Jennifer Brooks Hutchinson
Acting Assistant General Counsel and Director

September 25, 2019

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Division Clerk
Rhode Island Division of Public Utilities & Carriers
89 Jefferson Boulevard
Warwick, RI 02888

RE: Docket D-19-17 - Application and Statement by The Narragansett Electric Company d/b/a National Grid Regarding Issuance of New Long-Term Debt
<u>Supplemental Responses to Division Data Requests – Set 1</u>

Dear Ms. Massaro:

On behalf of National Grid,[1] I am enclosing the Company's supplemental responses to Division 1-1, Division 1-3, and Division 1-21 in the above-referenced matter.

Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at (401) 784-7288.

Very truly yours,

Jennifer Brooks Hutchinson

Enclosure

cc: Docket D-19-17 Service List
Leo Wold, Esq.
John Bell, Division

[1] The Narragansett Electric Company d/b/a National Grid ("National Grid" or "Company").

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Division 1-1 - Supplemental

Request:

Please provide copies of all Narragansett Electric Company ("Narragansett" or "the Company") credit rating reports issued since January 1, 2017 to the present.

Response:

Please see Attachment DIV 1-1-1 and DIV 1-1-2 for the Narragansett credit reports issued since January 1, 2017 to the present.

Supplemental Response:

Please see Attachment DIV 1-1-3-Supp. for the latest Moody's report for Narragansett.

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
12 September 2019

Update

Rate this Research

RATINGS

Narragansett Electric Company

Domicile	Providence, Rhode Island, United States
Long Term Rating	A3
Type	LT Issuer Rating
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Narragansett Electric Company

Update to credit analysis

Summary

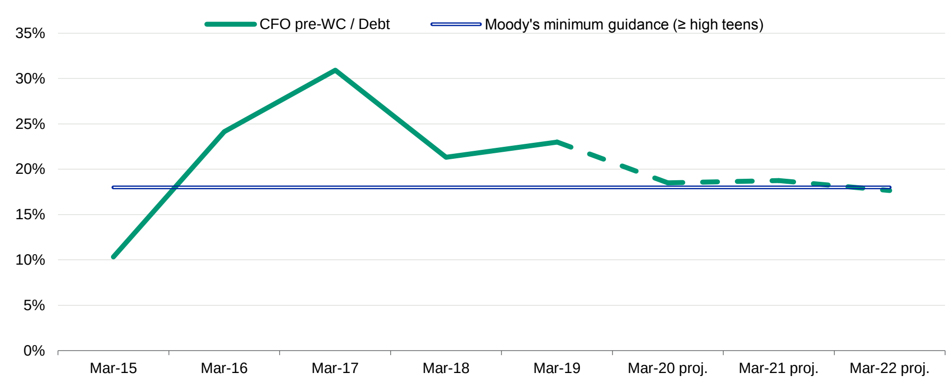
The credit quality of Narragansett Electric Company (NECO, A3 stable) is supported by the low business risk profile of its distribution and transmission operations, which are governed by different regulatory frameworks and thus provide some cash flow diversification. We view the regulatory framework for its electricity transmission operations, which accounts for around 30% of its rate base, as particularly supportive to credit quality, reflecting the well-established and transparent framework and a tariff formula that allows for timely recovery of operating and capital spending. We consider the regulatory environment in Rhode Island generally supportive, where a wide variety of de-risking provisions have been incorporated in recent rate cases, including NECO's for its distribution operations.

NECO's credit quality is constrained by its material investment programme over the next few years. Nonetheless, we expect the impact on NECO's key credit metrics, in particular cash flow from operations pre-working capital (CFO pre-WC)/debt, to be manageable. This view principally reflects the higher allowed revenue under NECO's current rate plan for its distribution operations, whose primary term commenced in September 2018 and runs for a further two years, and a financial profile that has been supported by modest dividend payment in recent years.

