstate New York, Massachusetts, New Hampshire, Rhode Island and Vermont
- We own and operate electricity distribution networks in upstate New York, Massachusetts and Rhode Island, serving approximately 3.4 million customers
- We own and operate gas distribution networks across the northeastern US, located in upstate New York, New York City, Long Island, Massachusetts and Rhode Island, serving approximately 3.6 million customers
- We jointly own and operate a 224km interconnector between New England and Canada
- We provide ~3.8GW of electricity generation In Long Island, New York under a long term power supply agreement with LIPA

## Our Network



## National Grid US Management Structure and Corporate Governance

---

- The National Grid US Board is responsible for the overall leadership of National Grid's US operations
- The Chairman of NG's US Board and President of NG's US business, Dean Seavers, also sits on the NG plc Board to represent the US business at Group level
- Some of the responsibilities of the NG's US Board include:
  - Approval of any major borrowing or lending by NGUSA
  - Approval of the five year US Group strategic plan and annual budget
  - Approval of major capital projects and regulatory matters within and affecting the US Group (in accordance with the Delegations of Authority)
  - Approval of significant changes to the US Group's management and control/corporate structure
  - Changes to the structure, size and composition of the NGUSA Board

## NG US Board of Directors



**Dean Seavers**  
President of NGUSA and  
Chairman of NGUSA's Board

Dean joined National Grid in 2014 as Executive Director and President of NGUSA. Dean has had a long career in industry, including leadership roles at GE, United Technologies, and Tyco. He led GE Security, a \$2 billion product and technology group, and he also led a \$4 billion global services portfolio for United Technologies. Dean graduated summa cum laude with a bachelor's in business from Kent State University and has an MBA from Stanford University.



**Therese Esperdy**  
Non-executive director NG plc and  
NGUSA

Therese was appointed to the NG Plc board in 2014 and the USA board in 2015. Having started her banking career at Lehman Brothers, Therese joined Chase Securities in 1997 and then held a variety of senior roles at JP Morgan Chase & Co. These included appointments as Head of US Debt Capital Markets and Global Head of Debt Capital Markets, co-head of Banking, Asia Pacific and Global Chairman of the Financial Institutions Group.



**Cheryl Warren**  
Innovation Strategist and Director,  
NGUSA

Cheri has held multiple leadership roles in her 15 years at National Grid, most recently as Innovation Strategist since 2015 but also SVP – Network Strategy for Gas and Electric, VP of Electric Network Strategy, and VP of Smart Grid. Cheri also worked in London as the Chief of Staff to the CEO for 2 years. Cheri holds a B.S degree in electrical engineering and a M.S degree in Engineering from Union College, with continuing executive education at the Wharton School, the London School of Business, and Harvard's Executive Education.



**Peggy Smyth**  
US CFO and Director, NGUSA

Peggy has been CFO of National Grid's US business since 2014. Prior to this Peggy has served as VP of Finance at Con Edison, CFO of a number of United Technologies Corp. Business Units and Chief Accounting Officer of 3M company. Peggy has a Bachelor's degree in Economics from Fordham University and a M.S in Accounting from the NYU Stern School of business.

## NGUSA's Regional Presidents

- National Grid's US operating companies are headed by regional presidents, creating a more locally focused organisation and allowing stronger relationships with the state regulators and the federal regulator



**Ken Daly**  
President and COO, New York

Ken joined National Grid's predecessor Brooklyn Union in 1988 before it became KeySpan. Ken worked for National Grid for two years in London as Global Financial Controller. Ken graduated from St. Francis College and has an MBA in Finance from St. Johns University and an MS in Human Resources Management from New York University



**Marcy Reed**  
President and COO,  
Massachusetts

Marcy joined National Grid over 25 years ago and has a wealth of experience within the company. Marcy has held positions in finance, merger integration and corporate affairs, as well as spending 3 years in London as Head of Investor Relations. Marcy has a Bachelor's in Economics from Dartmouth College and a Master's in Accounting from Northeastern University.



**Tim Horan**  
President and COO, Rhode Island

Tim has over 25 years experience working at National Grid. Tim has held various senior positions including: SVP of SHE and security, SVP of business and retail services and SVP of business services in Rhode Island.



**Rudy Wynter**  
President and COO, FERC

Rudy has over 25 years of experience in the utility industry. He has held a variety of senior roles in Customer Operations, Strategic Planning, Engineering and Operations. Prior to his current role he was SVP of US Shared Services. Rudy has a Bachelor's in Mechanical Engineering from Pratt Institute and an MBA from Fordham University.

## We are active in the Debt Capital Markets

- KEDLI, KEDNY and MECO issued more than \$2bn of US debt in 2016

ISIN	Pricing Date	Issuer	Ultimate Parent	Credit Rating Moody's / S&P/Fitch	Type	Amount (\$ m)	Coupon	Maturity
USU49143AB39	02-Aug-16	KeySpan Gas East Corporation (KEDLI)	National Grid PLC	A2 / A- / A-	Senior	700.0	2.742	15-Aug-26
USU57467AB55	02-Aug-16	Massachusetts Electric (MECO)	National Grid PLC	A3 / A- / -	Senior	500.0	4.004	15-Aug-46
USU11147AA02	07-Mar-16	Brooklyn Union Gas (KEDNY)	National Grid PLC	A2 / A- / A-	Senior	500.0	3.407	10-Mar-26
USU11147AB84	07-Mar-16	Brooklyn Union Gas (KEDNY)	National Grid PLC	A2 / A- / A-	Senior	500.0	4.504	10-Mar-46
					<b>Total</b>	<b>2,200</b>		

- Regular debt issues are a key part of our funding strategy in the US



## Our New York Based Companies

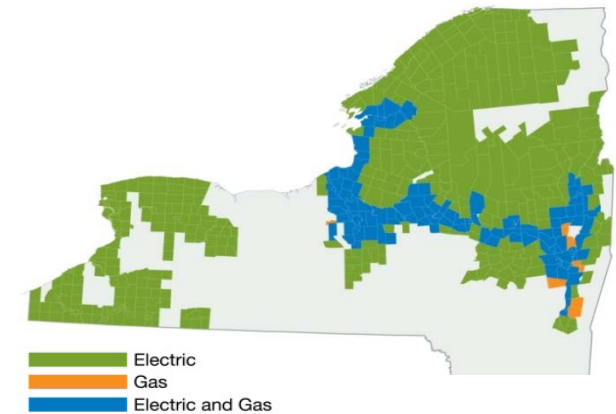




## Niagara Mohawk Power Corporation (NIMO)

# Niagara Mohawk Power A2 / A - / -

Niagara Mohawk Power Corporation (NIMO) is engaged principally in the regulated energy delivery business in New York State (“NYS”). The Company provides electric service to approximately 1.7 million customers in the areas of eastern, central, northern, and western New York and sells, distributes, and transports natural gas to approximately 0.6 million customers in the areas of central, northern, and eastern New York.

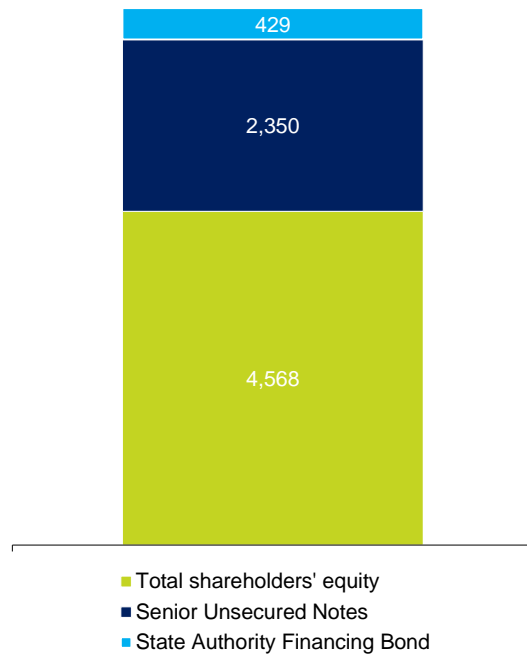


## NiMO Regulation Summary

<b>Regulator</b>	New York Public Service Commission	*Figures in brackets for 2017 rate filing
<b>Last rate filing</b>	2015 - extension of 2013 rate agreement	
<b>Next rate filing</b>	2017 (filed April, decision in March 2018)	
<b>Allowed ROE</b>	9.0% (9.79%)	
<b>Debt / Equity allowance</b>	52 / 48 (52 / 48)	
<b>Revenue decoupling</b>	In place	
<b>Capital Tracker</b>	\$1.3bn over FY17 and FY18 (\$2.7bn over 3 years)	
<b>True Up Mechanisms</b>	Variable rate debt costs, commodity related bad debt (partial), commodity pass through, pension/OPEB's, environmental remediation costs and property taxes	
<b>Other Attributes</b>	Rates set based on a fully forecasted rate year reducing regulatory lag, ring-fencing provisions imposed by NYSPC including special preferred share provision and requirement to hold an investment grade rating	

