

KEDNY and KEDLI:

2021 Joint Proposal

Investor Relations | May 2021

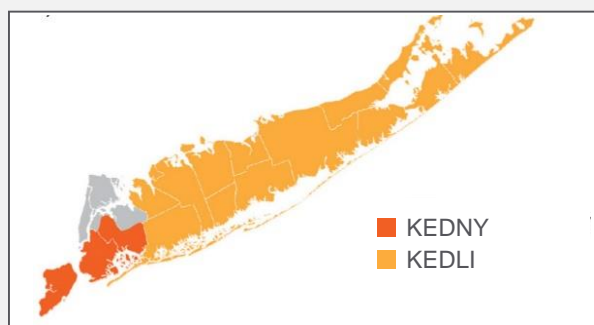


“Our proposal to the New York Public Service Commission seeks to fund programmes necessary to continue a safe and reliable service, modernise the gas network, and deliver a sustainable future for natural gas. We will maintain our focus on customer affordability through maximising efficiencies over the multi-year rate plan.”

Rudy Wynter

National Grid President, New York jurisdiction

KeySpan Energy Delivery New York (KEDNY) and KeySpan Energy Delivery Long Island (KEDLI)



- Downstate New York Gas distribution utilities
- 1.9 million natural gas customers, 4,600 employees
- 1.3 million New York City; 611,000 Long Island
- 12,400 miles of gas distribution and transmission pipe
- 4,100 miles New York City; 8,300 miles Long Island

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

- Significant capex to modernise gas networks
- Strong operational performance; meeting or exceeding regulatory performance metrics (leaks, emergency response, damage prevention)
- Accelerated leak prone pipe replacement

Financing assumptions

	Cost of equity	Cost of debt	Rate of Return	Assumed equity capitalization
KEDNY	8.8%	4.12%	6.34%	48%
KEDLI	8.8%	4.06%	6.32%	48%

Key elements of the joint proposal

Requested revenue increase	RY1 (2020/21)	RY2	RY3
KEDNY Annual	\$18m	\$47m	\$73m
KEDNY Cumulative	\$18m	\$65m	\$138m
KEDLI Annual	-\$3m	\$29m	\$26m
KEDLI Cumulative	-\$3m	\$26m	\$53m

- 3-year rate settlement back-dated to April 2020; RY2 began April 2021
- Return on Equity of 8.8%
- Debt:equity structure of 52%/48% in RY1 - RY3
- FY21 capex of \$583m KEDNY and \$369m KEDLI
- \$3.3bn capex across the rate plan to March 2023
- Maintains tracker and true-up mechanisms for property taxes, commodity related bad debt, Pension/OPEB's, and environmental remediation
- Funds more than 88 new positions in Rate Year 1
- Provides a framework for advancing the infrastructure and non-infrastructure solutions identified to address long-term demand in downstate New York
- Support for clean gas programmes, including funding for the Newtown Creek renewable natural gas project and a hydrogen blending study
- New Earnings Adjustments Mechanisms and incentives
- Anticipate new rates effective in August 2021 with make-whole provision retroactive to April 2020

Customer impact (total bill)

- **KEDNY:** Total bill increases of 0% in RY1, 2% in RY2, and 2% in RY3
- **KEDLI:** Total bill increases of 0% in RY1, 1.8% in RY2, and 1.8% in RY3

KEDNY Capex and Opex

Capex

- Capital investment of \$583m for FY21
- Replace 48, 50, 50, 46 miles of pipeline across CY20-CY23, respectively
- New safety and reliability programmes
- Pipeline integrity projects to meet demand and enhance reliability
- System reinforcement and customer connections

Opex

\$32m increase reflects:

- \$10m inflation
- Increases in environmental recoveries offset by efficiencies and lower pension/OPEB expenses
- Implement pipeline safety programmes
- Low income programmes
- Using customer credits to moderate bill impacts

KEDLI Capex and Opex

Capex

- Capital Investment of \$369m for FY21
- Replace 116, 121, 121, 119 miles of pipeline each year across CY20-CY23, respectively
- New safety and reliability programmes
- Pipeline integrity projects to meet demand and enhance reliability
- System reinforcement and customer connections

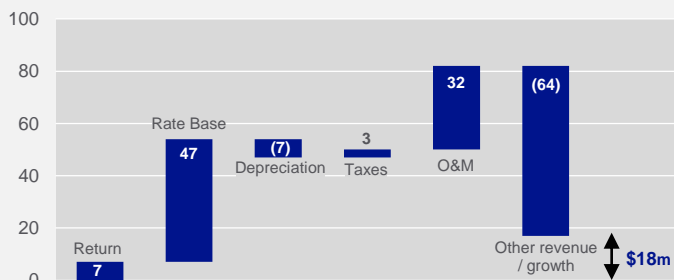
Opex

\$33m decrease reflects:

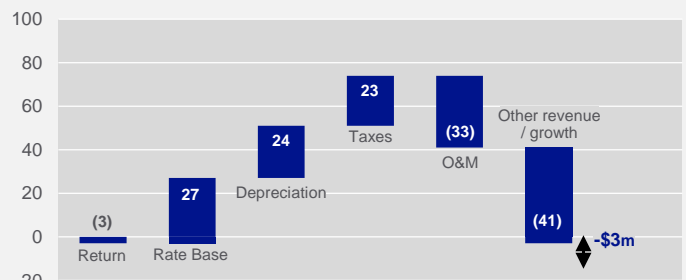
- \$5m inflation
- Decreases through efficiencies and lower pension/OPEB expenses
- Implement pipeline safety programmes
- Low income programmes
- Using customer credits to moderate bill impacts

Support for National Grid's Future of Heat strategy to deliver sustainable growth, renewable supply. Programmes include the Newtown Creek renewable natural gas project, a hydrogen blending study, energy efficiency and demand response, and non-pipes alternatives. Developing studies on the role of gas in meeting policy goals.

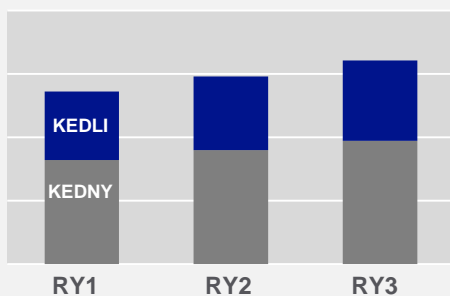
KEDNY Year-1 revenue increase (\$m)



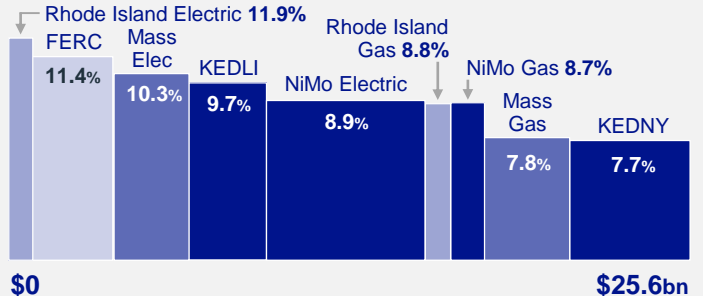
KEDLI Year-1 revenue increase (\$m)



KEDNY/KEDLI rate base forecast (\$bn)



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



Important notice

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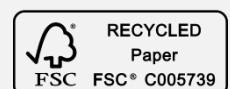
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