Exhibit 1

We expect NECO to maintain a financial profile in line with guidance despite a material investment programme

Evolution of NECO's CFO pre-WC/debt versus the minimum guidance for the A3 rating



Sources: National Grid, Moody's Investors Service

Credit strengths

» Cash flow diversification from activities governed by two different regulatory frameworks

» Very low business risk of electricity transmission operations, reflecting a well-established and transparent regulatory framework and a tariff formula that allows for the timely recovery of operating and capital spending

» Low-risk electricity and gas distribution operations in Rhode Island, governed by a supportive regulatory environment with improved ability and timeliness of cost recovery under the current rate plan, whose primary term runs for another two years

Credit challenges

» Lower revenue increases under the current rate plan because of the federal tax reform and material investment programme, averaging almost 15% per year of the rate base over the next few years, we estimate, will increase leverage and reduce financial flexibility.

» Substantial additional debt at the parent holding companies and the absence of significant ring-fencing provisions at NECO to restrict higher leverage.

Rating outlook

The stable outlook reflects our expectation that NECO will continue to meet the minimum ratio guidance over the medium term, with CFO pre-WC/debt at least in the high teens in percentage terms.

Factors that could lead to an upgrade

» Although not currently expected, upward rating pressure would arise if (1) CFO pre-WC/debt was above the low 20s in percentage terms, on a sustained basis; and (2) significant regulatory ring-fencing provisions were introduced to restrict higher leverage at NECO.

» Any rating upgrade would also take into consideration the credit quality of the wider National Grid group.

Factors that could lead to a downgrade

» Downward rating pressure would arise if (1) weaker-than-expected financial performance caused CFO pre-WC/debt to fall below the high teens in percentage terms, on an underlying basis, without any prospect of a speedy recovery; or (2) there were material adverse changes in the regulators' overall supportiveness to utilities.

» Any rating downgrade would also take into consideration the credit quality of the wider National Grid group.

Key indicators

Exhibit 2

Narragansett Electric Company

	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20 proj.	Mar-21 proj.	Mar-22 proj.
CFO pre-WC + Interest / Interest	3.4x	6.6x	7.5x	6.3x	6.2x	5.8x	5.7x	5.2x
CFO pre-WC / Debt	10.3%	24.1%	30.9%	21.3%	23.0%	18.5%	18.8%	17.7%
CFO pre-WC – Dividends / Debt	10.3%	24.1%	30.9%	21.3%	16.4%	16.3%	16.1%	15.1%
Debt / Capitalization	35.6%	32.9%	29.6%	33.4%	34.8%	35.5%	36.1%	36.3%

All figures and ratios are calculated using Moody's estimates and standard adjustments. Moody's Forecasts (f) or Projections (proj.) are Moody's opinion and do not represent the views of the issuer. Periods are financial year-end unless indicated. LTM = Last 12 months.
Source: Moody's Financial Metrics™

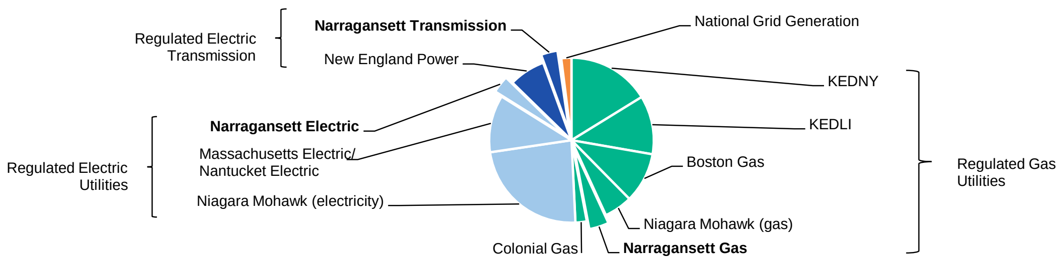
Profile

Narragansett Electric Company (NECO) is a retail distribution company providing electric service to around 506,000 customers and gas service to around 273,000 customers in 38 cities and towns in Rhode Island. It also owns electricity transmission assets in Rhode Island, which are operated by its sister company New England Power Company (NEP, A3 positive). NECO's electricity transmission operations are regulated by the Federal Energy Regulatory Commission (FERC) and its electricity and gas distribution activities by the Rhode Island Public Utilities Commission (RIPUC). The company is ultimately owned by National Grid plc (NG plc, Baa1 stable) via intermediate holding companies National Grid North America Inc. (NGNA, Baa1 negative) and National Grid USA (NG USA, Baa1 stable). NECO's rate base of around $2.4 billion as of 31 March 2019 is almost equally distributed across its three business segments and represents around 11% of National Grid's rate base in the US.

