

Massachusetts Gas:

2020 Rate Case Filing

Investor Relations | November 2020



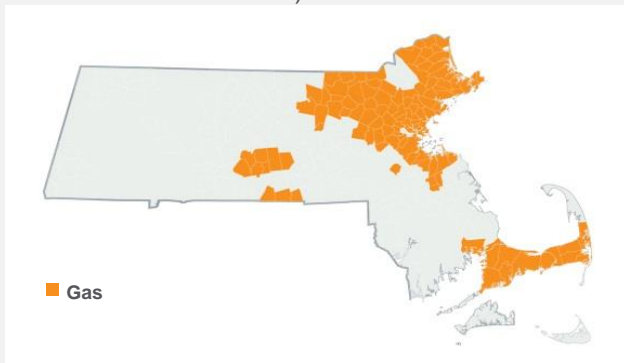
“With this filing, National Grid is proposing greater system investments and forward-thinking heating solutions aligned with our commitment to provide fairer, cleaner, and affordable gas service to our customers.”

Marcy Reed

National Grid President for Massachusetts

National Grid and Massachusetts Gas

- Massachusetts Gas distribution companies (Boston Gas and Colonial Gas)



- Over 900,000 gas customers
- Over 1,300 employees in Massachusetts
- Over 11,000 miles of gas mains
- Regulated by Massachusetts Department of Public Utilities

Meeting our commitments since the last rate case in 2018

- Capital investments of more than \$1.6bn to modernize the networks
- Replaced 421 miles of leak prone pipe since 2018, with an additional 141 miles expected in 2021
- Investing at significantly increased levels in the area of gas growth to connect new customers and increase supply to existing customers

Key elements of 2020 rate case filing

	Revenue request
Mass Gas revenue increase¹	\$138m

¹ Not including the existing recovery of \$82m of leak prone pipe investment which is currently recovered via our capital tracker (GSEP). Recovery will be moved from the capital tracker to base rates as part of the filing.

- Requested ROE of 10.5%
- Requested debt/common equity structure of 46.6%/ 53.4%
- Additional annual revenue to cover increased operating costs and investments
- Filing includes a Performance Based Rate Mechanism (PBRM)
- 5 year rate plan (October 2021 to October 2026)
- Filing supports capital investment of approximately \$285m annually
(Note: Leak prone pipe investments are recovered under separate mechanisms)
- Incremental operating expense of \$94m
- Requesting an incremental 209 FTEs to meet our work plans over the next five years
- Proposing \$50m dollars of innovative investments focused on decarbonizing our gas network
- New rates expected from October 1, 2021

Financing assumptions

	Cost of equity	Cost of debt	Weighted average cost of capital	Assumed equity capitalization
MA Gas	10.5%	3.86%	7.41%	53.4%

Customer impact

Typical residential gas heating customers will see an average net bill increase of approximately:

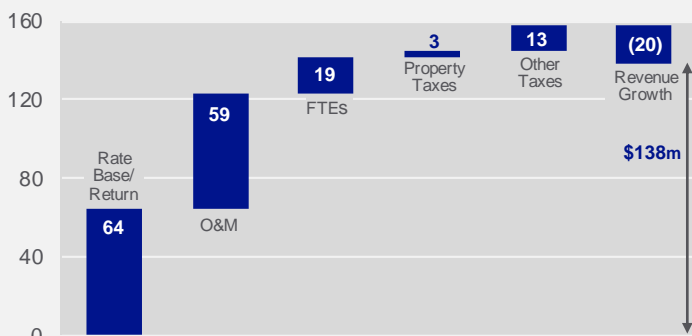
Boston \$122 annually or 9.0%
Former Colonial \$107 annually or 9.5%

Opex

\$94m increase reflects:

- \$59m in labor, benefits and other core O&M
- \$19m in incremental FTEs
- \$3m increase in property taxes
- \$13m increase in income and payroll taxes

Revenue increase (\$m)



Timetable

November 2020	Proposal filed
Spring / Early Summer 2021	Evidentiary Hearings
Late September 2021	Commission order
October 2021	New rates effective

Rate Case / Regulatory History

2018 Last rate case was effective October 1, 2018, and based on a historic test year of calendar year 2016. The 2018 rate case increased base distribution rates, included recovery of Gas Business Enablement program, funding to modernize IT infrastructure that supports our core gas distribution operating capabilities and recovery of incremental FTE's for enhanced gas main replacement, repair work and overtime reduction.

2015 On April 30, 2015 the Massachusetts DPU issued an order implementing a new recovery mechanism for leak-prone natural gas pipeline outside of base rates

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Further information

Nick Ashworth
 Director of Investor Relations
 T +44 (0) 20 7004 3166
 M +44 (0) 7814 355590
nicholas.ashworth@nationalgrid.com

Jon Clay
 Investor Relations Officer
 T +44 (0) 20 7004 3460
 M +44 (0) 7899 928247
jonathan.clay@nationalgrid.com

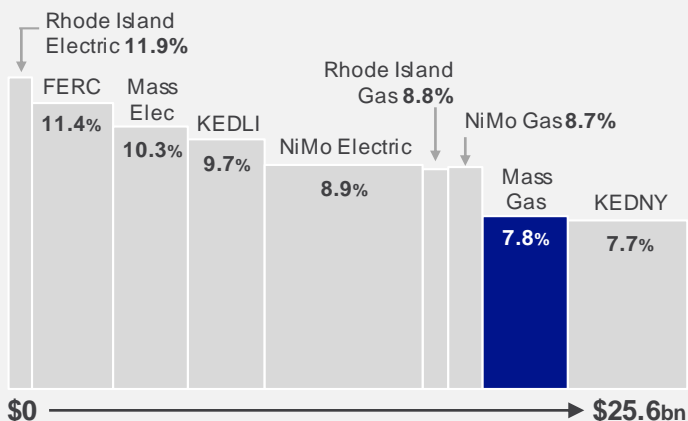
James Flanagan
 Investor Relations Manager (US)
 T +44 (0) 20 7004 3129
 M +44 (0) 7970 778952
james.flanagan2@nationalgrid.com

Caroline Dawson
 Investor Relations Manager
 T +44 (0) 20 7004 3172
 M +44 (0) 7789 273241
caroline.dawson@nationalgrid.com

Capex

- Filing supports the capital investment of approximately \$285m annually
- Rate Base to be updated to include all investments through March 2020

2019/20 RoE/Rate base (\$m)



Previous agreement

	Equity/Debt (%)	Allowed RoE	FY20 Achieved RoE
Mass Gas	53/47	9.5	7.8%

