"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**

<table>
<thead>
<tr>
<th>Revenue request</th>
<th>Mass Electric revenue increase</th>
<th>$70m</th>
</tr>
</thead>
</table>

- 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 Massachusetts¹
- 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**

<table>
<thead>
<tr>
<th>Assumed equity capitalization</th>
<th>Weighted average cost of capital</th>
<th>Cost of debt</th>
<th>Cost of equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>MA Electric</td>
<td>8.04%</td>
<td>5.22%</td>
<td>10.5%</td>
</tr>
</tbody>
</table>

**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)

<table>
<thead>
<tr>
<th>Rate base/Return</th>
<th>Depreciation</th>
<th>Bad debt</th>
<th>Storm Fund</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>30</td>
<td>5</td>
<td>2</td>
<td></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>NiMo Electric</th>
<th>Mass Gas</th>
<th>NiMo Gas</th>
<th>Narragansett Electric</th>
<th>Narragansett Gas</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>6.6%</td>
<td>6.6%</td>
<td>8.4%</td>
<td>7.9%</td>
</tr>
</tbody>
</table>

$0 $20.7bn

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

Timetable

<table>
<thead>
<tr>
<th>November 2018</th>
<th>Proposal filed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spring / Early Summer 2019</td>
<td>Evidentiary Hearings</td>
</tr>
<tr>
<td>Late September 2019</td>
<td>Commission order</td>
</tr>
<tr>
<td>October 2019</td>
<td>New rates effective</td>
</tr>
</tbody>
</table>

Previous agreement

<table>
<thead>
<tr>
<th>Mass Electric</th>
<th>Equity/Debt (%)</th>
<th>Allowed RoE</th>
<th>FY18 Achieved RoE</th>
</tr>
</thead>
<tbody>
<tr>
<td>51/49</td>
<td>9.9</td>
<td>9.0%</td>
<td></td>
</tr>
</tbody>
</table>

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
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, its results of operations and businesses, strategy, plans and objectives. Words such as “aims”, “anticipates”, “expects”, “should”, “intends”, “plans”, “believes”, “outlook”, “seeks”, “estimates”, “targets”, “may”, “will”, “continue”, “project” and similar expressions, as well as statements in the future tense, identify forward-looking statements. Furthermore, this document, which is provided for information only, does not constitute summary financial statements and does not contain sufficient information to allow for a full understanding of the risks and state of affairs of National Grid, including the principal risks and uncertainties facing National Grid, as would be provided by the full Annual Report and Accounts, including in particular the Strategic Report section and the “Risk factors” section on pages 131 to 141 of National Grid’s most recent Annual Report and Accounts for the year ended 31 March 2018, as updated by National Grid’s unaudited half-year financial information for the six months ended 30 September 2018, published on 8 November 2018. Copies of the most recent Annual Report and Accounts are available online at www.nationalgrid.com or from Link Asset Services. Except as may be required by law or regulation, National Grid undertakes no obligation to update any of its forward looking statements, which speak only as of the date of this document. The content of any website references here do not form part of this document.

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