Exhibit 3

National Grid's rate base in the US by asset type

Rate base as of 31 March 2019



Rate bases for Boston Gas and its sister company (Colonial Gas Company) are estimates reflecting the fact that National Grid, since March 2019, has not provided a split of the Massachusetts Gas business' rate base between the two companies. We have assumed the same proportions as of March 2018.
Sources: National Grid, Moody's Investors Service

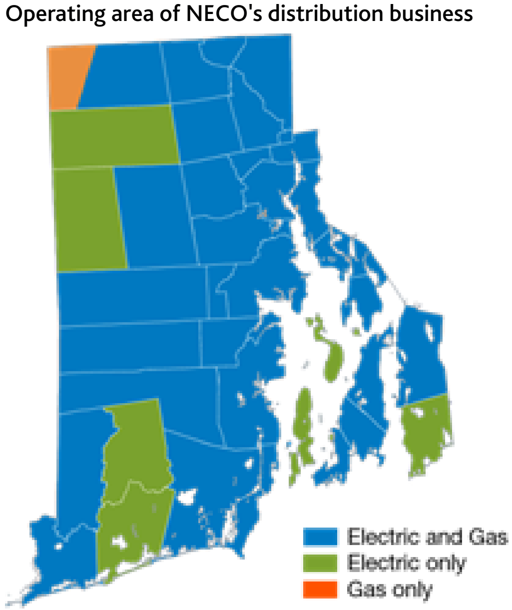
Detailed credit considerations

Low-risk distribution activities under a supportive regulatory environment

Around two-thirds of NECO's business, as measured by its rate base, pertains to the distribution of electricity and gas to consumers within its specific geographic area in Rhode Island, an activity that we view as having low business risk, and is regulated under a transparent and established regulatory regime, providing stable and predictable cash flow generation.

Exhibit 4

Operating area of NECO's distribution business



Source: National Grid

Exhibit 5

Rate case summary

Regulated Business	Narragansett Electric	Narragansett Gas	Narragansett Transmission
Regulator	RIPUC		FERC
Primary term of rate plan	Sep 2018 - Aug 2021		-
Allowed return on equity (RoE)	9.3%		10.6%
Achieved RoE (fiscal 2019)	10.7%	4.7%	11.3%
Rate Base at March 2019	$0.8 billion	$0.9 billion	$0.7 billion

Source: National Grid, Moody's Investors Service

The primary term of NECO's rate plan for its distribution operations commenced on 1 September 2018 and runs for a further two years (until August 2021). This was the first multiyear plan approved for NECO, providing the company with increased cash flow predictability. The plan provides an allowed RoE of 9.3%, which could increase by 30-50 basis points through upside only performance incentive mechanisms, on an assumed equity/total capitalisation of 51%.

NECO's rate plan benefits from a number of de-risking provisions that improve the likelihood and timing of cost recovery. They include full revenue decoupling and capital trackers, a pension adjustment mechanism and an annual property tax recovery mechanism within the annual capital programme that more closely aligns rate recovery and costs related to property tax expenses. The plan also permits NECO to file for a base-rate increase for the recovery of advanced metering and grid-modernisation investment costs if these are approved by the RIPUC during the primary term of the plan.

Despite this, we view the regulatory environment in Rhode Island as tougher than that in some other US states where National Grid operates, in particular New York. This view reflects the fact that when rates are set by the RIPUC, most weight is still placed on a “historical test year” (albeit some consideration is given to forecast capital investment, volume and operating costs with some other cost categories increased by inflation) rather than solely projected costs.

