

# Massachusetts Electric:

## 2019 Rate Case Order

Investor Relations | October 2019



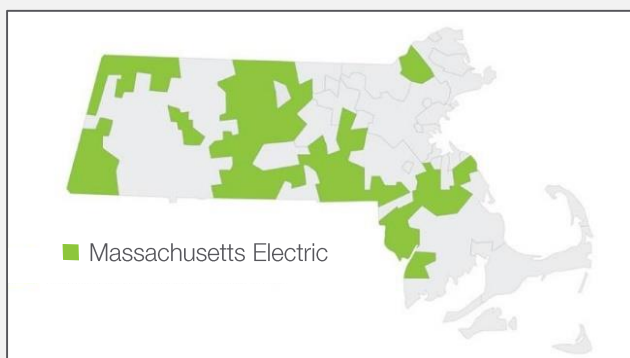
**“This decision supports our efforts to deliver a safe, reliable and cost effective service to our 1.3 million electric customers while funding important investments to advance the Commonwealth’s clean energy policy and climate change goals.”**

**Marcy Reed**

National Grid President for Massachusetts

### National Grid and Massachusetts Electric

- Massachusetts Electric distribution companies service territory:



- 1.3 million electric customers
- 5,000 employees in Massachusetts
- Over 13,000 miles of electric lines
- Regulated by Massachusetts Department of Public Utilities

### Meeting our commitments . . . . . . since the last rate case in 2016

- Capital investments of more than \$700m to modernize the networks
- Invested in major improvements to underground facilities to upgrade and replace indoor substations
- Continued to provide safe and reliable service to our customers through improved electric reliability and faster restoration during major storms/emergency events
- Processed increased interconnections of Distributed Generation projects
- Received regulatory approval for a multi-year grid modernization proposal

### Key elements of 2019 rate case order

	Request	Achieved
<b>Mass Electric revenue increase</b>	\$55m	\$38m

- ROE of 9.6%<sup>1</sup>
- Debt:equity structure of 46.5%/53.5%
- Additional annual revenue to cover increased operating costs and investments
- 5 year rate plan (October 2019 to September 2024)
- Incremental operating expense of \$32m
- Supports capital investment of approximately \$300m annually
- Performance Based Rate Mechanism (PBRM), with and I-x formula (where I = inflation, x = productivity factor)
- New rates effective from October 1, 2019

<sup>1</sup> Earnings sharing for customers begins at 200bps above the allowed RoE

### Financing assumptions

	Cost of equity	Cost of debt	Weighted average cost of capital	Assumed equity capitalization
<b>MA Electric</b>	9.6%	5.22%	7.58%	53.49%

### Customer impact

Typical residential electric customers will see an average net bill increase of approximately 2.0%

## Opex

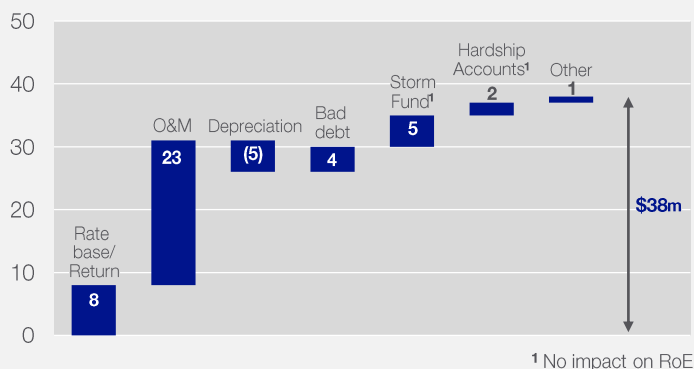
\$32m increase reflects:

- \$23m increase in labor, benefits and other core O&M
- \$5m increase is the annual contribution to the storm fund
- \$4m increase is bad debt expense
- \$5m reduction in depreciation expense based on an updated depreciation study

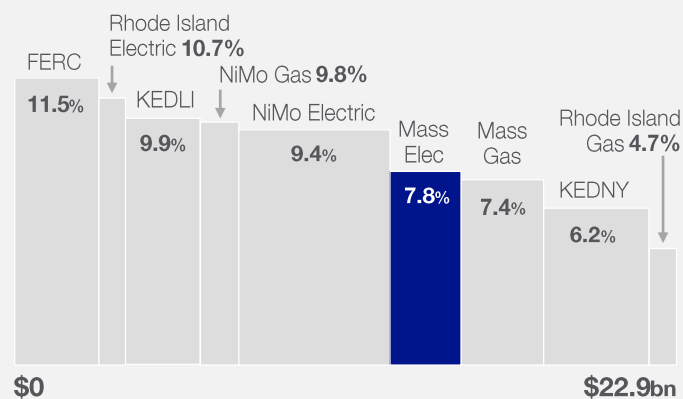
## Capex

- Filing supports the capital investment forecast of approximately \$300m annually
- The previous capital tracker will be phased out and capital expenditure will be funded under the Performance Based Rate Mechanism (PBRM) in the future

## Revenue increase (\$m)



## 2018/19 RoE/Rate base (\$m)



## Rate Case / Regulatory History

**2016** Last rate case was effective on October 1, 2016 and based on a split historic test year of 2014 and 2015. The 2016 rate case increased base distribution rates, included all previously remunerated investments, increased the annual capex tracker and storm fund contribution.

**2009** The rate case was effective on December 1, 2009 and based on a historic test year of 2008. The 2009 rate case increased base distribution rates, implemented revenue decoupling, and created a capex tracker mechanism.

### Important notice

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