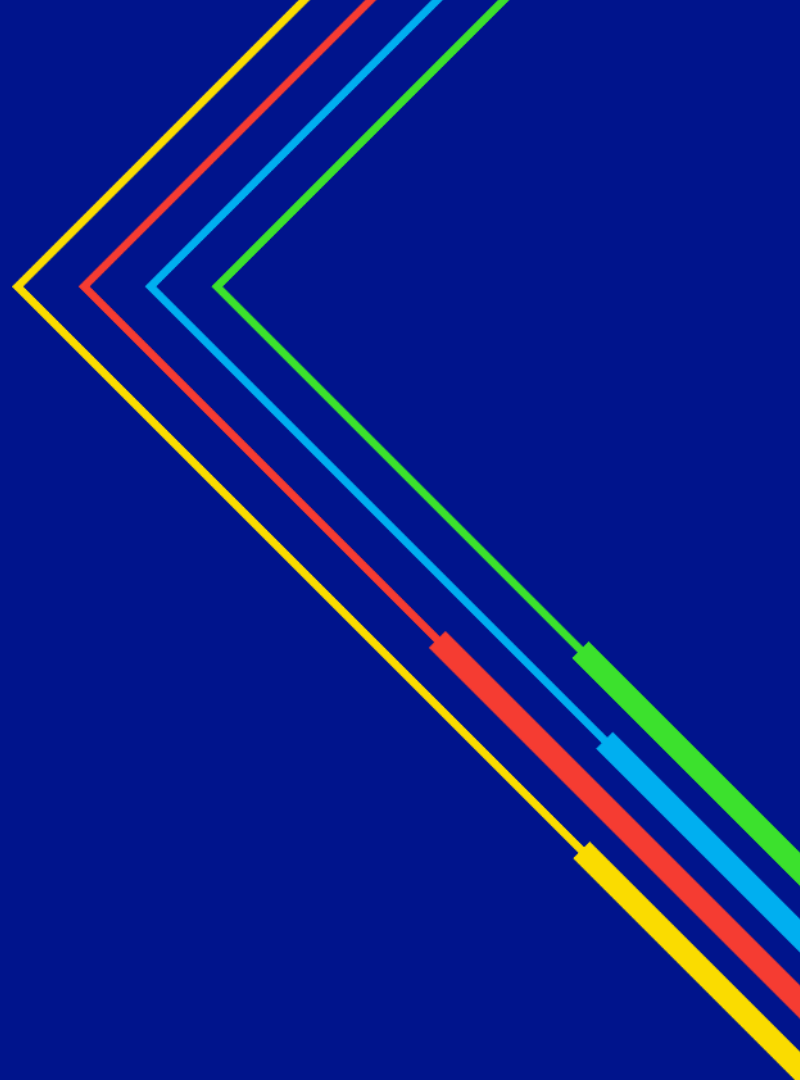


A high-level view of our New York City (KEDNY) rate proposal

Information Sessions

August 2019

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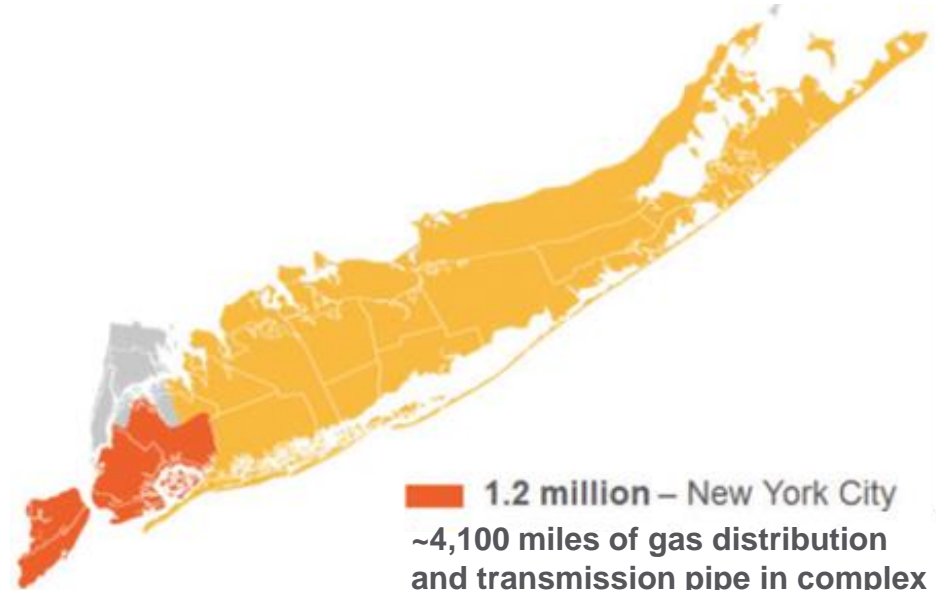


What we do

Every day we deliver a reliable supply of natural gas safely and efficiently to more than 1.2 million customers in Brooklyn, Staten Island and parts of Queens