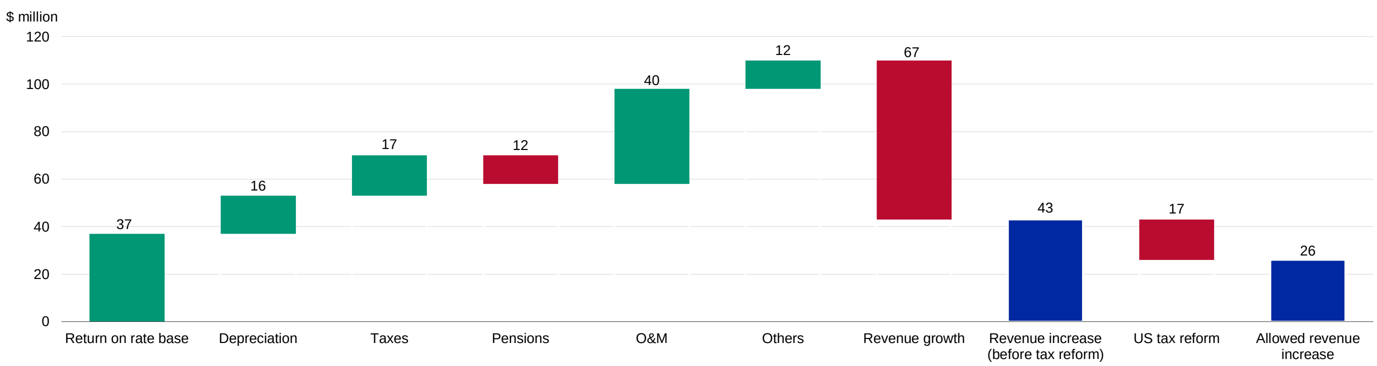
US tax reform resulted in a materially lower revenue increase under NECO's current rate plan

Following the passage of the Tax Cuts and Jobs Act of 2017 in the US, the RIPUC opened a docket to address the change in the federal corporate income tax rate and other changes resulting from this act. Because of NECO's ongoing rate-case proceedings at the time, the company was allowed to defer the effect of this tax reduction until the effective date of the new rate plan (1 September 2018), provided the company adjusted its revenue accordingly. This resulted in a combined increase in allowed revenue for both electric and gas distribution of only $26 million in the first year of the plan, which would have been $43 million if not for the negative adjustment related to the tax reform (see Exhibit 6). Additionally, in May 2019 the RIPUC approved a settlement agreement filed by NECO to return to customers around $8 million of excess deferred income tax collected before the start of the new rate plan.

Exhibit 6

Increase in allowed revenue under the current rate plan was significantly reduced by the US tax reform

Combined revenue increases for electricity and gas distribution businesses effective 1 September 2018



Note: “Revenue growth” relates to revenue increases previously allowed to NECO. These were approved by the RIPUC following several filings made through the Infrastructure, Safety and Reliability mechanism to recover capital spending since the last full rate case in 2013.
Source: National Grid

The US tax reform also affected NECO's transmission business, discussed below, but the impact is still unknown. The FERC initiated an inquiry in this area for public utilities in March 2018 and NECO, along with other utilities, made recommendations as to how to reflect this in tariffs but a final ruling from the FERC is still pending with no timeline provided.

Very low business risk of transmission operations ensures stable and predictable cash flow

NECO's transmission facilities are operated in combination with the transmission facilities of its New England affiliates, Massachusetts Electric Company (A3 stable) and NEP, as a single integrated system, with NEP designated as the combined operator. NEP collects the costs of the combined transmission asset pool, including a current RoE of 10.57%, and subsequently reimburses the transmission owners (TOs). The amount reimbursed to NECO for the fiscal year ended March 2019 (fiscal 2019) was around $145 million. The transmission business has no exposure to the end consumer, and therefore has no commodity price risk.

The highly supportive regulatory environment is likely to continue

NECO's transmission business is wholly regulated by the FERC, which we view as highly credit supportive. The FERC-regulated rates are set based on a formulaic, forward-looking rate setting mechanism, designed to reimburse the company for all prudently incurred operating and maintenance spending, tax, depreciation and a fair return on assets employed in the provision of transmission services. The formula contains an automatic annual true-up for operating and capital costs, and allows NECO to include construction work in progress for new transmission projects in the rate base. These features are intended to ensure that the company recovers its allowed costs and returns within a two-year period. In addition, to encourage greater investment in transmission infrastructure, the FERC allows independent TOs to earn RoEs that tend to be above those allowed by state regulators. In line with NEP and other transmission owners in New England, NECO is allowed to earn a base RoE of 10.57% on an assumed equity-to-total capitalisation ratio of 50% (in line with state regulators, but lower than 66% at NEP). In addition, NECO benefits from additional incentive mechanisms that could increase the allowed RoE up to 11.74%. While the FERC is currently undertaking a review of the base and maximum allowed RoE, we expect the RoEs to remain above the level set by other state regulators (see the highlighted box below for more details).

