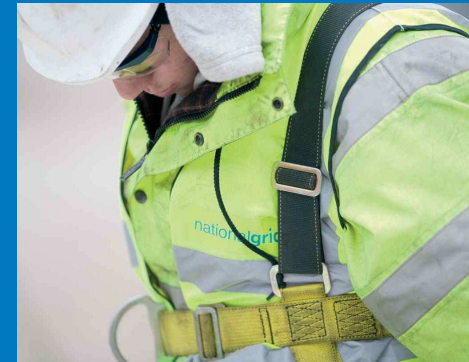


# *Challenges Facing The Energy Industry... and National Grid's Response*

**nationalgrid**  
THE POWER OF ACTION

*'New York State of Mind'*



**Kenneth Daly, CFA**  
**President, National Grid New York**

**October 13, 2011**  
**2011 Advanced Energy Conference**

# Hurricane Irene

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## Storm Preparation:

- Mobilized Crews
- Pre-storm planning
- Outreach to customers

## Company-wide Performance:

- 1.4 million Customer outages
- 16 Hour shifts
- 90% Restored in 5 days
- \$1 million Corporate contribution to Disaster Relief (e.g., Red Cross)

## Upstate New York Performance:

- 156,000 Customer outages
- 99% Restored in 4 days
- More than 3,000 personnel
- \$6 million emergency economic development grant for storm recovery

## Customer Assistance:

- On-going customer outreach; follow-up with life support customers
- Mobile Emergency Operations Center
- Daily Municipal Calls
- Distributed dry ice, water, sandwiches



## Agenda

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- Who's National Grid?
- 'New York State of Mind'
- National Grid's Response to Industry Challenges
- Customer Bill Impacts
- Key Takeaways

## Who's National Grid?

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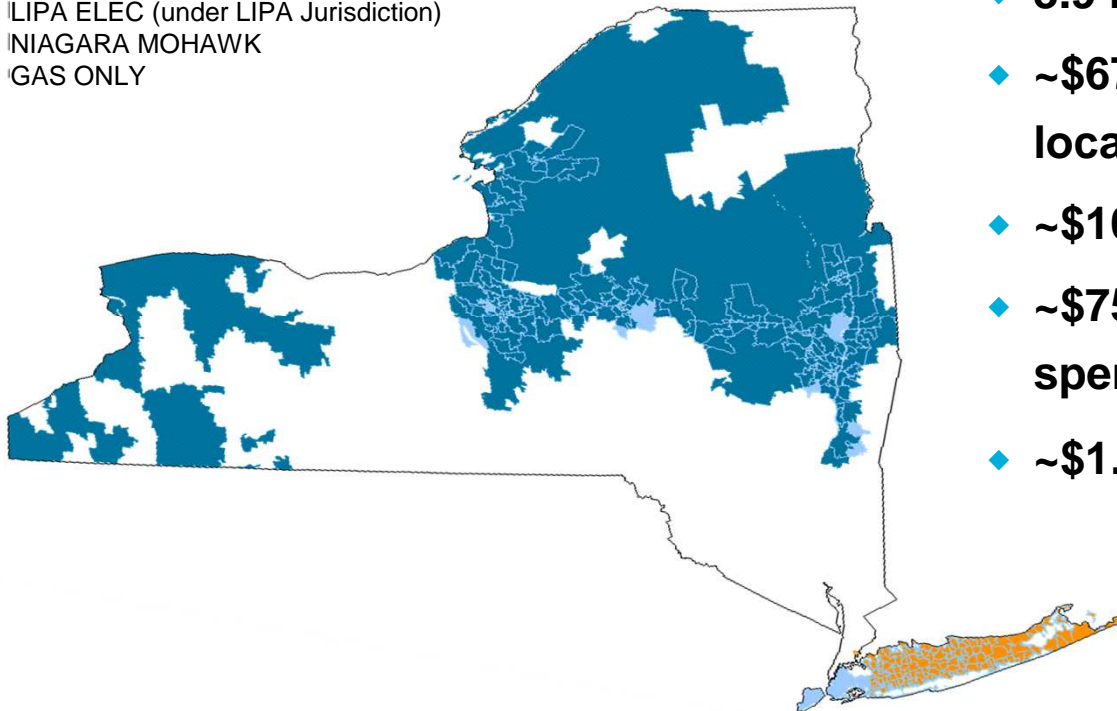
- An international electricity and gas company based in the UK and northeastern US
- One of the world's largest investor-owned utilities
- **19 million** industrial, commercial and domestic customers
- **28,000** employees
- **\$35 Billion** Market cap



*“We play a vital role in delivering gas and electricity to millions of people safely, reliably and efficiently”*

# National Grid in New York

- STATE LINE
- GAS BOUNDARY
- LIPA ELEC (under LIPA Jurisdiction)
- NIAGARA MOHAWK
- GAS ONLY



- ◆ 11,500 employees
- ◆ 3.9 million customers
- ◆ ~\$670 million paid in state and local taxes
- ◆ ~\$10.5 billion of assets
- ◆ ~\$755 million of annual capital spending
- ◆ ~\$1.5 billion test year O&M

**New York represents 60% of National Grid's US rate base**

# Status of New York rate agreements

<b>Company</b>	<b>Rate Base</b>	<b>Length</b>	<b>Allowed ROE</b>
<b>Niagara Mohawk – Electric*</b> Effective January 1, 2011	<b>\$3,674M</b>	<b>Two years</b>	<b>9.3%</b>
<b>Niagara Mohawk – Gas</b> Effective May 20, 2009	<b>\$890M</b>	<b>Two years</b>	<b>10.2%</b>
<b>KEDNY**</b> Effective January 1, 2008	<b>\$2,297M</b>	<b>Five years</b>	<b>9.8%</b>
<b>KEDLI</b> Effective January 1, 2008	<b>\$1,943M</b>	<b>Five years</b>	<b>9.8%</b>

