

# Massachusetts Electric:

## 2018 Rate Case Filing

Investor Relations | November 2018



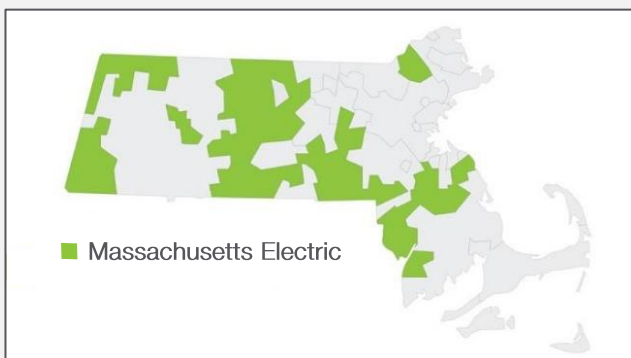
**"Our proposal to the Department of Public Utilities seeks to further our promise and responsibility to connect customers with their energy needs today while leading in the creation of a 21st century electricity network for tomorrow."**

**Marcy Reed**

National Grid President for Massachusetts

### National Grid and Massachusetts Electric

- Massachusetts Electric distribution companies



- 1.3 million electric customers
- 5,000 employees in Massachusetts
- Over 13,000 miles of electric lines
- Regulated by Massachusetts Department of Public Utilities

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

- Capital investments of more than \$700m to modernize the networks
- Invested in major improvements to underground facilities to upgrade and replace indoor substations
- Continued to provide safe and reliable service to our customers through improved electric reliability and faster restoration during major storms/emergency events
- Processed increased interconnections of Distributed Generation projects
- Received regulatory approval for a multi-year grid modernization proposal

### Key elements of 2018 rate case filing

	Revenue request
<b>Mass Electric revenue increase</b>	\$70m

Requested increase is net of \$62m of reconciling charges which have been moved into base rates

- Requested ROE of 10.5%
- Requested common debt:equity structure of 47%/53%
- Additional annual revenue requirement of \$70m to cover increased operating costs and investments
- 5 year rate plan (October 2019 to October 2024)
- Incremental operating expense of \$50m
- Filing supports capital investment of approximately \$300m annually
- The filing includes a Performance Based Rate Mechanism (PBRM)
- Proposal for a 5 year, \$167m investment in electric vehicle charging infrastructure increasing the number of charging ports by over 17,000 in Massachusetts<sup>1</sup>
- Proposal to invest \$50m in utility scale energy storage with ownership of 14MW.
- New rates expected from October 1, 2019

1. Proposals will be recovered outside of base rates in existing reconciling mechanisms if approved.

### Financing assumptions

	Cost of equity	Cost of debt	Weighted average cost of capital	Assumed equity capitalization
<b>MA Electric</b>	10.5%	5.22%	8.04%	53.49%

### Customer impact

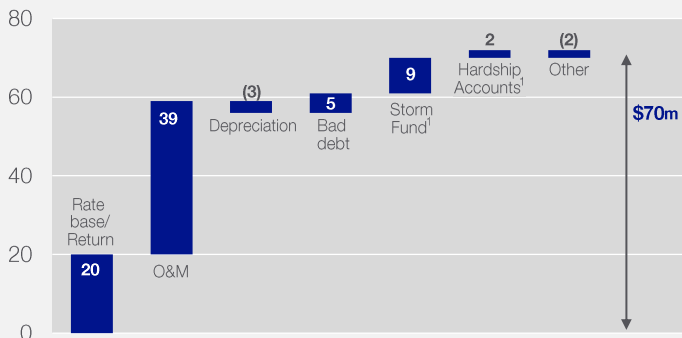
Typical residential electric customers will see an average net bill increase of 2.6% or \$4.06 per month

## Opex

\$50m increase reflects:

- \$39m in labor, benefits and other core O&M
- \$5m increase is bad debt expense
- \$9m increase is the annual contribution to the storm fund
- \$3m reduction in depreciation expense based on an updated depreciation study

## Revenue increase (\$m)



## Timetable

<b>November 2018</b>	Proposal filed
<b>Spring / Early Summer 2019</b>	Evidentiary Hearings
<b>Late September 2019</b>	Commission order
<b>October 2019</b>	New rates effective

## Rate Case / Regulatory History

**2016** Last rate case was effective on October 1, 2016 and based on a split historic test year of 2014 and 2015. The 2016 rate case increased base distribution rates, included all previously remunerated investments, increased the annual capex tracker and storm fund contribution.

**2009** The rate case was effective on December 1, 2009 and based on a historic test year of 2008. The 2009 rate case increased base distribution rates, implemented revenue decoupling, and created a capex tracker mechanism.

## Important notice

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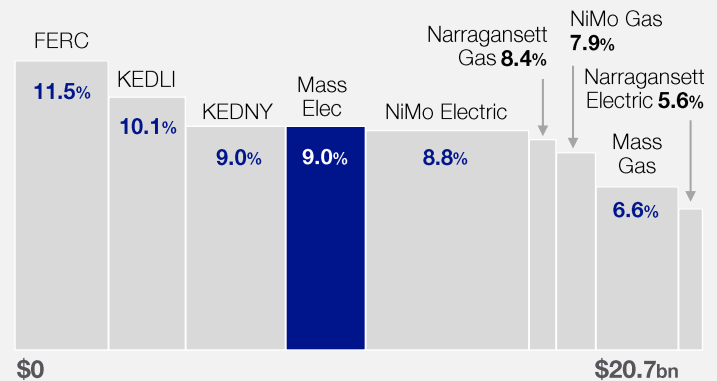
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## Capex

- Filing supports the capital investment forecast of approximately \$300m annually
- The existing capital tracker will phase out and capital expenditure will be funded under the Performance Based Rate Mechanism (PBRM) in the future

## 2017/18 RoE/Rate base (\$m)



## Previous agreement

	Equity/Debt (%)	Allowed RoE	FY18 Achieved RoE
<b>Mass Electric</b>	51/49	9.9	9.0%

**nationalgrid**