The Section 206 dispute triggered a wider review of the FERC's RoE methodology; final level uncertain but RoEs likely to remain above the level set by other regulators

Allowed returns for TOs in the Independent System Operator - New England region have been the subject of administrative law proceedings for several years. In 2014, the FERC reduced the rate of return to 10.57% from 11.14% after appeals from the Massachusetts Attorney General and other customer representatives. The FERC also reduced the maximum allowable RoE, including incentives, to 11.74% — the top of the revised zone of reasonableness.

However, in April 2017, this decision was overturned by an appeals court, which found that the FERC had not established that the existing 11.14% return was unreasonable and that "FERC failed to provide any reasoned basis for selecting 10.57 percent as the new base RoE." The case was sent back to the FERC for reconsideration.

In October 2018, the FERC issued an order proposing fundamental changes in its methodology for determining the appropriate RoE for TOs in the Independent System Operator - New England region, by giving equal weight to the results of four financial models in determining an appropriate RoE, instead of primarily relying on the discounted cash flow model that the commission has historically used. The suggested approach is, according to the FERC, arguably more stable, transparent (providing more certainty for TOs) and legally defensible than the current approach, which has previously resulted in fluctuating RoE outcomes with each new formulation.

The FERC's proposal, with calculations still being preliminary, would result in a base RoE of 10.41% versus the current 10.57%. While the change is negative, more important is the increase in the "zone of reasonableness," which would move from 11.74% to 13.08%, allowing the TOs to possibly have a higher all-in RoE, including incentives. In March 2019, the FERC launched a broad review of RoE policies for electric utilities in a Notice of Inquiry and is currently seeking comments on the proposed modifications.

Because the rate-setting process is not contested before state commissions, and given its design to ensure timely cost recovery, we consider the regulatory framework more stable and predictable than that for state-regulated utility businesses. The transmission business continued to perform strongly, with an achieved ROE of 11.3% in fiscal 2019, well above the allowed base level, as has been the case for the last several years (see Exhibit 7).

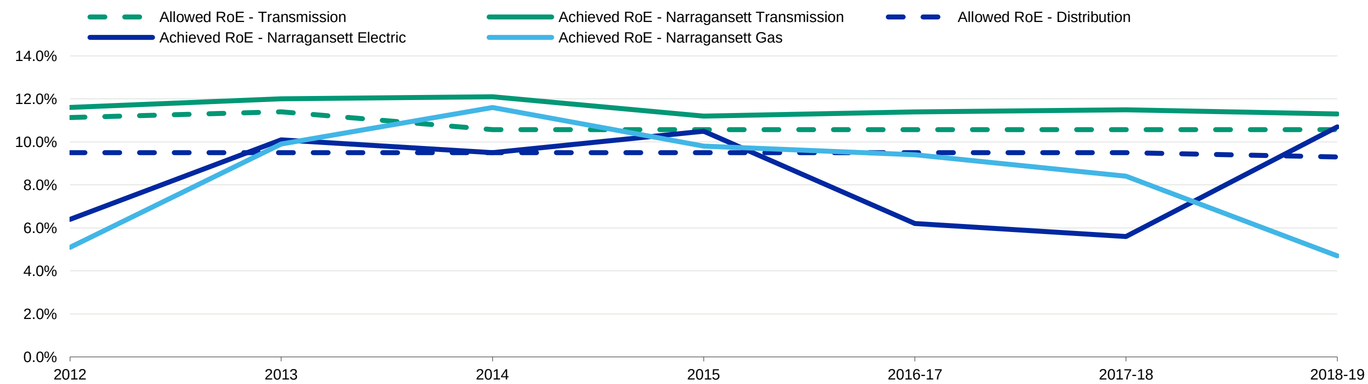
Overall achieved RoEs expected to improve in fiscal 2020 with the completion of the first full year of the current rate plan for distribution operations

NECO's achieved RoE for its distribution businesses fell over the period from 2014 to fiscal 2018, with the gap between achieved and allowed RoEs particularly large in electricity towards the end of this period (see Exhibit 7). This reflected the absence of updated rates in the intervening period (the primary term of the prior rate plan expired in January 2014) because no new rate cases were filed following problems with an IT system implementation programme and inflationary cost pressures.