# Niagara Mohawk Power A2 / A - / -

Capital Structure as at 31<sup>st</sup>  
March 2016 (\$m)

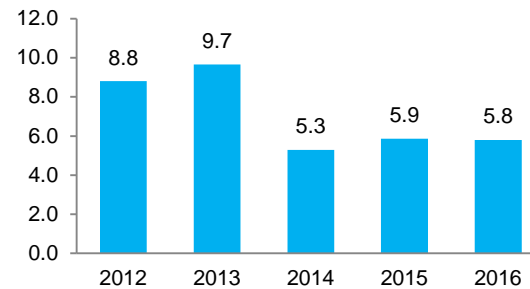


\*Capitalisation is \$7348m accounting for unamortised debt discount and current portion of long-term debt

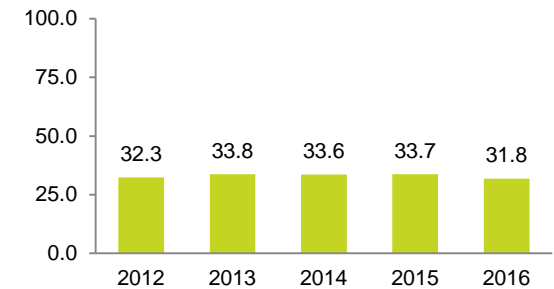
## Key Credit Ratios

NIMO rated using Moody's Regulated Electric and Gas Utilities methodology

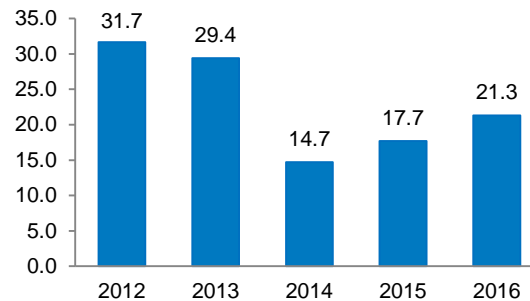
CFO pre-WC + Interest / Interest  
(x)



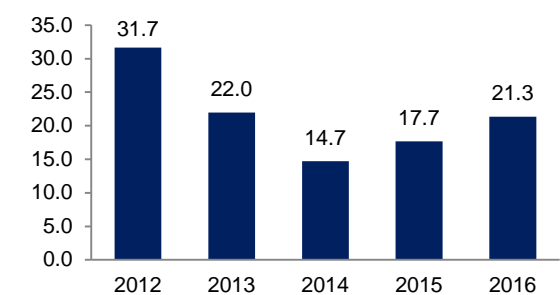
Debt / Capitalisation  
(%)



CFO pre-WC / Debt  
(%)



CFO pre-WC - Dividends / Debt  
(%)



\*Metrics are taken from Moody's report 10 November 2016.  
Metrics are calculated for FYs

- As at 31<sup>st</sup> March 2016 regulatory gearing at NiMO was 48%

# Niagara Mohawk Power

## A2 / A - / -

### Public Debt Profile as at 1<sup>st</sup> May 2017

ISIN / CUSIP	Pricing Date	Credit Rating Moody's / S&P	Type*	Amount (\$ m)	Coupon	Maturity
US65364UAA43	03-Aug-09	A2 / A-	Senior (144A)	750.0	4.881	15-Aug-19
US65364UAB26	20-Nov-12	A2 / A-	Senior (144A)	300.0	2.721	28-Nov-22
649845FE9	28-Dec-88	- / A	Pollution Control Revenue	69.8	7 Day Auction	01-Dec-23
USU65354AF68	22-Sep-14	A2 / A-	Senior (144A)	500.0	3.508	01-Oct-24
649845FT6	26-Dec-85	Aa3 / A	Pollution Control Revenue	37.5	7 Day Auction	01-Dec-25
649845FU3	26-Dec-85	Aa3 / A	Pollution Control Revenue	37.5	7 Day Auction	01-Dec-25
649845FS8	18-Dec-86	Aa3 / -	Pollution Control Revenue	50.0	35 Day Auction	01-Dec-26
649845FV1	26-Mar-87	Aa3 / A	Pollution Control Revenue	25.8	35 Day Auction	01-Mar-27
649845FK5	16-Jul-87	Aa3 / A	Pollution Control Revenue	68.2	35 Day Auction	01-Jul-27
649845FM1	16-Jul-87	Aa3 / A	Pollution Control Revenue	25.0	35 Day Auction	01-Jul-27
649845GA6	27-May-04	Aa3 / A	Pollution Control Revenue	115.7	7 Day Auction	01-Jul-29
USU65354AE93	22-Sep-14	A2 / A-	Senior (144A)	400.0	4.278	01-Oct-34
US65364UAE64	20-Nov-12	A2 / A-	Senior (144A)	400.0	4.119	28-Nov-42

\*Pollution Control Revenue bonds are in Auction Rate Security mode

### Credit Rating Agency Comments

“NiMo's A2 senior unsecured rating reflects the low business risk of its transmission and distribution businesses and the supportive New York regulatory environment

Moody's 10 November 2016

”

“Rating is underpinned by our view that the overall regulatory environment for utilities in New York has steadily improved over the past few years and is expected to remain relatively transparent, stable and predictable. Recent rate case settlements have allowed rates to increase and included credit-positive provisions to reduce delay and uncertainty around cost recovery.

Moody's 10 November 2016

”

“We assess Niagara Mohawk's business risk profile as excellent, reflecting the company's regulated utility operations under a generally constructive regulatory framework, its large service territory that demonstrates no meaningful growth, and its low-operating-risk transmission and distributions operations for electricity and natural gas.

S&P 26 August 2016

”

## Brooklyn Union Gas Company (KEDNY)

# Brooklyn Union Gas Company (KEDNY)

## A2 / A - / A-

Brooklyn Union Gas Company (KEDNY) distributes natural gas to approximately 994,000 retail customers and transports natural gas to approximately 249,000 customers in the boroughs of Brooklyn and Staten Island and two-thirds of the borough of Queens, all in New York City.



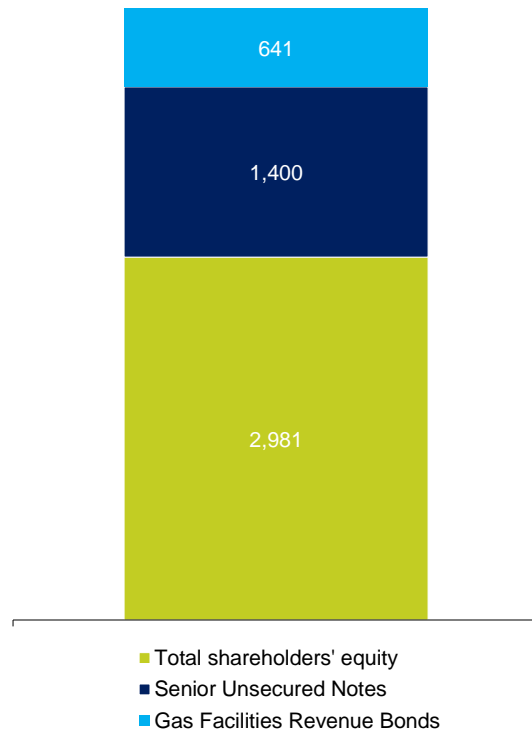
### KEDNY Regulation Summary

<b>Regulator</b>	New York Public Service Commission
<b>Last rate filing</b>	2016
<b>Next rate filing</b>	2019
<b>Allowed ROE</b>	9.0%
<b>Debt / Equity allowance</b>	52 / 48
<b>Revenue decoupling</b>	In place
<b>Capital Tracker</b>	Capital investment of \$1.9bn over 3 years
<b>True Up Mechanisms</b>	Commodity related bad-debt (partial), pension/OPEB's, environmental remediation costs, property taxes, certain mandated capital expenditures and variable rate debt costs
<b>Other Attributes</b>	Rates set based on a fully forecasted rate year reducing regulatory lag, opportunities to earn performance incentives for outperforming targets in key areas including leak prone pipe replacement and leak repairs, explicit leverage and dividend restrictions plus a 'golden share' arrangement that reduces the probability of bankruptcy in a distressed situation

