

# Massachusetts Gas:

## 2021 Rate Case Order

Investor Relations | October 2021



“ We remain focused on balancing an economically viable pathway to decarbonization while ensuring the safety and compliance of our existing system. With this order, National Grid commits to greater system investments, aligned with our commitment to provide fairer, cleaner, and more affordable gas service to our customers.”

**Stephen Woerner**  
National Grid President for New England

### 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 2021 rate case order

	Revenue
<b>Mass Gas revenue increase<sup>1</sup></b>	<b>\$72m</b>

<sup>1</sup> Not including the existing recovery of \$72m 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.

- Allowed ROE 9.7%
- Debt/common equity structure of 46.6%/53.4%
- Additional annual revenue to cover increased operating costs and investments
- Order includes a Performance Based Rate Mechanism (PBRM), with an I-x formula (where I=inflation, x= productivity factor)
- 5 year rate plan (October 2021 to October 2026)
- Order supports capital investment of approximately \$267m annually  
(Note: Leak prone pipe investments are recovered under separate mechanisms)
- Incremental operating expense of \$65m
- Incremental 133 FTEs to meet our work plans over the next five years
- New rates effective from October 1, 2021

### Financing assumptions

	Cost of equity	Cost of debt	Weighted average cost of capital	Assumed equity capitalization
<b>MA Gas</b>	9.7%	3.86%	6.98%	53.4%

### Customer impact

Average residential heating increase of approximately 8% for Boston Gas and 10% for former Colonial Gas<sup>2</sup>.

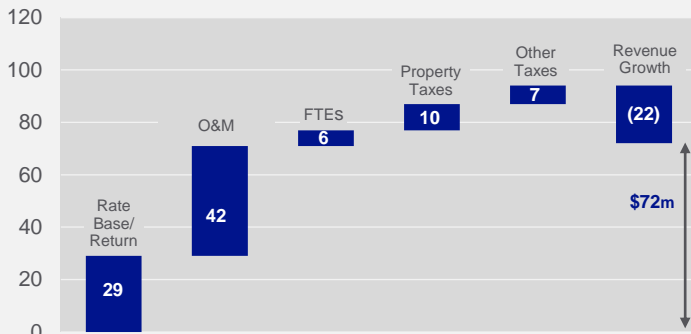
<sup>2</sup> Increase based on information provided by DPU in its order. Final customer bill impacts will be presented in the Company's compliance filing to be submitted in mid-October.

## Opex

\$65m increase reflects:

- \$42m in labor, benefits and other core O&M
- \$6m in incremental FTEs
- \$10m in property taxes
- \$7m increase in income and payroll taxes

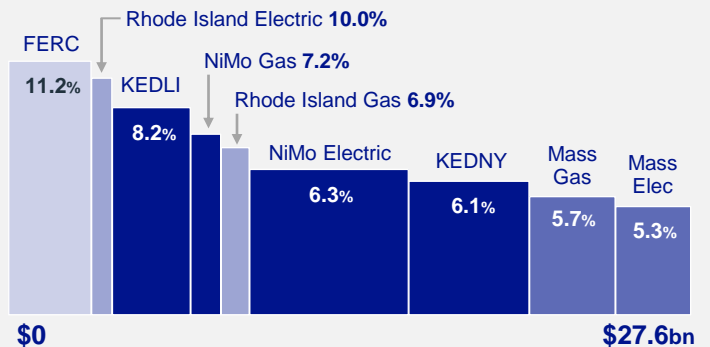
## Revenue increase (\$m)



## Capex

- Order includes capital investment of approximately \$267m annually
- Rate Base to be updated to include all investments through March 2020, except GSEP

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



## Rate Case / Regulatory History

- 2019** On November 16, National Grid filed for new rates with the Massachusetts DPU. The filing requested a new Performance Based Rate Mechanism (PBRM) to fund both capital and operational expenditure across the duration of the rate plan, ensuring inflation is factored into the cost base.
- 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

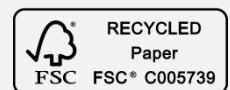
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