\* \$50 million of temporary rates dependent on Service Company audit

\*\* Accelerated Pipe Replacement Program (60 miles of main/5,000 services)

# National Grid Response to Industry Challenges

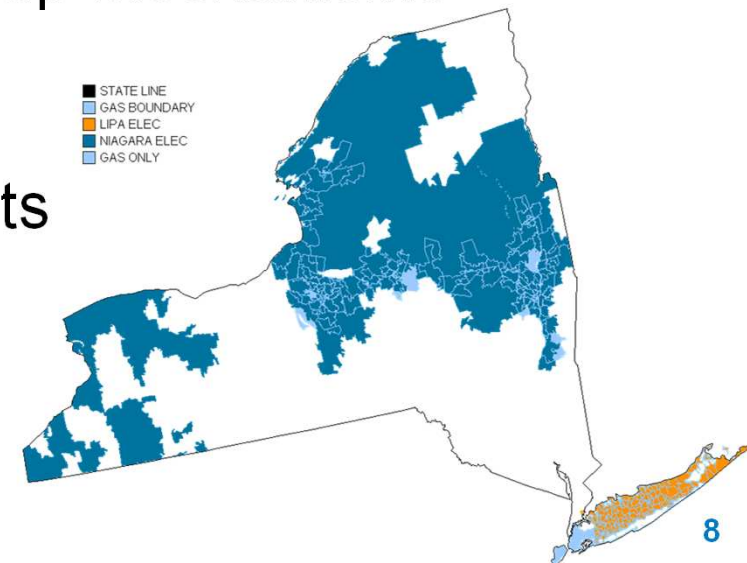
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- Regulatory Landscape
- Economic Development
- Infrastructure Investment
- Gas Growth
- Workforce Planning
- Customer Bill Impacts
- Emerging Customer Technologies
- Energy Efficiency and New Energy Technologies

## Regulatory Landscape in New York

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- Provides fair returns and progressive rate mechanisms
- Incorporates Investor requirements
- Reflects current low interest rate environment
- Consists of financially strong and less risky utilities
- Awards many Deferral and True-up Mechanisms
- Uses a fully projected rate year
- Understands customer bill impacts





## Economic Development

- Helping customers solve energy issues and improve their productivity and efficiency
- Upstate grant programs have helped create or retain over **19,000 jobs** in National Grid communities since 2003
- 700 grant applications approved to date, representing **\$46 million** in funding
- “**Green Cinderella**” program funds “green” technology upgrades for abandoned buildings and affordable housing projects
- National Grid was recipient of the New York State Economic Development Council Chairman’s Award, May 2011
- **\$6 million** emergency economic development grant for storm recovery



Buffalo Lakeside Commerce Park – Before & After



## Infrastructure Investment

- Invested **\$1.5 billion** in upstate New York electric infrastructure from January 2007 – present.
- This represents more than double the rate allowance approved in 2001.
- Since 2007, the company has met or exceeded PSC reliability targets for number of outages and outage duration.
- In 2010, the average number of outages for National Grid customers was **12 percent** below the five-year NY State average.



# Gas Growth

- **45,000** new sales completed annually
- **\$170m** capital infrastructure investment
- **\$50m** new delivery margin
- Significant Customer cost savings
- Every residential conversion is equivalent to taking six cars off road



- Key Highlights

- Partnering with NYC to accelerate phase out of heavy oils in large buildings; currently convert approx. 100 large buildings per year
- Largest oil to natural gas conversion on Long Island will save VA Hospital \$1m and displace 1.5 million gallons of oil annually

# Workforce Planning

- “**Engineering Our Future**” is a signature program of National Grid
- This innovative program is designed to inspire youth, attract future engineers and develop the workforce of the future
- National Grid has invested more than **\$3 million** in this program
- Encourage students of all ages to study science, technology, engineering and math, collectively known as “**STEM.**”
- The centerpiece is a new six-year development and recruitment program called the “**Engineering Pipeline.**”



# Customer Bill Impacts: Deferral Filing

## Niagara Mohawk Electric

- Filed July 29, 2011 proposed rate changes to be effective **January 1, 2012**
- Removes approximately \$545 million of competitive transition charges from rates.
- Proposes a way to recover remaining \$236 million of deferred expense balances over a 15-month period.
- Result in a **\$300m+** reduction in Upstate New York Electric bills
- If approved, our plan would lower customer bills starting in January as follows:

Customer Type:	Delivery Bill	Total Bill
Residential	↓ 11 to 12 %	↓ 7 to 8 %
Small commercial/industrial	↓ 21 %	↓ 11 to 12 %
Large commercial/industrial	↓ 20 to 50 %	↓ 10 to 40 %

## Energy Efficiency and New Energy Technologies

- Re-emerged as an energy efficiency provider in 2009.
- Providing electric and natural gas efficiency solutions
- **\$85 million** to fund energy efficiency
- Achievements to date
  - **275,000** annual MWhs electric savings
  - **9 million** annual therms gas savings
- Working toward reauthorization of programs for 2012 – 2015.
- New Energy Technologies
  - Smart Grid
  - Alternative transportation
  - Renewables
- Partnerships with Government and Customers (e.g. Buffalo Niagara MC)



Refrigerator Recycling Program



Small Business Program



Energy Initiative Programs

## Key Takeaways

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- National Grid is a Global Energy Company with a “Local” focus
- The Energy Industry is facing numerous challenges
- There are significant macroeconomic hurdles to overcome
- We need to engage key stakeholders to drive solutions



***‘The future of the Energy Industry is full of opportunities’***