Fiscal 2019 encompasses just over half a year of the higher allowed rates under the current rate plan. We believe this was the main driver of the material improvement in electricity distribution RoE to above 10%. However, despite the higher rates, the achieved RoE for gas distribution deteriorated substantially to 4.7% in fiscal 2019 from 8.4% in fiscal 2018. We believe the main driver of this deterioration were the costs associated with restoring gas service to around 7,100 customers (2.6% of all its customers) on Aquidneck Island, following a gas transmission supply issue in January 2019, which took nine days to complete. We expect NECO's achieved RoE to be around the allowed levels in fiscal 2020, absent the RIPUC concluding in its final report on the incident, expected in the next few months, that NECO was at fault and levying a fine. We note that the status report published by the RIPUC in June 2019 said there may have been multiple contributing factors leading to the outage.

Exhibit 7

Fiscal 2020 will benefit from the first full year of updated rates, but gas distribution RoE will depend on the outcome of the regulator's investigation



During 2017, National Grid changed the reporting period of its RoEs for the US business from calendar year to fiscal year.
Source: National Grid

Delivery of a material capital spending programme will increase leverage but impact on key financial metrics should be manageable

NECO continues to undertake a material investment programme intended to fund the replacement of several ageing operational systems and gas pipelines, with annual capital spending likely to exceed our estimates of CFO pre-WC of $260 million-$280 million per year over the period to fiscal 2022. While the resulting negative free cash flow will increase gearing, the increase in leverage in recent years has been moderated by National Grid extracting dividends from other US operating companies to service interest payments at the holding companies above NECO. Indeed, until fiscal 2019, when a dividend of $85 million was distributed, NECO had paid no dividends since fiscal 2010. Consequently, as shown in Exhibit 1, we expect NECO to retain a financial profile in line with the guidance for the current rating because the benefit of higher rates under the current rate plan will offset some of the increase in leverage, assuming distributions from NECO remain modest.

However, the absence of significant ring-fencing provisions increases the risk from high parent company leverage

The period of no dividends until fiscal 2019 has contributed to NECO's historical financial metrics being towards the upper end of the guidance for the current rating, with CFO pre-WC/debt averaging around 25% over fiscal 2017-19. However, the presence of high levels of additional debt at the holding companies, coupled with the absence of significant ring-fencing provisions, constrains NECO's credit quality at the level of the wider National Grid group, which we assess as commensurate with a low-A rating.

The absence of significant ring-fencing provisions contrasts with other US regulated utilities within the National Grid group, principally those operating in New York, where a number of provisions exist, such as (1) specific leverage restrictions at conservative levels (usually defined by a debt-to-capitalisation ratio); (2) a special class of preferred stock (the Golden Share), which is subordinated to all other existing preferred stock and limits a regulated utility's ability to commence any voluntary bankruptcy (or similar) proceedings without the consent of the holder; and (3) a requirement to maintain an investment-grade rating. Together, these provisions provide a material benefit to creditors and may allow regulated utilities to be rated more highly than the group to which they belong. Of these restrictions, we view an explicit leverage restriction at conservative leverage levels as having the greatest benefit for protecting a single-A rating, while other measures have power only at lower rating levels.

Liquidity analysis

Given group funding arrangements, although NECO has inadequate liquidity on a standalone basis, with limited cash and cash equivalents and no revolving credit facilities in its own name, we regard its liquidity risk as manageable.

National Grid manages its financing and liquidity on an overall group basis, with a central finance committee setting the rules by which individual entities can raise capital. For the US subsidiaries, including NECO, short-term liquidity requirements are managed via the group's regulated money pool. All of the regulated subsidiaries can lend and borrow from the pool; however, the unregulated holding companies — NG USA and NGNA — may only act as lenders. The interest rate for borrowing under the money pool is determined by reference to the cost of meeting the group's funding needs, typically a mix of 30-day A2 commercial paper and any other long- and short-term funding sources.

To support the regulated money pool, the parent holding companies have in place bilateral facilities totalling $3.7 billion, with maturity dates ranging from June 2021 out to June 2024, for which NG Plc, NGNA and NG USA are named borrowers. We understand the facilities were undrawn as of March 2019. NG USA also has two commercial paper programmes totalling $4 billion, denominated equally in US dollars and euros. Support for these programmes comes from the holding companies being named as borrowers under the aforementioned revolving credit facilities. As of March 2019, $200 million and $944 million were outstanding on the US and euro commercial paper programmes, respectively.

