

Niagara Mohawk Electric and Gas

2021 Joint Proposal

Investor Relations | September 2021

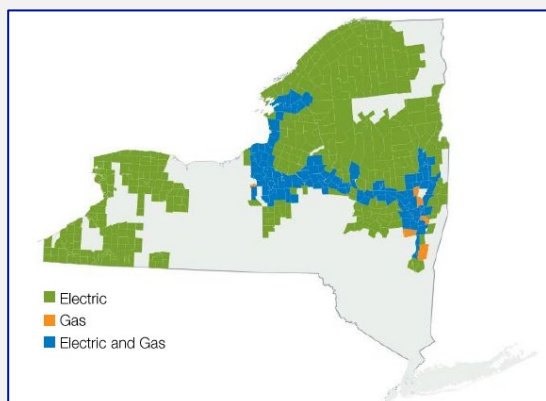


“This rate settlement, which reflects the input of a broad range of stakeholders, is an important step for advancing New York’s energy future. The settlement will fund the investments and programs necessary to modernize our energy networks, while advancing metering technology, electric vehicles, energy storage, and transmission investments to unlock cleaner energy for customers.”

Rudy Wynter

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	9.0%	3.41%	6.08%	48.0%
Gas	9.0%	3.41%	6.08%	48.0%

Key elements of 2021 Joint Proposal

Requested revenue increase	RY1 (2021/22)	RY2	RY3
Electric Annual	\$49m	\$96m	\$110m
Electric Cumulative	\$49m	\$145m	\$255m
Gas Annual	\$13m	\$29m	\$33m
Gas Cumulative	\$13m	\$42m	\$75m

- Allowed ROE of 9.0%
- Debt:equity structure of 52%/48% in RY1-RY3
- 3-year rate plan (July 2021 to end June 2024)
- \$751m capex electric and \$214m capex gas for RY1
- \$3.3bn capex over the term of the rate plan
- Maintains tracker and true-up mechanisms for property taxes, commodity related bad debt, Pension/OPEB’s, and environmental remediation
- Updated major storm tracker with new minor storm tracker and pre-staging cost mechanism
- Funds approximately 331 new positions over 3 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
- Adopt additional innovative rate design elements, including performance-based rates, incentives and new earnings adjustment mechanisms
- New rates retrospective to July 2021

Customer impact (total bill)

- **Electric:** For RY1, typical residential electric customers will see an average total net bill increase of 2.2% or \$1.88 per month
- **Gas:** For RY1, typical residential gas customers will see an average total net bill increase of 2.0% or \$1.51 per month

Electric Capex and Opex

Capex

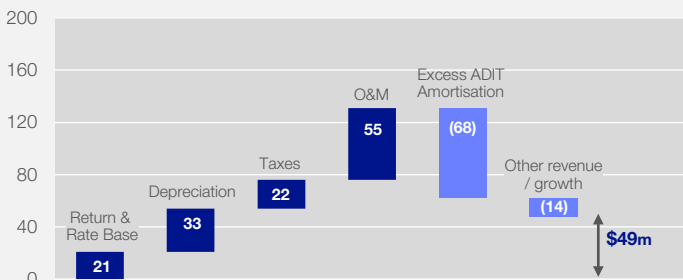
- Capital investment of \$751m for RY1
- Deploying advanced metering infrastructure (AMI) to enable more efficient operations and customer-focused programmes
- Investing in transmission projects to unlock increased renewable generation

Opex

\$55m increase reflects:

- Unprecedented investment in energy efficiency and demand response programmes
- Increased vegetation management and storm resilience as well as Opex related to capital programmes
- Focused programmes to address tower painting, enhanced transmission tower inspections
- IT investments to facilitate clean infrastructure and O&M initiatives
- Increase in Pension/OPEB costs offset by decreases in environment costs

Electric Year-1 revenue increase (\$m)



Gas Capex and Opex

Capex

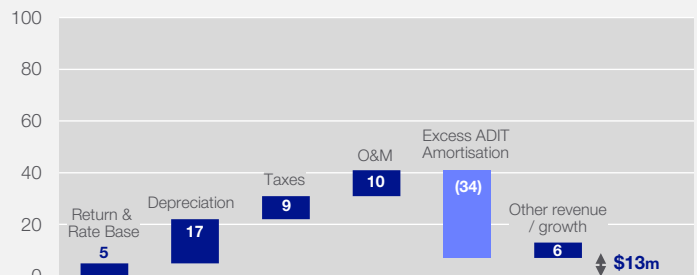
- Capital Investment of \$214m for RY1
- Reducing methane emissions from the gas distribution system through pipe replacements. Identifying, prioritizing, and repairing large-system leaks; targeting a 60 percent reduction by 2035
- Replacing, on average, approximately 50 miles of leak prone pipe each year after CY21

Opex

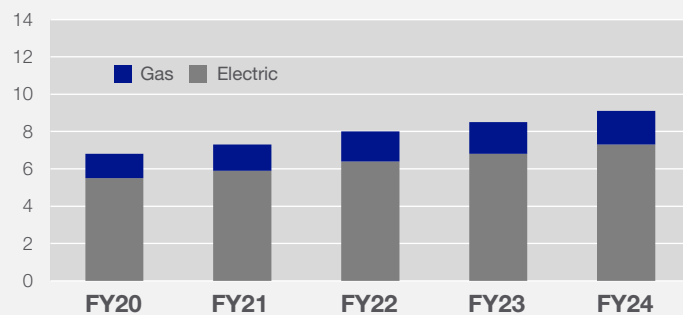
\$10m increase reflects:

- Enhancing safety and reliability programmes, including leak repair and damage prevention programmes, first responder training, and contractor safety inspections
- Empowering and enabling customers to sustainably meet their heating needs through programmes, products, and demonstration projects aimed at empowering and enabling customers to take control of their energy usage

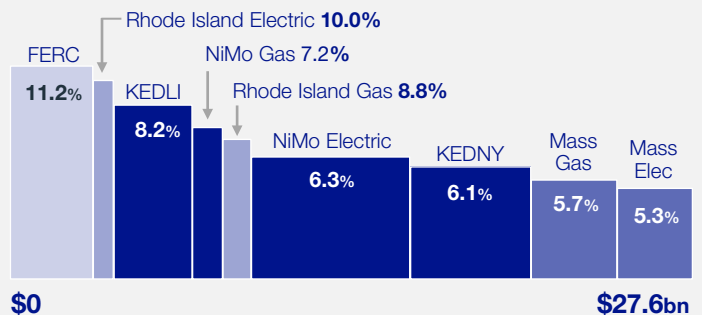
Gas Year-1 revenue increase (\$m)



NIMO rate base forecast (\$bn)



2020/21 RoE/Rate base (\$m)



Important notice

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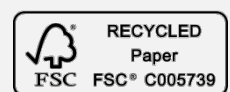
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