# Brooklyn Union Gas Company (KEDNY)

## A2 / A - / A-

Capital Structure as at 31<sup>st</sup> March 2016 (\$m)

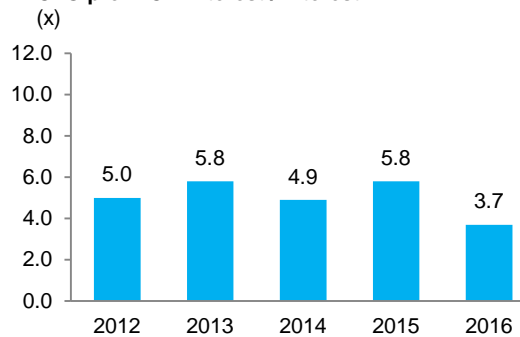


\*Capitalisation is \$4205m accounting for unamortized debt discount and current portion of long-term debt

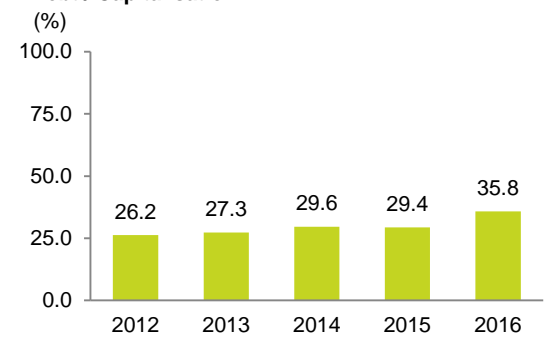
### Key Credit Ratios

KEDNY rated using Moody's Regulated Electric and Gas Utilities methodology

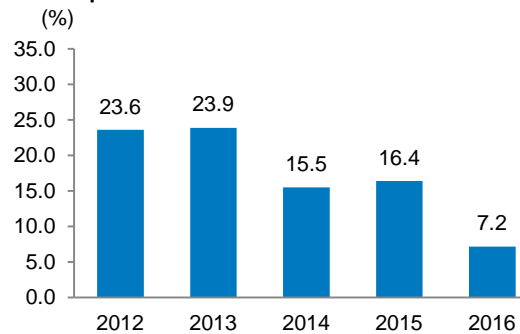
CFO pre-WC + Interest / Interest



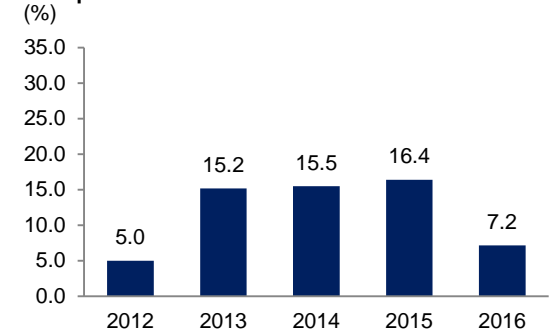
Debt / Capitalisation



CFO pre-WC / Debt



CFO pre-WC - Dividends / Debt



\*Metrics are taken from Moody's report 20 April 2016, except 2012 and 2016 which are taken from files sent by Moody's, these are expected to be published in due course. Metrics are calculated for FYs

- As at 31<sup>st</sup> March 2016 regulatory gearing at KEDNY was 48%



# Brooklyn Union Gas Company (KEDNY)

## A2 / A - / A-

Public Debt Profile as at 1<sup>st</sup> May 2017

ISIN / CUSIP	Pricing Date	Credit Rating Moody's / S&P/Fitch	Type*	Amount (\$ m)	Coupon	Maturity
649842BN0	16-Jan-97	A2 / AA- / -	Gas Facilities Revenue	50.0	7 Day Auction	01-Dec-20
649842BM2	16-Jan-97	A2 / AA- / -	Gas Facilities Revenue	75.0	7 Day Auction	01-Dec-20
649842CD1	01-Nov-05	A2 / A- / -	Gas Facilities Revenue	55.0	7 Day Auction	01-Jun-25
USU11147AA02	07-Mar-16	A2 / A- / A-	Senior (144A)	500.0	3.407	10-Mar-26
649842CE9	31-Jul-91	A2 / - / -	Gas Facilities Revenue	50.0	7 Day Auction	01-Jul-26
USU11147AB84	07-Mar-16	A2 / A- / A-	Senior (144A)	500.0	4.504	10-Mar-46

\*Pollution Control Revenue bonds are in Auction Rate Security mode

### Credit Rating Agency Comments

“Low-Risk Business Profile: BUG’s natural gas distribution business provides relatively stable earnings and cash flows. The company benefits from rate design features that include forward-looking test years, revenue decoupling and weather normalization, a purchased gas adjustment (PGA) clause and trackers for large operating expenses.

Fitch 29 April 2016

”

“BUG’s rating is underpinned by our view that the overall regulatory environment for US utilities in New York, and the US more generally, has steadily improved over the past few years and is expected to remain transparent, stable and predictable going forwards. Recent rate case settlements have allowed rates to increase as included de-risking provisions such as timely cost recovery, forward-looking test years for operating expenditure and revenue

Moody’s 20 April 2016

”

“We assess Brooklyn Union Gas’ business risk profile as excellent, reflecting the company’s low operating risk regulated gas distribution operations in the U.S., large customer base (more than one million customers) over a service territory that lacks geographic and operating diversity,

S&P 26 August 2016

”

# Keyspan Gas East Corporation (KEDLI)

# Keyspan Gas East Corporation (KEDLI)

## A2 / A - / A-

KeySpan Gas East Corporation (KEDLI) distributes natural gas to approximately 517,000 retail customers and transports natural gas to approximately 64,000 customers in Nassau and Suffolk Counties in Long Island, New York and the Rockaway Peninsula in Queens, New York.



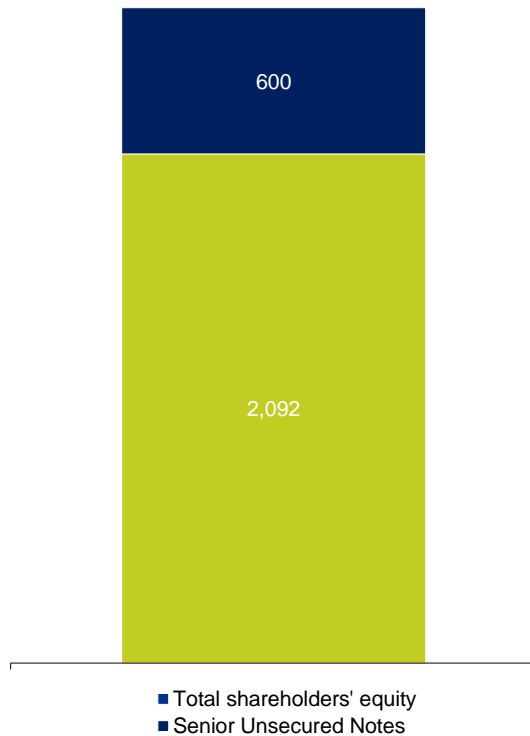
### KEDLI Regulation Summary

<b>Regulator</b>	New York Public Service Commission
<b>Last rate filing</b>	2016
<b>Next rate filing</b>	2019
<b>Allowed ROE</b>	9.0%
<b>Debt / Equity allowance</b>	52 / 48
<b>Revenue decoupling</b>	In place
<b>Capital Tracker</b>	Capital investment of \$1.1bn over 3 years
<b>True Up Mechanisms</b>	Commodity related bad-debt (partial) and pension/OPEB's, environmental remediation costs, property taxes and certain mandated capital expenditures
<b>Other Attributes</b>	Rates set based on a fully forecasted rate year reducing regulatory lag, opportunities to earn performance incentives for outperforming targets in key areas including leak prone pipe replacement and leak repairs, explicit leverage and dividend restrictions plus a 'golden share' arrangement that reduces the probability of bankruptcy in a distressed situation

# Keyspan Gas East Corporation (KEDLI)

## A2 / A - / A-

Capital Structure as at 31<sup>st</sup> March 2016 (\$m)