Viewed in this wider context, NECO's liquidity appears much stronger. NECO's rating relies on continued access to liquidity from the wider National Grid group via this money pool arrangement.

Rating methodology and scorecard factors

We assess NECO under our Regulated Electric and Gas Utilities rating methodology, published in June 2017. The scorecard-indicated outcome for NECO is A3 on a forward-looking basis, in line with the assigned rating.

Exhibit 8
Rating factors
Narragansett Electric Company

Regulated Electric and Gas Utilities Industry Grid [1][2]	Current FY 3/31/2019		Moody's 12-18 Month Forward View As of September 2019 [3]	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	A	A	A	A
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	Aa	Aa	Aa	Aa
b) Sufficiency of Rates and Returns	Baa	Baa	Baa	Baa
Factor 3 : Diversification (10%)				
a) Market Position	Baa	Baa	Baa	Baa
b) Generation and Fuel Diversity	N/A	N/A	N/A	N/A
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	6.7x	Aa	5.5x - 6x	A
b) CFO pre-WC / Debt (3 Year Avg)	24.8%	A	18% - 20%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	22.3%	A	16% - 18%	A
d) Debt / Capitalization (3 Year Avg)	32.7%	Aa	35% - 36%	Aa
Rating:				
Scorecard-indicated Outcome Before Notching Adjustment		A2		A3
HoldCo Structural Subordination Notching		0		0
a) Scorecard-indicated Outcome from Grid		A2		A3
b) Actual Rating Assigned				A3

(1) All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. (2) As of 31 March 2019. (3) This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics™

The Narragansett Electric Company
d/b/a National Grid
Division Docket No. D-19-17
Attachment DIV 1-1-3 Supp.
Page 8 of 12

Appendix

Exhibit 9

Peer comparison

Narragansett Electric Company

	Narragansett Electric Company			Delmarva Power & Light Company			Potomac Electric Power Company			Jersey Central Power & Light Company		
	A3 Stable			Baa1 Stable			Baa1 Stable			Baa1 Positive		
(in USD Millions)	FYE Mar-17	FYE Mar-18	FYE Mar-19	FYE Dec-16	FYE Dec-17	FYE Dec-18	FYE Dec-16	FYE Dec-17	FYE Dec-18	FYE Dec-16	FYE Dec-17	FYE Dec-18
Revenue	1,263	1,445	1,557	1,277	1,300	1,332	2,186	2,158	2,239	1,833	1,828	1,864
CFO Pre - W/C	317	252	296	289	329	352	502	431	463	422	479	427
Interest Expense	49	48	56	55	58	62	142	137	133	145	113	115
Gross Debt	1,026	1,180	1,286	1,467	1,631	1,598	2,540	2,681	2,912	2,481	2,109	1,899
Net Debt	1,018	1,174	1,278	1,421	1,629	1,575	2,531	2,676	2,896	2,481	2,109	1,899
Book capitalization	3,463	3,530	3,694	3,841	3,557	3,725	6,708	6,235	6,684	6,382	5,859	6,095
(CFO Pre-W/C + Interest) / Interest	7.5x	6.3x	6.2x	6.2x	6.7x	6.7x	4.5x	4.1x	4.5x	3.9x	5.2x	4.7x
(CFO Pre-W/C) / Debt	30.9%	21.3%	23.0%	19.7%	20.1%	22.1%	19.8%	16.1%	15.9%	17.0%	22.7%	22.5%
(CFO Pre - W/C - Dividends) / Debt	30.9%	21.3%	16.4%	16.0%	13.3%	16.0%	14.4%	11.1%	10.1%	17.0%	22.7%	22.5%
Debt / Book Capitalization	29.6%	33.4%	34.8%	38.2%	45.9%	42.9%	37.9%	43.0%	43.6%	38.9%	36.0%	31.2%

All metrics are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. FYE = Financial year-end. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Exhibit 10

