"This rate case order – the first since 2010 – helps us continue to meet our public safety obligations, while also funding investments that modernize our gas business, improving our performance for the benefit of our customers and communities."

Marcy Reed, National Grid President for Massachusetts

National Grid and Massachusetts Gas

- National Grid’s Massachusetts Gas business comprises Boston Gas and Colonial Gas
- Over 900,000 gas customers
- Over 1,300 employees
- Over 11,000 miles of gas mains
- Regulated by Massachusetts Department of Public Utilities

<table>
<thead>
<tr>
<th>Equity/Debt (%)</th>
<th>Allowed RoE</th>
<th>FY18 Achieved RoE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mass Gas (previous agreement)</td>
<td>50/50</td>
<td>9.75</td>
</tr>
</tbody>
</table>

Meeting our commitments . . .

. . . since the last rate case in 2010

- Capital investments of more than $2bn to modernize the networks
- Replaced 628 miles of leak prone pipe since 2014 with an additional 155 miles expected in 2018
- Progressed major projects including the $120m modernization of the Commercial Point LNG site
- Investing at significantly increased levels in the area of gas growth to connect new customers and increase supply to existing customers

Key elements of rate case

<table>
<thead>
<tr>
<th>Request</th>
<th>Achieved (before tax reform)</th>
<th>Achieved (adjusted for tax reform)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mass Gas revenue increase</td>
<td>$87m</td>
<td>$56m</td>
</tr>
</tbody>
</table>

- ROE of 9.5%
- Debt/equity structure of 47%/53%
- Incremental O&M of $91m, excluding pension funding
- Filing supports capital investment of over $413m including $257m which will be recovered under the existing Gas System Enhancement Plan
- Approval for an incremental 138 FTEs to meet our work plans over the next five years including enhanced gas main replacement, repair work, and overtime reduction
- Amortization and recovery of protected accounts receivable >360 days ($20.3m to be collected over five years)
- Funding to modernize the IT infrastructure that supports our core gas distribution operating capabilities
- Fully reconciling cost recovery of MA Gas allocation of the $456m Gas Business Enablement program
- Positive outcome on returning excess ADIT associated with US Tax Reform; Protected ADIT over 50 years and Unprotected ADIT over 20 years with the ability to true up to actuals
- Enhanced property tax recovery; new recovery methodology is more reflective of expected rate year expenses
- Rates effective from 1 October; however new rates will be billed starting 1 November to minimize customer impacts.

Rate Case / Regulatory History

2010

Last rate case was effective on November 2, 2010 and based on a historic test year of calendar year 2009. The 2010 rate case increased base distribution rates, implemented revenue decoupling, included recovery for accelerated replacement of cast iron and steel mains and extended the Boston Gas pension and PBOP reconciliation mechanism to Colonial Gas.

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.

Customer impact1

- **Boston Gas**: Average net increase in typical residential gas bill of 8% or $88 annually
- **Colonial Gas**: Average net increase in typical residential gas bill of 4% or $38 annually

1. Customer bill impacts calculated by MA DPU. Final customer bill impacts will be approved in the Company’s compliance filing and established on 1 November
### Financing assumptions

<table>
<thead>
<tr>
<th></th>
<th>Cost of equity</th>
<th>Cost of debt</th>
<th>Weighted average cost of capital</th>
<th>Assumed equity capitalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boston Gas</td>
<td>9.5%</td>
<td>4.20%</td>
<td>7.01%</td>
<td>53%*</td>
</tr>
<tr>
<td>Colonial Gas</td>
<td>9.5%</td>
<td>4.56%</td>
<td>7.18%</td>
<td>53%*</td>
</tr>
</tbody>
</table>

* Increased from 50%

### Revenue increase ($m)

<table>
<thead>
<tr>
<th>Rate base/Return</th>
<th>O&amp;M</th>
<th>Property Tax</th>
<th>Bad debt</th>
<th>Gas Business Enablement</th>
<th>Other</th>
<th>US Tax Reform</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>39</td>
<td>30</td>
<td>8</td>
<td>14</td>
<td>(46)</td>
<td>(44)</td>
</tr>
</tbody>
</table>

$56m before tax reform

$12m adjusted for tax reform

1. Represents O&M and Property Taxes that were previously recovered through separate tracking mechanisms

2. Relates to $36m tax reform, and $9m accounting adjustment for Administrative & General expenses

### Capex and opex

#### Capex

- Filing supports capital investment of over $413m including $257m which will be recovered under the Gas System Expansion Plan tracker
- Rate base updated to include all investments since last rate case in 2010
  - Rate Base: Boston - $1.73b / Colonial - $410m

#### Opex

$91m increase reflects:

- Updating our core operating costs
- Funding for an additional 138 FTEs
- Full reconciling funding for post test year Gas Business Enablement

### Timetable

**2017/18 RoE/Rate base ($m)**

- FERC
- KEDLI: 11.5%
- KEDNY: 10.1%
- Mass Elec: 9.0%
- NiMo Electric: 8.8%
- Mass Gas: 6.6%
- Narragansett Electric: 5.6%
- Narragansett Gas: 7.9%
- NiMo Gas: 7.9%
- Total: $20.7bn

**Proposal filed**
- April 2017
- Summer
- Late September 2018
- October 2018
- November 2018

**Evidence filed**
- Commission order

**New rates effective**
- New rates billed

### Important notice

This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include information with respect to National Grid’s financial condition, results of operations and businesses strategy, plans and objectives. Words such as “aim,” “anticipate,” “expect,” “believe,” “intend,” “plan,” “target,” “may,” “will,” “continue,” “project” and similar expressions, as well as statements in the future tense, identify forward- looking statements. Furthermore, this document, which reproduce forward-looking statements, does not contain sufficient information to allow for a full understanding of the results and status of affairs of National Grid, including the principal risks and uncertainties facing National Grid, as well as the forward-looking nature of the forward- looking statements. The contents of any websites referenced herein do not form part of this document.

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