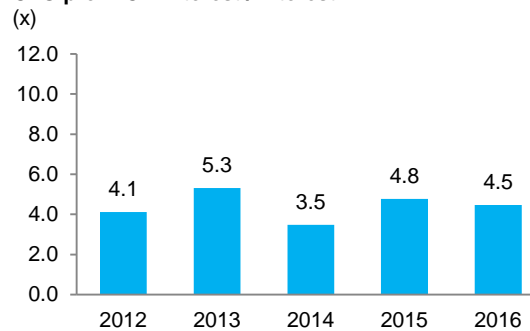


\*Capitalisation is \$2592m accounting for current portion of long-term debt

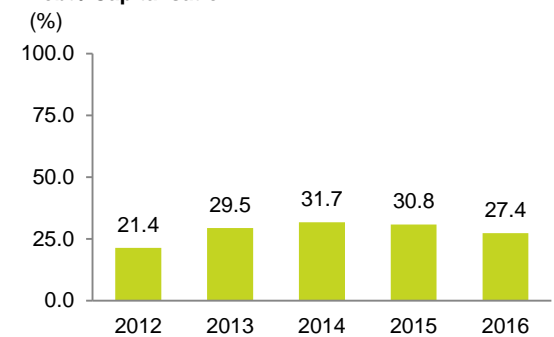
### Key Credit Ratios

KEDLI rated using Moody's Regulated Electric and Gas Utilities methodology

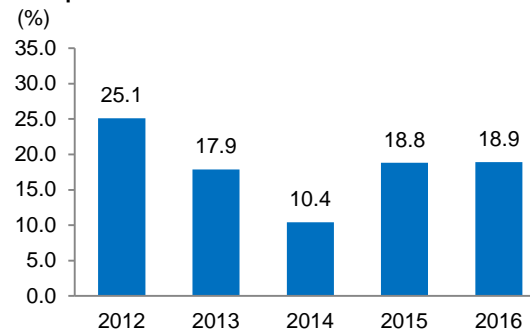
CFO pre-WC + Interest / Interest



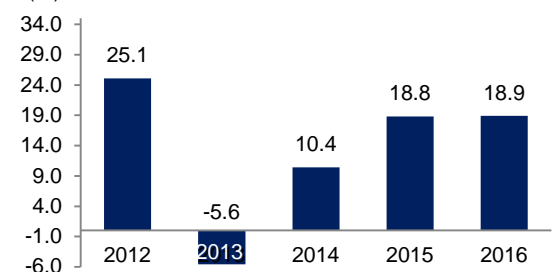
Debt / Capitalisation



CFO pre-WC / Debt



CFO pre-WC - Dividends / Debt



\*Metrics are taken from Moody's report 27 April 2016, except 2016 which are taken from files sent by Moody's, these are expected to be published in due course. Metrics are calculated for FYs

- As at 31<sup>st</sup> March 2016 regulatory gearing at KEDLI was 40%

# Keyspan Gas East Corporation (KEDLI)

## A2 / A - / A-

### Public Debt Profile as at 1<sup>st</sup> May 2017

ISIN	Pricing Date	Credit Rating Moody's / S&P/Fitch	Type	Amount (\$ m)	Coupon	Maturity
USU49143AB39	02-Aug-16	A2 / A- / A-	Senior (144A)	700.0	2.742	15-Aug-26
US49338CAA18	28-Mar-11	A2 / A- / A-	Senior (144A)	500.0	5.819	01-April-41

### Credit Rating Agency Comments

“ *Low-Risk Business Profile: KGE’s natural gas distribution business provides relatively stable earnings and cash flows. The company benefits from rate design features that include forward-looking test years, revenue decoupling and weather normalization, a purchased gas adjustment (PGA) clause, and trackers for large operating expenses.* ”

Fitch 29 April 2016

“ *KEDLI's A2 senior unsecured rating reflects: (1) a supportive regulatory environment in New York, where a wide variety of de-risking provisions for utilities have been included in recent rate cases, e.g. reduced regulatory lag, environmental true-ups and revenue decoupling; (2) additional creditor protection from various regulatory ring-fencing provisions, e.g. explicit leverage and dividend restrictions plus a 'golden share' arrangement that reduces the probability of bankruptcy in a distressed situation; (3) low business risk associated with LDC operations providing cash flow stability; and (4) a large and growing customer base* ”

Moody's 27 April 2016

“ *We assess Keyspan Gas East's business risk profile as excellent, which reflects the company's low-operating-risk regulated gas distribution operations in the U.S., the somewhat small service territory with about 560,000 customers that lacks geographic and operating diversity, a predominately residential and commercial customer base (which tends to have more stable and predictable usage patterns), and a generally constructive regulatory framework.* ”

S&P 26 August 2016

## Our Massachusetts Based Companies



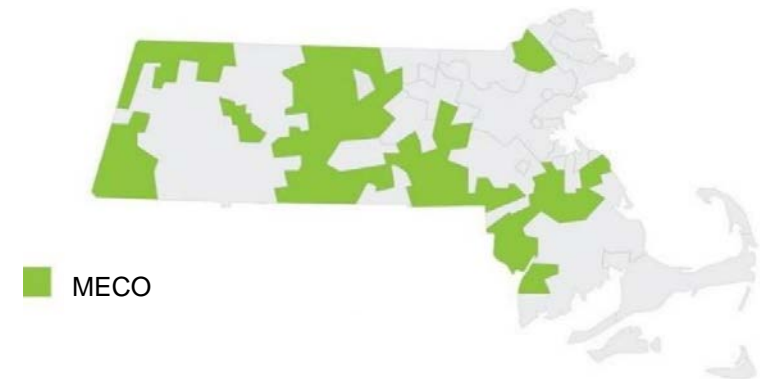
# Massachusetts Electric Company (MECO)



# Massachusetts Electric Company

## A3 / A - / -

Massachusetts Electric Company (MECO) is an electric retail distribution company providing electric service to approximately 1.3 million customers in 171 cities and towns in Massachusetts. The company is based in Waltham, Massachusetts.



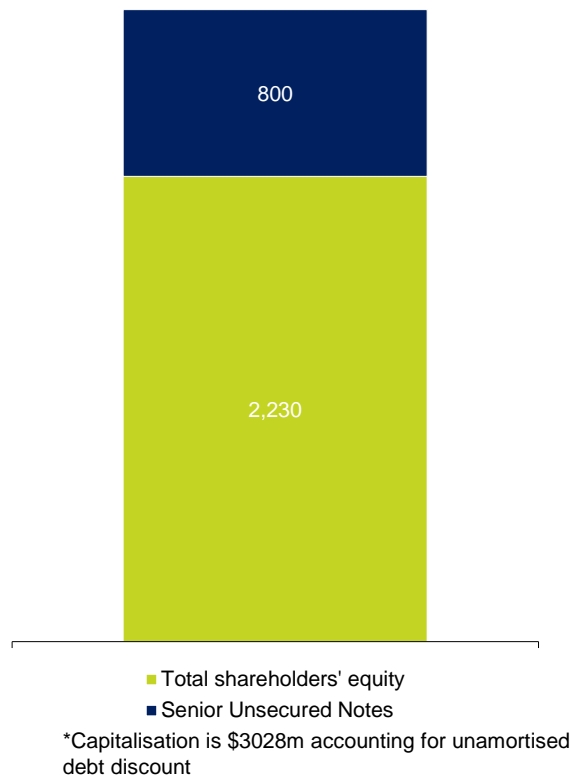
### MECO Regulation Summary

<b>Regulator</b>	Massachusetts Department of Public Utilities
<b>Last rate filing</b>	2016
<b>Next rate filing</b>	2018 / 2019
<b>Allowed ROE</b>	9.9%
<b>Debt / Equity allowance</b>	49 / 51
<b>Revenue decoupling</b>	In place
<b>Capital Tracker</b>	Annual capex investment tracker increased to \$249m from \$170m
<b>True Up Mechanisms</b>	Commodity related bad debt and pension OPEB
<b>Other Attributes</b>	Increase of \$58m in Opex to \$404m per rate year. Allowed collection of property taxes on capital investments, recovery of system costs for new energy and outage management systems, rate base updated to include all previously unremunerated investments

# Massachusetts Electric Company

## A3 / A - / -

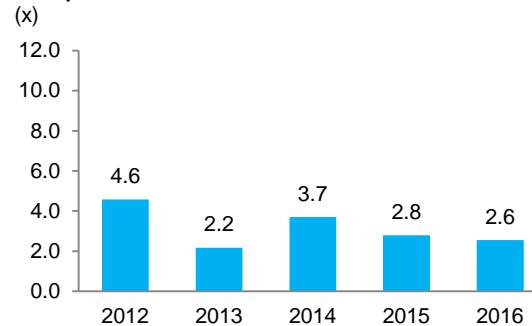
Capital Structure as at 31<sup>st</sup> March 2016 (\$m)



