

Niagara Mohawk Electric and Gas

2020 Rate Review

Investor Relations | July 2020

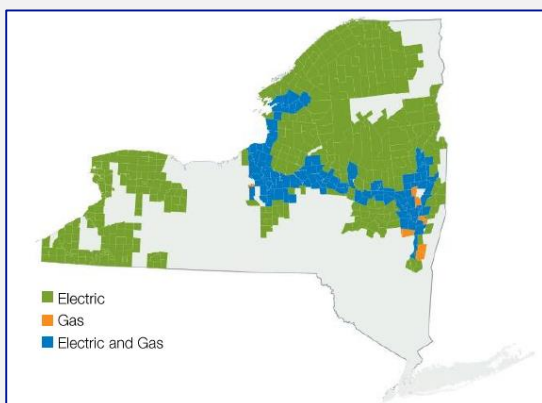


“Our rate filing presents a comprehensive proposal to advance the State’s energy goals outlined in the Climate Leadership and Communities Protection Act (CLCPA). We have proposed significant investment in clean energy infrastructure, while at the same time taking steps to manage our customers’ bills in response to the economic downturn caused by the COVID-19 pandemic.”

John Bruckner

National Grid President, New York Jurisdiction

National Grid and Niagara Mohawk (NIMO)



- Upstate New York electric and gas distribution utilities
- 1.6 million electricity customers; 0.6m gas customers
- 4,000 employees
- 85,000km electricity lines; 14,000km gas pipelines
- Regulated by the New York Public Service Commission

Meeting our commitments since the last rate case in 2018

- Over \$2bn capex to modernize electric and gas networks
- Completed major infrastructure projects
 - Asset reliability and reinforcement
- Strong operational performance through severe weather events
- Consistently met regulatory reliability metrics

Financing assumptions

	Cost of equity	Cost of debt	Rate of Return	Assumed equity capitalization
Electric	9.5%	3.43%	6.33%	48.0%
Gas	9.5%	3.43%	6.33%	48.0%

Key elements of 2020 rate review

Requested revenue increase	RY1 (2021/22)	RY2	RY3
Electric Annual	\$100m	\$125m	\$128m
Electric Cumulative	\$100m	\$225m	\$353m
Gas Annual	\$42m	\$47m	\$47m
Gas Cumulative	\$42m	\$89m	\$136m

- Requested ROE of 9.5%
- Requested debt:equity structure of 52%/48% for Rate Year 1; increasing to 49% and 50% equity in RY2 & 3
- 1 year rate plan, with two additional years of data, to create the opportunity for a multi-year settlement
- \$672m capex electric and \$206m capex gas for FY22
- Proposes \$3.6bn capex across three years to 2023/24
- Maintains tracker and true-up mechanisms for property taxes, commodity related bad debt, Pension/OPEB’s, and environmental remediation
- Funds approximately 500 new positions over three years
- Managing our customers’ bills in response to economic downturn caused by the COVID-19 pandemic
- Investment to ensure affordable, decarbonized heating, including expansion to renewable natural gas
- Proposal to adopt additional innovative rate design elements, including performance based rates, incentives and new earnings adjustment mechanisms
- Anticipate new rates effective in July 2021

Customer impact (total bill)

- **Electric:** Typical residential electric customers will see an average net bill increase of 4.0% or \$3.43 per month
- **Gas:** Typical residential gas customers will see an average net bill increase of 6.0% or \$4.53 per month

Electric Capex and Opex

Capex

- Capital investment of \$672m for FY22
- Multi-million investments to advance electric vehicles (EVs) and increase the deployment of charging infrastructure in Upstate New York
- Deploying advanced metering infrastructure (AMI), to enable more efficient operations and customer-focused programs
- Investing in transmission projects to unlock increased renewable generation

Opex

\$81m increase reflects:

- Unprecedented investment in energy efficiency and demand response programs
- Focused programs to address tower painting, enhanced transmission tower inspections, and increased vegetation management costs
- IT investments to facilitate clean infrastructure and O&M initiatives

Gas Capex and Opex

Capex

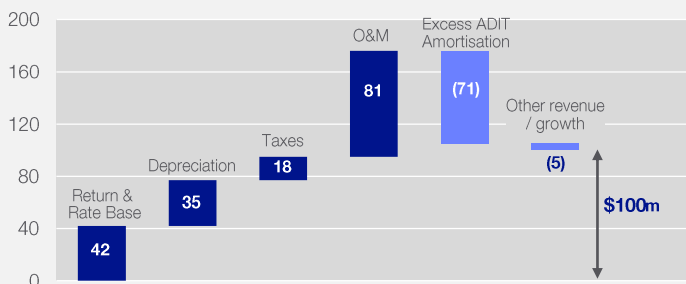
- Capital Investment of \$206m for FY22
- Reducing methane emissions from the gas distribution system through pipe replacements. Identifying, prioritizing, and repairing large-system leaks; targeting a 60 percent reduction by 2035
- Replacing, on average, at least 50 miles of leak prone pipe each year
- Integrating renewables into the gas network

Opex

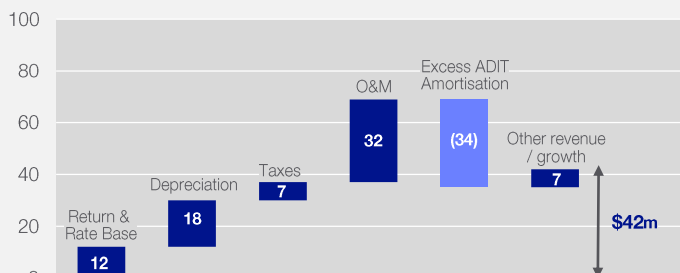
\$32m increase reflects:

- Enhancing safety programs, including damage prevention program and contractor safety inspections
- Empowering and enabling customers to sustainably meet their heating needs through a suite of programs, products, and demonstration projects aimed at empowering and enabling customers to take control of their energy usage

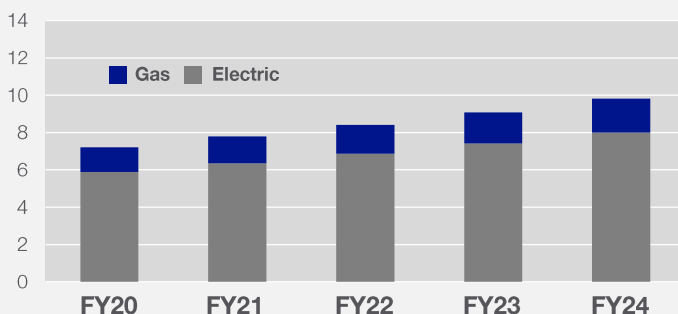
Electric Year-1 revenue increase (\$m)



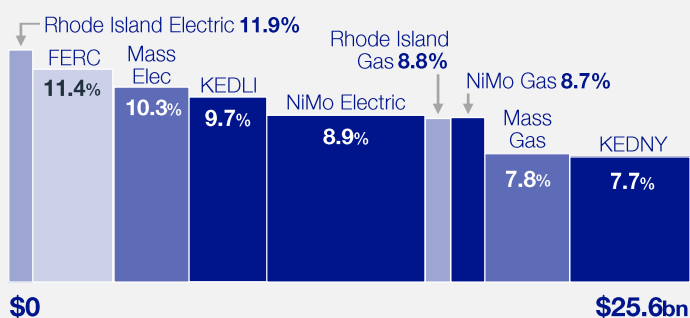
Gas Year-1 revenue increase (\$m)



NIMO rate base forecast (\$bn)



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



Important notice

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