Rhode Island: Narragansett Electric and Gas
Investor Relations | June 2018

“The settlement agreement we have reached with the Division of Public Utilities and Carriers to reset electricity and gas delivery prices in Rhode Island is a major step forward. This three year plan reflects the shared energy goals we have with the state, demonstrating our commitment to promoting more renewable forms of energy, providing greater assistance to income-eligible customers, and modernizing the grid. It also ensures that we can continue to bring energy to life for our customers in a safe, reliable, and cost-effective manner.”

Tim Horan, National Grid President for Rhode Island

National Grid and Rhode Island Electric and Gas

- National Grid acquired Narragansett (electric) in 2000 and (gas) 2006
- Rhode Island electric and gas distribution utility
- Nearly 500,000 electric customers and almost 270,000 gas customers
- Over 950 employees working in Rhode Island
- 6,500 miles electric distribution lines
- 3,200 miles gas mains
- Regulated by the Rhode Island Public Utilities Commission

Key elements of the rate case settlement

- Three-year settlement with revenue increases in each year

<table>
<thead>
<tr>
<th>Equity/Debt (%)</th>
<th>Allowed RoE</th>
<th>FY18 Achieved RoE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric</td>
<td>49/51</td>
<td>9.5%</td>
</tr>
<tr>
<td>Gas</td>
<td>49/51</td>
<td>9.5%</td>
</tr>
</tbody>
</table>

Meet our commitments . . .

. . . since the last rate case was approved in 2013

- Capital investments of more than $800m to modernise the gas and electric networks
- Replaced over 290 miles of leak prone pipe
- Invested in major improvements to more than 24 electric substations and 117 miles of distribution lines
- Continued to provide safe and reliable service to our customers through improved electric reliability, decreased gas leak rates and faster restoration times during major storm/emergency events

Rate Case / Regulatory History

2012-2013

Last rate case settlement was effective in February 2013 based on a historic test year of calendar year 2011. The rate case settlement increased base distribution revenues, extended the pensions reconciling mechanism to Electric, implemented funding for the Storm Fund, and modified the property tax calculation for inclusion in the Infrastructure, Safety and Reliability Mechanism.

2012-2017

Annually, both the Electric and Gas operating companies have filed Infrastructure, Safety and Reliability (ISR) plans to recover capital expenditures.

Customer impact

- **Narragansett Electric**: Typical residential electric customers will see an average net bill increase of 4% or $4.27 monthly
- **Narragansett Gas**: Typical residential gas heating customers will see an average net bill decrease of $2.01 across the year (with bill increases for commercial customers)

1 After adjusting for the lower US tax rate and including Power Sector Transformation initiatives of $69m.
2 RY is the Rate Year, commencing / September 2018
Narragansett Electric and Gas financing assumptions

<table>
<thead>
<tr>
<th></th>
<th>Cost of equity</th>
<th>Cost of debt</th>
<th>Rate of return</th>
<th>Assumed equity capitalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Narragansett Electric</td>
<td>9.3%</td>
<td>4.69%</td>
<td>6.97%</td>
<td>51%</td>
</tr>
<tr>
<td>Narragansett Gas</td>
<td>9.3%</td>
<td>5.10%</td>
<td>7.19%</td>
<td>51%</td>
</tr>
</tbody>
</table>

Electric revenue increase RY1 ($m)

1. Rate base
2. Depreciation
3. Taxes
4. P&L
5. O&M
6. Storms
7. Revenue Growth
8. Impact of Tax Cuts and Jobs Act

* Revenue increases received through the annual SRP plan since last full rate case

Gas revenue increase RY1 ($m)

1. Rate base
2. Depreciation
3. Taxes
4. P&L
5. O&M
6. G&E
7. PST
8. Revenue Growth
9. Impact of Tax Cuts and Jobs Act

* Revenue increases received through the annual SRP plan since last full rate case

Electric capex and opex

Capex
1. Capital investment of approximately $103m for FY19
2. Includes asset condition, reliability and mandated projects and programs
3. Investments of $40m in System Capacity and Performance, and $30m in Asset Condition replacement projects
4. Capital costs associated with Power Sector Transformation

Opex
Operating expense increase reflects:
1. Updating our core operating costs
2. Funding for an additional 68 FTEs
3. Investment in IT infrastructure
4. Operating costs associated with Power Sector Transformation
5. Enhanced customer outreach

Gas capex and opex

Capex
1. Capital investment of approximately $137m
2. Includes growth, mandated and reliability programs
3. Investments of $28m in growth and $64m for leak prone pipe

Opex
Operating expense increase reflects:
1. Updating our core operating costs
2. Funding for an additional 71 FTEs
3. Gas Business Enablement Program
4. Enhanced customer outreach
5. New compliance requirements

Timetable

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>November</td>
<td>Rate case filed</td>
<td>2017</td>
</tr>
<tr>
<td>Spring</td>
<td>DPUC initial response</td>
<td>2018</td>
</tr>
<tr>
<td>May</td>
<td>Evidentiary hearings</td>
<td>2018</td>
</tr>
<tr>
<td>August</td>
<td>Commission decision</td>
<td>2018</td>
</tr>
<tr>
<td>September</td>
<td>New rates effective</td>
<td>2018</td>
</tr>
</tbody>
</table>

2017/18 RoE/Rate base ($m)

<table>
<thead>
<tr>
<th>FERC</th>
<th>KEDLI</th>
<th>KEDNY</th>
<th>Mass Elec</th>
<th>NIW Electric</th>
<th>Narragansett Gas 8.4%</th>
<th>NIW Gas 7.9%</th>
<th>Narragansett Electric 5.6%</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.5%</td>
<td>10.1%</td>
<td>9.0%</td>
<td>9.0%</td>
<td>8.8%</td>
<td>$0</td>
<td>$20.7bn</td>
<td></td>
</tr>
</tbody>
</table>

Further information

Aarti Singhal
Director of Investor Relations
T: +44 (0) 20 7004 3170
M: +44 (0) 7388 492447
aarti.singhal@nationalgrid.com

Tom Edwards
Investor Relations Officer
T: +44 (0) 20 7004 3460
M: +44 (0) 7976 962791
tom.edwards@nationalgrid.com

James Flanagan
Investor Relations Manager (US)
T: +44 (0) 20 7004 3129
M: +44 (0) 7970 778952
james.flanagan@nationalgrid.com

Caroline Dawson
Investor Relations Manager
T: +44 (0) 20 7004 3172
M: +44 (0) 7789 732741
caroline.dawson@nationalgrid.com

Peter Kennedy
Investor Relations Assistant Manager
T: +44 (0) 20 7004 3169
M: +44 (0) 7386 200994
peter.kennedy1@nationalgrid.com

©Grid_Media

investors.nationalgrid.com

National Grid plc
1-3 Strand
London WC2N 5EH
United Kingdom
www.nationalgrid.com