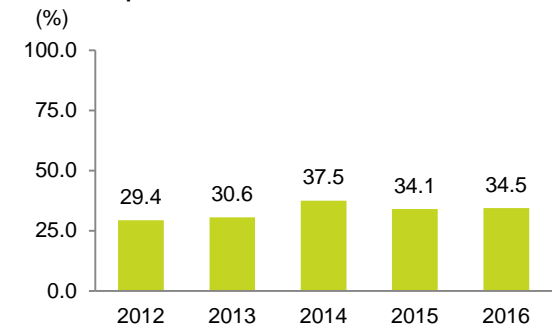
### Key Credit Ratios

MECO rated using Moody's Regulated Electric and Gas Utilities methodology

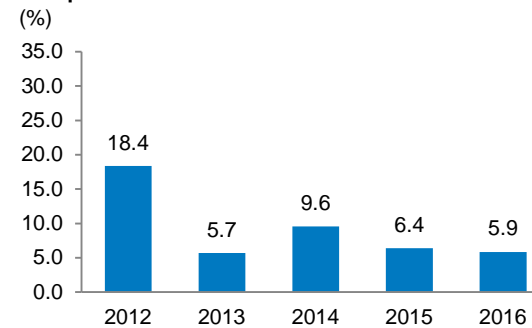
CFO pre-WC + Interest / Interest (x)



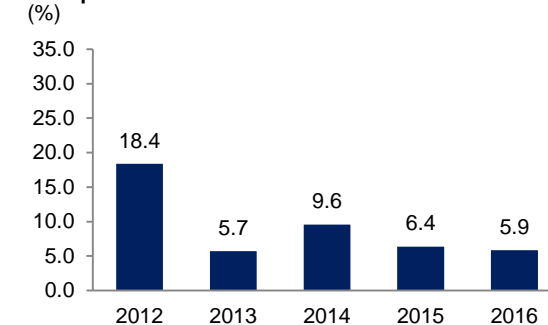
Debt / Capitalisation (%)



CFO pre-WC / Debt (%)



CFO pre-WC - Dividends / Debt (%)



- As at 31<sup>st</sup> March 2016 regulatory gearing at MECO was 37%

\*Metrics are taken from Moody's report 18 August 2016. Metrics are calculated for FYs

# Massachusetts Electric Company

## A3 / A - / -

Public Debt Profile as at 1<sup>st</sup> May 2017

ISIN	Pricing Date	Credit Rating Moody's / S&P	Type	Amount (\$ m)	Coupon	Maturity
US575634AS94	10-Nov-09	A3 / A-	Senior (144A)	800.0	5.900	15-Nov-39
USU57467AB55	02-Aug-16	A3 / A-	Senior (144A)	500.0	4.004	15-Aug-46

### Credit Rating Agency Comments

“A3 senior unsecured rating reflects (1) a generally supportive regulatory environment in Massachusetts, where a wide variety of de-risking provisions for regulated utilities have been included in recent rate cases

Moody's 18 August 2016

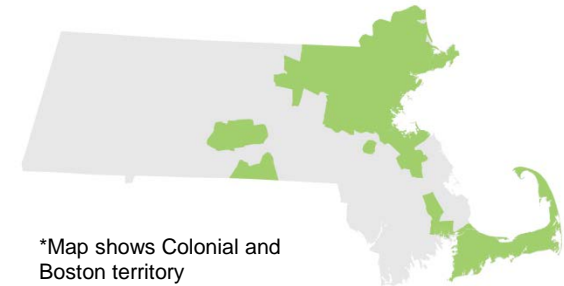
”

## Colonial Gas Company (COL)

# Colonial Gas Company

## A3 / A - / -

Colonial Gas Company is a gas distribution company engaged in the transportation and sale of natural gas to approximately 210,000 residential, commercial and industrial customers in northwest Boston and Cape Cod, Massachusetts.



\*Map shows Colonial and Boston territory

### COL Regulation Summary

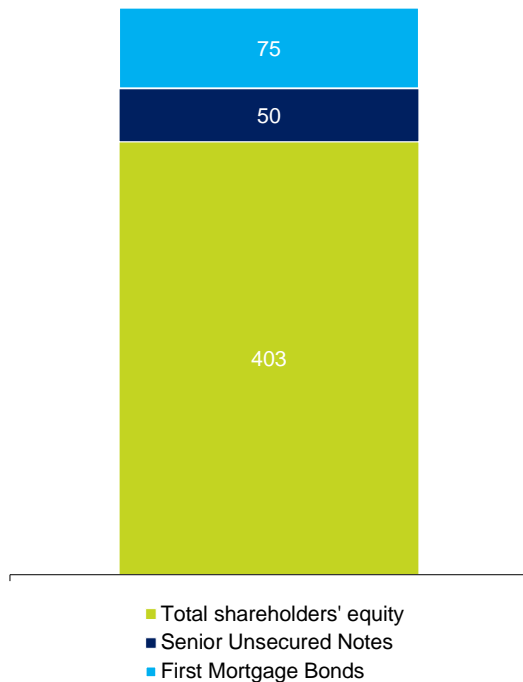
<b>Regulator</b>	Massachusetts Department of Public Utilities
<b>Last rate filing</b>	2010
<b>Next rate filing</b>	Late 2017
<b>Allowed ROE</b>	9.75%
<b>Debt / Equity allowance</b>	50 / 50
<b>Revenue decoupling</b>	In place
<b>Capital Tracker</b>	In place (partial)
<b>True Up Mechanisms</b>	Commodity related bad debt and pension/OPEB

**Other Attributes** Local distribution adjustment clauses allow for recovery of some costs associated with environmental and efficiency programmes, cost of gas adjustments allow pass-through of incurred commodity costs

# Colonial Gas Company

## A3 / A - / -

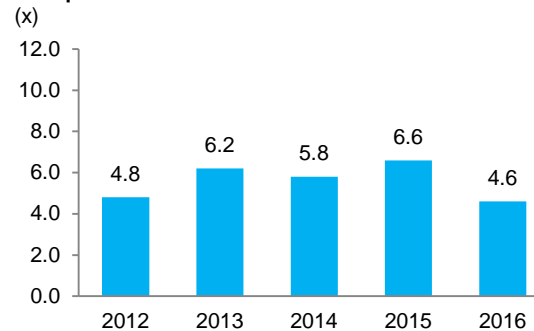
Capital Structure as at 31<sup>st</sup> March 2016 (\$m)



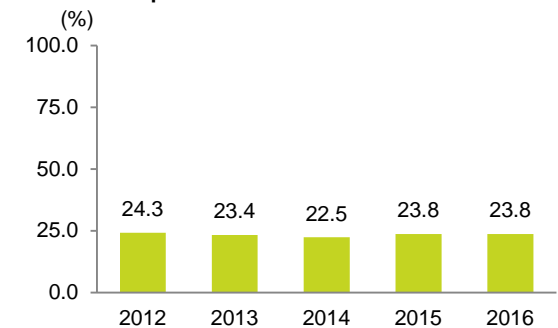
### Key Credit Ratios

COLG rated using Moody's Regulated Electric and Gas Utilities methodology

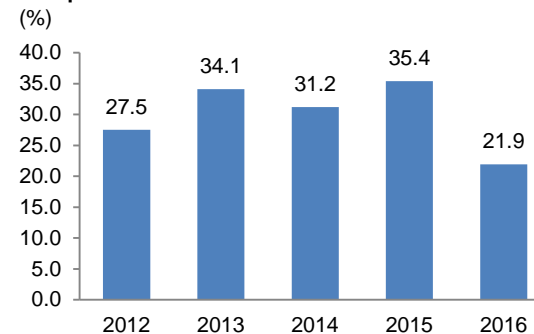
CFO pre-WC + Interest / Interest (x)



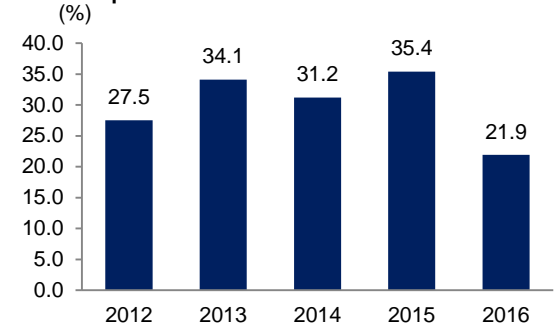
Debt / Capitalisation (%)



CFO pre-WC / Debt (%)



CFO pre-WC - Dividends / Debt (%)



- As at 31<sup>st</sup> March 2016 regulatory gearing at COL was 36%

\*Metrics are taken from Moody's report 05 April 2017. Metrics are calculated for FYs

# Colonial Gas Company

## A3 / A - / -

### Private Placements and Public Debt Profile as at 1<sup>st</sup> May 2017

ISIN	Pricing Date	Credit Rating Moody's / S&P	Type	Amount (\$ m)	Coupon	Maturity
N/A	06-Mar-12	A3 / A-	Senior	25.0	3.300	15-Mar-22
N/A	27-Jun-92	A3 / A-	First Mortgage	25.0	8.80	01-Jul-22
US19567PAA75	06-Oct-95	A3 / A-	First Mortgage	10.0	7.380	14-Oct-25
US19567PAB58	12-Dec-95	A3 / A-	First Mortgage	10.0	6.900	15-Dec-25
US19567PAC32	31-Jan-96	A3 / A-	First Mortgage	10.0	6.940	05-Feb-26
US19567PAH29	31-Mar-98	A3 / A-	First Mortgage	20.0	7.120	07-Apr-28
N/A	06-Mar-12	A3 / A-	Senior	25.0	4.630	15-Mar-42

### Credit Rating Agency Comments

“ Colonial's A3 senior unsecured rating reflects a generally supportive regulatory environment in Massachusetts, where a wide variety of de-risking provisions for regulated utilities have been incorporated in recent rate cases, including reduced regulatory lag, environmental true-ups and revenue decoupling, the low business risk associated with LDC operations, and the company's strong financial metrics.