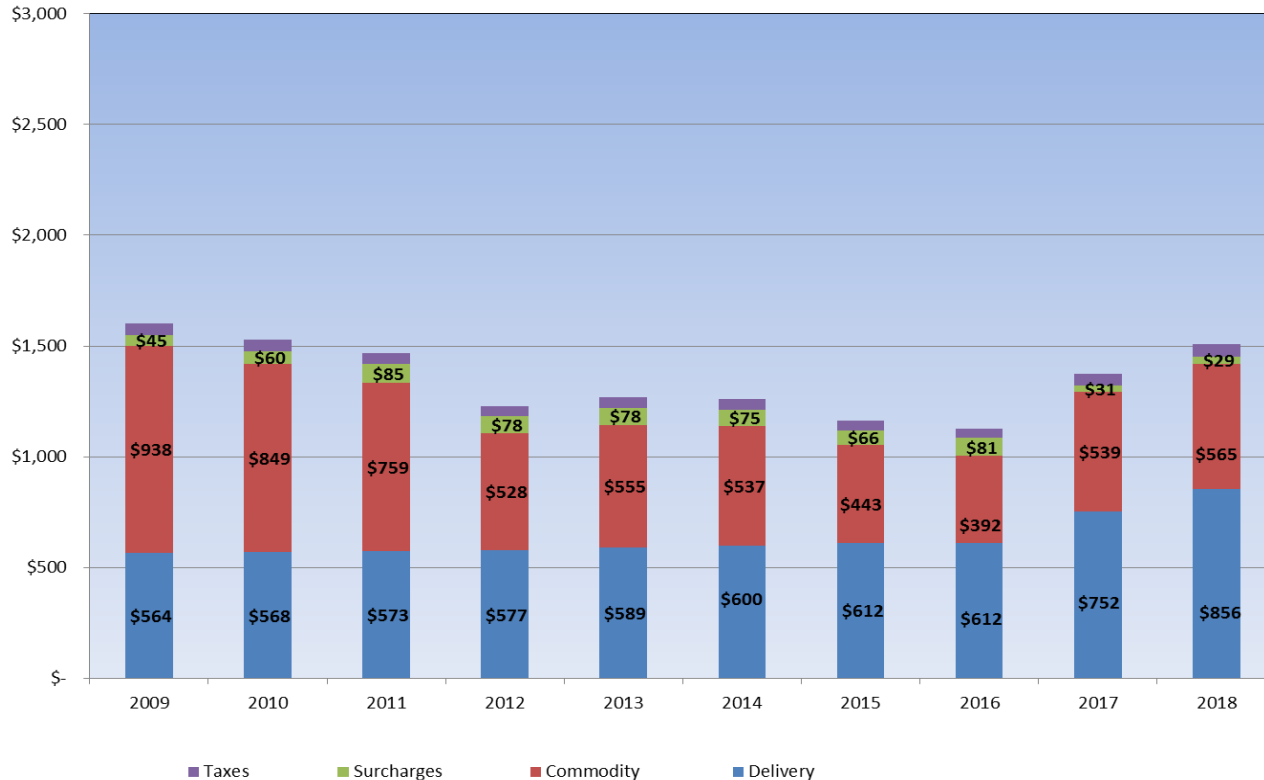
Our commitment

- Mitigate customer bill impacts
- Invest in infrastructure to further safety and reliability
- Improve customer experience
- Build foundation for a cleaner energy future



1.2 million – New York City
~4,100 miles of gas distribution and transmission pipe in complex urban environment
~2,000 employees

A closer look at customers' bills – 2009-2018



2019 Bills Reduced for Tax Act

- Rates reduced to reflect the lower federal tax rate as of January 1, 2019
- Sur-credits of \$42M for KEDNY in CY 2019
- Excess deferred taxes of nearly \$600M will be returned to customers over time

Average Annual Residential Heating Bill*

- Total bill dollars remain lower 2018 vs. 2009

(*1,000 Therms Annual Usage)

Energy landscape continues to evolve ...

- Changing customer service expectations
- Cleaner energy focus from states, cities, consumers
- Removing carbon from energy processes (decarbonization)
- But still focus on gas safety, reliability, customer service, costs



KEDNY rate proposal

Our proposal seeks to fund programs necessary to continue safe and reliable service, modernize the gas network, and deliver a sustainable future for natural gas. We will maintain our focus on mitigating customer bill impacts and improving service over what we hope to be a multi-year rate plan.



Estimated total bill impact (one-year proposal)

KEDNY Typical Residential Heating Customer (using 1,000 therms/year)	Original Filing Filed April 30		Corrections & Updates Filed July 3	
	Delivery	Total Bill - %/\$	Delivery	Total Bill - %/\$
	17.78%	11.99% \$16.66/month \$199.92/year	13.93%	9.61% \$13.13/month \$157.56/year

What's behind the new rates?