Moody's 05 April 2017

”

“ The stable outlook for Colonial reflects our opinion that the Massachusetts Department of Public Utilities (MDPU) regulatory environment is generally supportive for cost recovery.

Moody's 05 April 2017

”

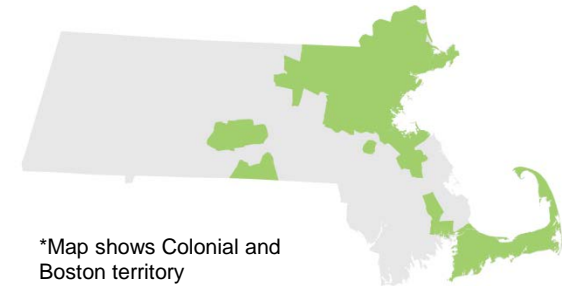


## Boston Gas Company (BOS)

# Boston Gas Company

## A3 / A- / -

Boston Gas Company is a gas distribution company engaged in the transportation and sale of natural gas to approximately 700,000 residential, commercial and industrial customers in the City of Boston, Essex County, and other communities in eastern and central Massachusetts.



### BOS Regulation Summary

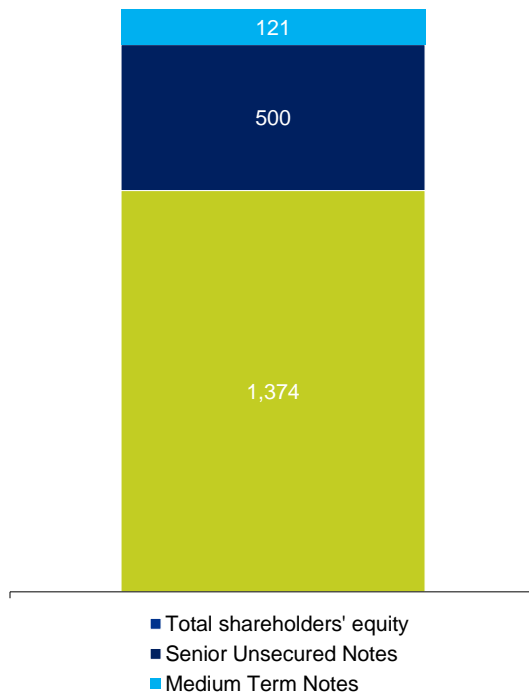
<b>Regulator</b>	Massachusetts Department of Public Utilities
<b>Last rate filing</b>	2010
<b>Next rate filing</b>	Late 2017
<b>Allowed ROE</b>	9.75%
<b>Debt / Equity allowance</b>	50 / 50
<b>Revenue decoupling</b>	In place
<b>Capital Tracker</b>	In place (partial)
<b>True Up Mechanisms</b>	Commodity related bad debt and pension/OPEB

**Other Attributes** Local distribution adjustment clauses allow for recovery of some costs associated with environmental and efficiency programmes, cost of gas adjustments allow pass-through of incurred commodity costs

# Boston Gas Company

## A3 / A- / -

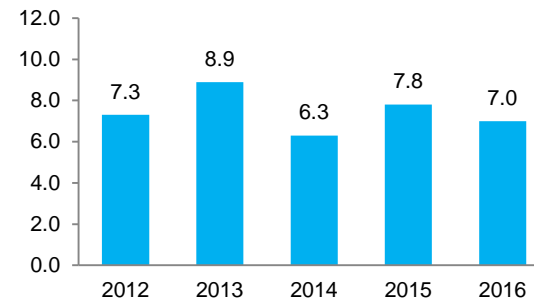
Capital Structure as at 31<sup>st</sup> March 2016 (\$m)



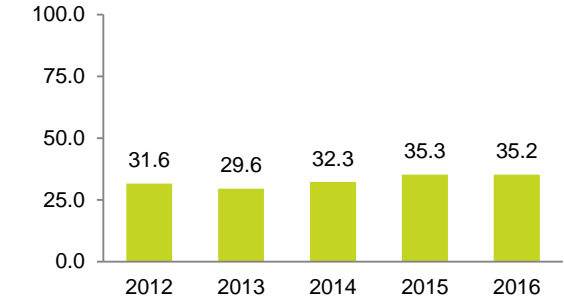
\*Capitalisation is \$1985m accounting for current portion of long-term debt

Key Credit Ratios

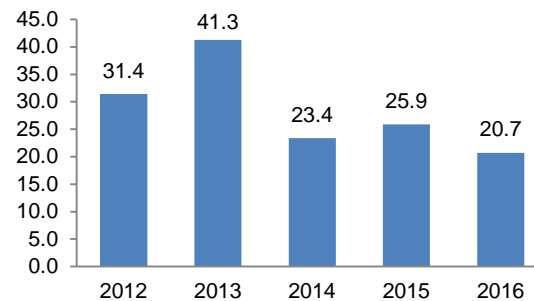
CFO pre-WC + Interest / Interest (x)



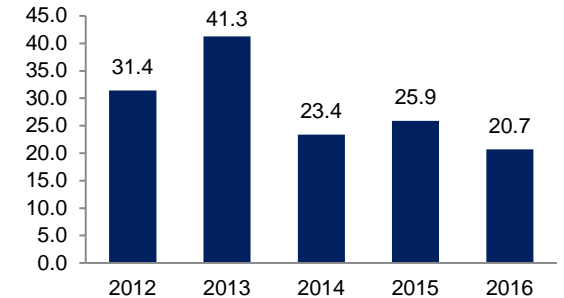
Debt / Capitalisation (%)



CFO pre-WC / Debt (%)



CFO pre-WC – Dividends / Debt (%)



\*Metrics are taken from Moody's report 05 April 2017. Metrics are calculated for FYs

- As at 31<sup>st</sup> March 2016 regulatory gearing at BOS was 38%

# Boston Gas Company

## A3 / A- / -

### Public Debt Profile as at 1<sup>st</sup> May 2017

ISIN	Pricing Date	Credit Rating Moody's / S&P	Type	Amount (\$ m)	Coupon	Maturity
US10075EAK47	02-Jul-92	A3 / A-	MTN	8.0	8.330	10-Jul-17
US10075EAJ73	02-Jul-92	A3 / A-	MTN	10.0	8.330	10-Jul-18
US10075EAP34	12-Jan-94	A3 / A-	MTN	10.0	6.930	15-Jan-19
US10075EAB48	15-Dec-89	A3 / A-	MTN	7.0	8.970	15-Dec-19
US10075EAE86	28-Nov-90	A3 / A-	MTN	5.0	9.750	01-Dec-20
US10075EAG35	29-Aug-91	A3 / A-	MTN	15.0	9.050	01-Sep-21
US10075EAH18	02-Jul-92	A3 / A-	MTN	10.0	8.330	05-Jul-22
US10075EAY41	29-Nov-95	A3 / A-	MTN	10.0	6.950	01-Dec-23
US10075EAQ17	12-Jan-94	A3 / A-	MTN	6.0	6.980	15-Jan-24
US10075EAZ16	30-Nov-95	A3 / A-	MTN	5.0	6.950	01-Dec-24
US10075EAU29	03-Oct-95	A3 / A-	MTN	5.0	7.250	01-Oct-25
US10075EAT55	03-Oct-95	A3 / A-	MTN	25.0	7.250	01-Oct-25
US100743AJ25	14-Feb-12	A3 / A-	Senior (144A)	500.0	4.487	15-Feb-42

### Credit Rating Agency Comments

“Boston Gas's A3 senior unsecured rating reflects a generally supportive regulatory environment in Massachusetts, where a variety of de-risking provisions for utilities have been incorporated in recent rate cases, including reduced regulatory lag, environmental true-ups and revenue decoupling, the low business risk associated with LDC operations providing further cash flow stability.

Moody's 05 April 2017

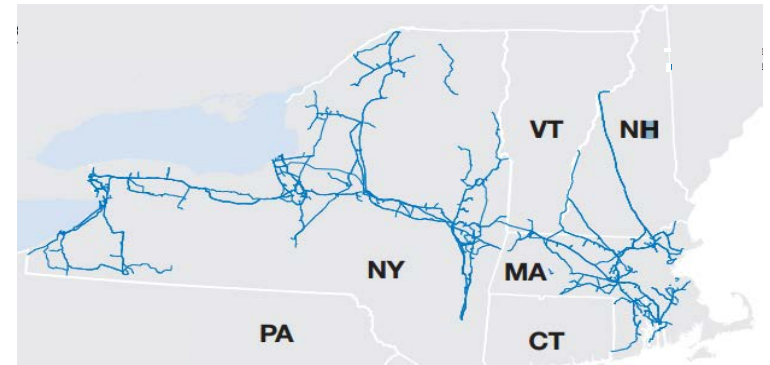
”

# New England Power Company (NEPC)

# New England Power Company

## A3 / A- / -

New England Power Company owns and operates electric transmission facilities in Massachusetts, New Hampshire, Rhode Island, Maine, and Vermont. The company is part of the New England Regional Transmission Organization.



\*Map includes NECO transmission assets

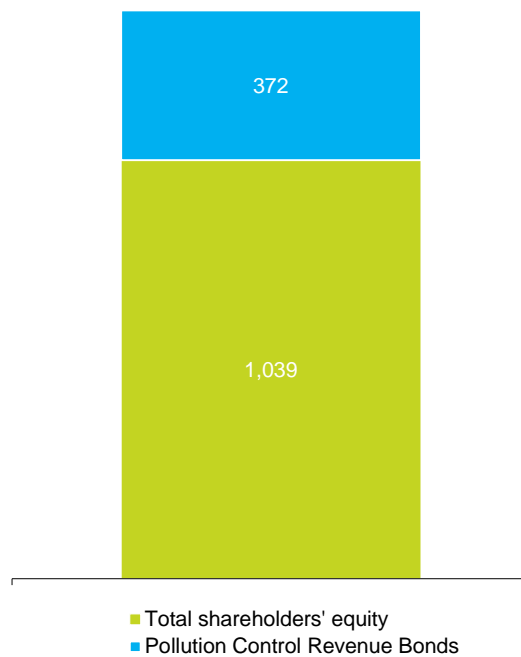
### NEPC Regulation Summary

<b>Regulator</b>	Federal Energy Regulatory Commission
<b>Last rate filing</b>	Forward-looking monthly formula rates
<b>Next rate filing</b>	N/A
<b>Allowed ROE</b>	10.57%
<b>Debt / Equity allowance</b>	34 / 66
<b>Capital Tracker</b>	In place
<b>True Up Mechanisms</b>	Automatic annual true up for operating and capital costs, pension/OPEB true-up
<b>Other Attributes</b>	Formula rates allow reimbursement for all efficiently incurred operating and maintenance expenditure, tax, depreciation and amortisation and financial return on incremental rate base additions during the year

# New England Power Company

## A3 / A- / -

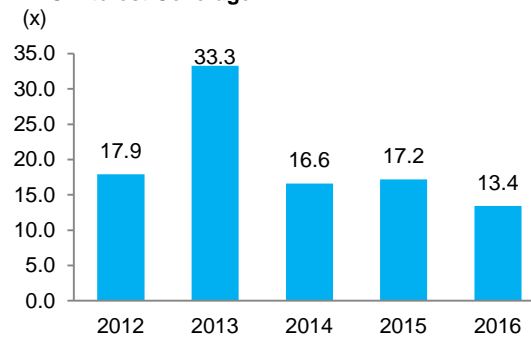
Capital Structure as at 31<sup>st</sup> March 2016 (\$m)



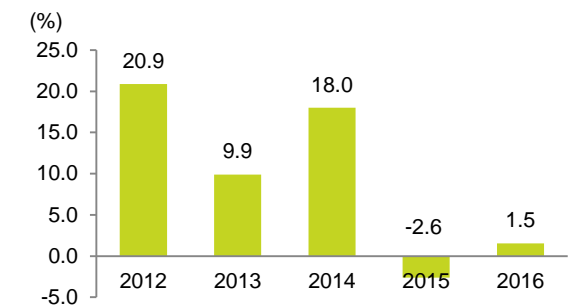
### Key Credit Ratios

NEP rated using Moody's Regulated Electric and Gas Networks methodology

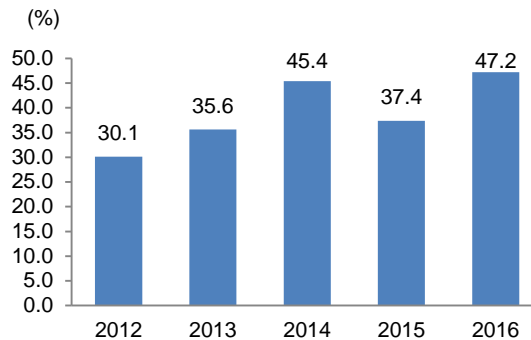
FFO Interest Coverage (x)



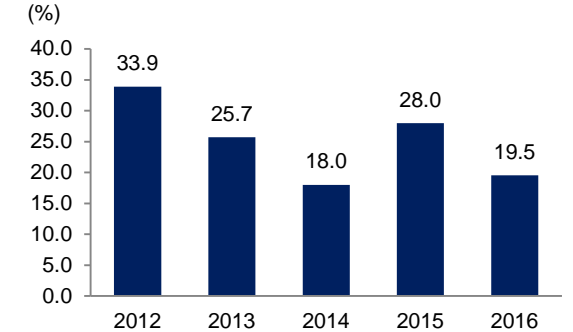
RCF / Net Debt (%)



Net Debt / Fixed Assets (%)



FFO / Net Debt (%)



\*Metrics are calculated for FY

- As at 31<sup>st</sup> March 2016 regulatory gearing at NEPC was 26%

# New England Power Company

## A3 / A- / -

### Public Debt Profile as at 1<sup>st</sup> May 2017

CUSIP	Issue Date	Credit Rating Moody's / S&P	Type*	Amount (\$ m)	Coupon	Maturity
575856BF5	14-Sep-93	A3 / A-	Pollution Control Revenue	40.0	Variable	01-Mar-18
575856BG3	14-Sep-93	A3 / A-	Pollution Control Revenue	39.3	Variable	01-Mar-18
64468DRW4	04-Dec-90	A3 / A-	Pollution Control Revenue	85.9	Variable	01-Nov-20
64468DAA0	04-Dec-90	A3 / A-	Pollution Control Revenue	50.0	Variable	01-Nov-20
64468CAF1	04-Oct-90	A3 / A-	Pollution Control Revenue	50.6	Variable	01-Nov-20
575856BE8	20-Oct-92	A3 / A-	Pollution Control Revenue	106.2	Variable	01-Oct-22

\* All bonds are in CP mode

### Credit Rating Agency Comments

“NEP’s A3 senior unsecured rating reflects the low business risk profile of electricity transmission, the Federal Energy Regulatory Commission (FERC)’s well-established and transparent regulatory framework, and a tariff formula that allows for the timely recovery of operating and capital expenditure.

Moody’s 11 July 2017



“NEP’s rating is underpinned by the credit-supportive regulatory environment and formula-based rate making process provided by the FERC. Supportive provisions include a forward-looking rate setting mechanism, which is designed to reimburse the company for all efficiently incurred operating and maintenance expenditure, tax, depreciation and amortization, and to provide a fair return on assets employed in the provision of transmission services, including construction work in progress.