Improve safety and reliability by modernizing infrastructure	Capital investments strengthen backbone of system <ul style="list-style-type: none">• Replace aging pipeline and other infrastructure• Mandated city/state construction; new paving laws• Increased safety inspections, improved training, oversight
Improve customer experience	New Customer Information System <ul style="list-style-type: none">• Technologies to improve efficiencies in gas business• Enhanced energy efficiency/energy affordability programs
Stimulate clean energy alternatives	Prepare marketplace for cleaner energy future <ul style="list-style-type: none">• Future of heat• Reduction of GHG emissions to align with state, city goals
Manage other cost pressures	Mandated city/state construction and safety programs <ul style="list-style-type: none">• Increases in environmental recoveries• Increased paving costs from new city ordinance• Inflation and other rising costs• Property taxes, energy efficiency

Safety and mandated improvements

Safety and other mandated programs **account for more than 60 percent** of our capital portfolio; safety also driving O&M increases...where **costs of delivering these programs are amplified by NYC operating environment**

- Replace 310 miles of aging, leak prone pipe through 2024
- Mandated city/state construction
- Storm hardening in FEMA designated flood zones
- Enhanced gas safety inspections and other mandated safety work
- Residential methane detection program
- Improved training, inspections, oversight and quality control



Metropolitan Reliability Infrastructure Project – Brooklyn, NY

Help manage bill impacts

- Targeted efficiencies in operations go directly to customers
- Federal tax savings go directly to customers
- Customer programs
 - Energy efficiency
 - Energy affordability
 - Balanced billing

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Improve customer experience

- New customer information system
- New gas business technologies
- Electronic deferred payment agreements
- Eliminate credit card fees
- Modernize Pitkin Avenue walk-in center

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Economic Development & Energy Efficiency

- Programs to support regional business development
- Help offset costs for infrastructure upgrades
- Demand response programs
- Help offset costs for new sustainable gas technologies
- Expand eligibility of successful Cinderella program

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Exploring the Future of Heat

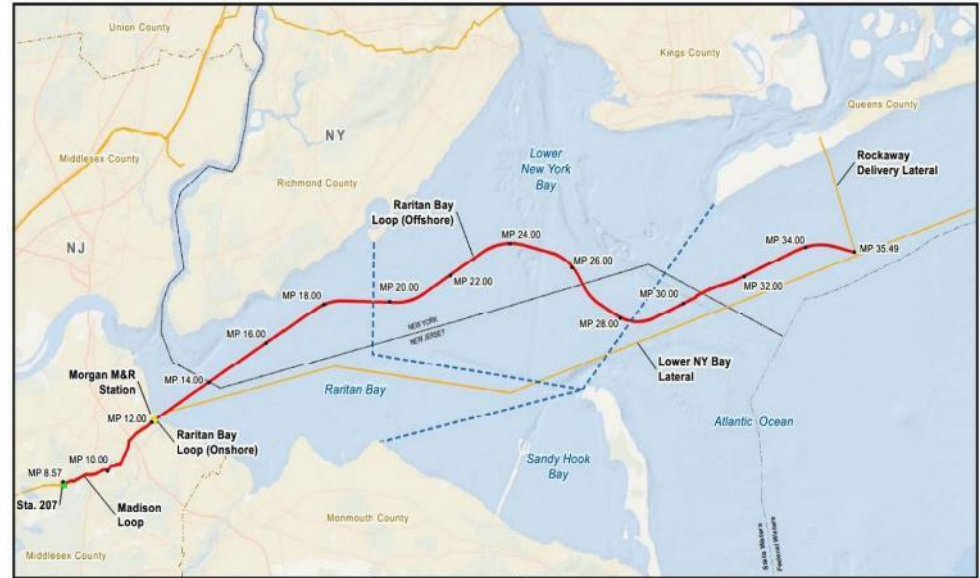
- Green gas tariff
- Power-to-gas pilot
- Hydrogen blending study
- Easing renewable gas interconnections
- Methane reduction target of 60% by 2035
- Expanded:
 - Gas demand-response program
 - Geothermal pilot program

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Meeting today's needs: Northeast Supply Enhancement Project (NESE)*

- Approved NESE will bring additional gas supplies to meet future firm growth
- NESE not part of base rate proposal
 - Work plan to accommodate growth is part of proposal
- Rate proposal impact if not approved:
 - Slight/moderate increase in delivery and total bill
 - Reduced capital portfolio, stalled growth will spread out operational costs to fewer customers over time



Legend

- | | | | |
|--|-------------------------------------|---|---|
|  | Proposed Pipeline |  | Existing Pipeline |
|  | Milepost |  | NY/NJ State Boundary |
|  | Existing Compressor Station |  | Approximate Offshore Watermark Boundary |
|  | Existing Meter & Regulatory Station | | |

* Rate proposal assumes NESE approval

We've engaged with our major stakeholders

Mutual priorities

- Gas safety, reliability, resiliency, sustainability
- Concern for bill impacts / affordability
- Gas conversions for low-income customers
- Opportunities to partner on methane emission programs
- Gas supply constraints and implications for economic development
- Coordinating with New York City agencies on low-income file matching
- Construction activities - impact on communities



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Thank you

Q&A