Moody’s 11 July 2017





## Our Rhode Island Based Companies

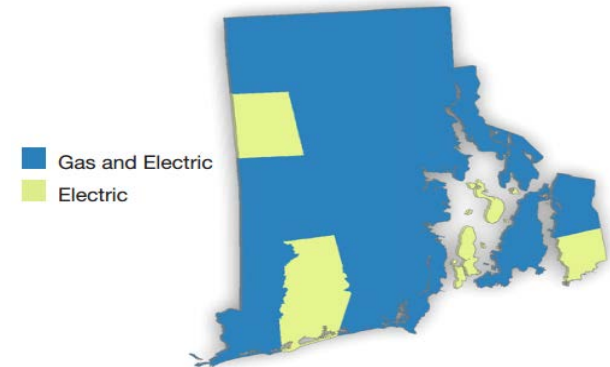


# The Narragansett Electric Company (NECO)

# Narragansett Electric Company

## A3 / A- / -

Narragansett Electric Company is a retail distribution company providing electric service to approximately 500,000 customers and gas service to approximately 265,000 customers in 38 cities and towns in Rhode Island. NECO's service area covers substantially all of Rhode Island. NECO also owns electricity transmission assets in Rhode Island.



### NECO Regulation Summary

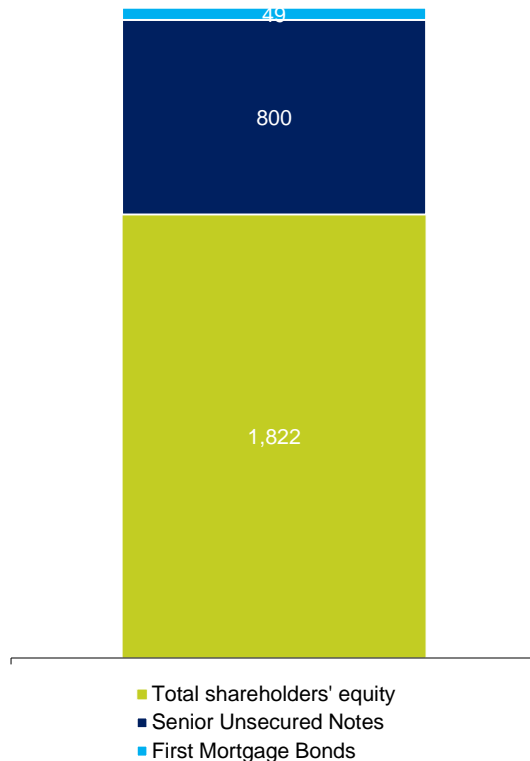
<b>Regulator</b>	Rhode Island Public Utilities Commission (and FERC)
<b>Last rate filing</b>	2013
<b>Next rate filing</b>	Late 2017
<b>Allowed ROE</b>	9.50%
<b>Debt / Equity allowance</b>	51 / 49
<b>Revenue decoupling</b>	In place
<b>Capital Tracker</b>	Separate mechanisms for gas and electric
<b>True Up Mechanisms</b>	Partial commodity related bad debt true-up and pension/OPEB true-up

**Other Attributes** Infrastructure, safety and reliability (ISR) mechanism allows company to recover capital investment, including a return, and certain expenses outside of base rate proceedings. The approved fiscal 2018 electricity and gas ISR plans encompass \$100.6 million and \$101.8 million spending programmes respectively.

# Narragansett Electric Company

## A3 / A- / -

Capital Structure as at 31<sup>st</sup> March 2016 (\$m)

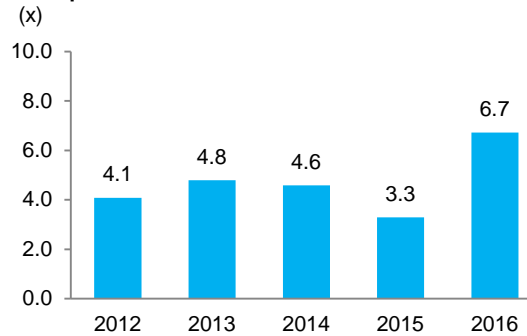


\*Capitalisation is \$2667m accounting for unamortised debt discount and current portion of long-term debt

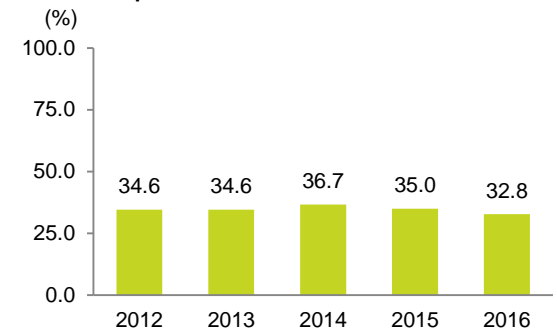
### Key Credit Ratios

NEC rated using Moody's Regulated Electric and Gas Utilities methodology

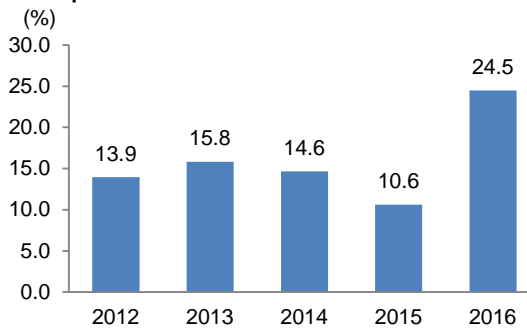
CFO pre-WC + Interest / Interest (x)



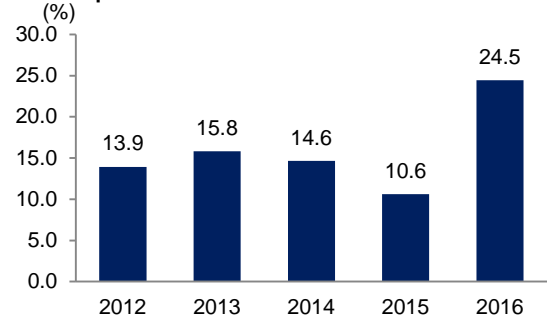
Debt / Capitalisation (%)



CFO pre-WC / Debt (%)



CFO pre-WC - Dividends / Debt (%)



\*Metrics are taken from Moody's report 09 August 2016, except 2016 which are taken from files sent by Moody's, these are expected to be published in due course. Metrics are calculated for FYs

- As at 31<sup>st</sup> March 2016 regulatory gearing at NECO was 56%

# Narragansett Electric Company

## A3 / A- / -

### Private Placement and Public Debt Profile as at 1<sup>st</sup> May 2017

ISIN	Pricing Date	Credit Rating Moody's / S&P	Type	Amount (\$ m)	Coupon	Maturity
N/A	01-Apr-98	A3 / A-	First Mortgage	14.5	6.82	01-Apr-18
US631005BB03	17-Mar-10	A3 / A-	Senior (144A)	250.0	4.534	15-Mar 20
N/A	01-Jun-91	A3 / A-	First Mortgage	10.0	9.630	30-May-20
N/A	01-Sep-92	A3 / A-	First Mortgage	12.5	8.460	30-Sep-22
N/A	01-Sep-92	A3 / A-	First Mortgage	3.8	8.090	30-Sep-22
N/A	01-Dec-95	A3 / A-	First Mortgage	6.8	7.500	15-Dec-25
US631005BC85	17-Mar-10	A3 / A-	Senior (144A)	300.0	5.638	15-Mar-40
US631005BF17	05-Dec-12	A3 / A-	Senior (144A)	250.0	4.170	10-Dec-42

### Credit Rating Agency Comments

“*NEC's A3 senior unsecured rating reflects the diversification of its revenues between distribution (regulated by the Rhode Island Public Utilities Commission, RIPUC) and transmission (regulated by the Federal Energy Regulatory Commission, FERC), stable and predictable cash flows, the generally supportive regulatory environment in Rhode Island*”

Moody's 09 August 2016

“*The stable outlook for NEC reflects our opinion that the regulatory environment is generally supportive for cost recovery. Under this environment, NEC should exhibit stable and predictable earnings under performance-based rate plans.*”

Moody's 09 August 2016

## Definitions

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<b>Revenue decoupling</b>	<p>A mechanism that removes the link between a utility's revenue and sales volume so that the utility is indifferent to changes in usage.</p> <p>Revenues are reconciled to a revenue target, with differences billed or credited to customers.</p>
<b>Capital Tracker</b>	<p>A mechanism that allows for the recovery of the revenue requirement of incremental capital investment above that embedded in base rates, including depreciation, property taxes and a return on the incremental investment.</p>
<b>Commodity-related bad debt true-up</b>	<p>A mechanism that allows a utility to reconcile commodity-related bad debt to either actual commodity-related bad debt or to a specified commodity-related bad debt write-off percentage. For electricity utilities, this mechanism also includes working capital.</p>
<b>Pension/OPEB true-up</b>	<p>A mechanism that reconciles the actual non-capitalised costs of pension and OPEB and the actual amount recovered in base rates. The difference may be amortised and recovered over a period or deferred for a future rate case.</p>