Moody's-adjusted debt calculation

Narragansett Electric Company

(in USD Millions)	FYE Mar-15	FYE Mar-16	FYE Mar-17	FYE Mar-18	FYE Mar-19
As Reported Debt	**1,084.7**	**1,039.7**	**969.0**	**1,149.8**	**1,231.5**
Pensions	128.2	94.2	51.9	25.3	20.6
Operating Leases	0.0	0.0	0.0	0.0	27.2
Hybrid Securities	1.2	1.2	1.2	1.2	1.2
Non-Standard Adjustments	0.0	4.4	4.1	3.8	5.3
Moody's-Adjusted Debt	**1,214.1**	**1,139.5**	**1,026.3**	**1,180.1**	**1,285.8**

All metrics are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. FYE = Financial year-end. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Exhibit 11

Moody's-adjusted CFO pre-WC calculation

Narragansett Electric Company

(in USD Millions)	FYE Mar-15	FYE Mar-16	FYE Mar-17	FYE Mar-18	FYE Mar-19
As Reported CFO pre-WC	**125.5**	**264.5**	**317.4**	**232.0**	**280.4**
Pensions	0.0	10.6	0.0	19.9	15.5
Operating Leases	0.0	0.0	0.0	0.0	0.0
Hybrid Securities	-0.1	-0.1	-0.1	-0.1	-0.1
Non-Standard Adjustments	0.0	0.0	0.0	0.0	0.0
Moody's-Adjusted CFO pre-WC	**125.5**	**275.0**	**317.3**	**251.8**	**295.8**

All metrics are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. FYE = Financial year-end. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Exhibit 12

Select historical Moody's-adjusted financial data

Narragansett Electric Company

(in USD Millions)	FYE Mar-15	FYE Mar-16	FYE Mar-17	FYE Mar-18	FYE Mar-19
INCOME STATEMENT					
Revenue	1,500.0	1,306.2	1,263.4	1,445.0	1,556.6
EBIT	153.1	193.8	188.6	192.4	190.1
EBITDA	243.9	290.7	292.5	298.1	301.2
Interest expense	52.5	48.6	48.8	47.8	56.5
BALANCE SHEET					
Total Debt	1,214.1	1,139.5	1,026.3	1,180.1	1,285.8
Net Debt	1,194.8	1,125.1	1,018.5	1,173.8	1,277.6
Total Liabilities	2,457.9	2,449.5	2,444.6	2,662.5	2,852.8
Fixed Assets	2,358.0	2,576.6	2,785.8	2,984.3	3,241.9
Total Assets	4,179.1	4,259.5	4,343.6	4,688.3	4,901.9
CASH FLOW					
CFO Pre - W/C	125.4	275.0	317.3	251.8	295.8
Cash Dividends - Common	0.0	0.0	0.0	0.0	-85.3
Cash Dividends - Preference	-0.1	-0.1	-0.1	-0.1	-0.1
Capital Expenditures	-295.3	-296.0	-313.5	-290.4	-331.7
(CFO Pre-W/C) / Debt	10.3%	24.1%	30.9%	21.3%	23.0%
(CFO Pre - W/C - Dividends) / Debt	10.3%	24.1%	30.9%	21.3%	16.4%
PROFITABILITY					
EBIT Margin %	10.2%	14.8%	14.9%	13.3%	12.2%
EBITDA Margin %	16.3%	22.3%	23.2%	20.6%	19.3%
INTEREST COVERAGE					
(CFO Pre-W/C + Interest) / Interest	3.4x	6.7x	7.5x	6.3x	6.2x
LEVERAGE					
Debt / EBITDA	5.0x	3.9x	3.5x	4.0x	4.3x
Net Debt / EBITDA	4.9x	3.9x	3.5x	3.9x	4.2x
Debt / Book Capitalization	35.7%	32.9%	29.6%	33.4%	34.8%

All metrics are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. FYE = Financial year-end. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Ratings

Exhibit 13

Category	Moody's Rating
NARRAGANSETT ELECTRIC COMPANY	
Outlook	Stable
Issuer Rating	A3
First Mortgage Bonds	A1
Senior Unsecured	A3
Pref. Stock	Baa2
ULT PARENT: NATIONAL GRID PLC	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured	Baa1
Commercial Paper	P-2
Other Short Term	(P)P-2
PARENT: NATIONAL GRID NORTH AMERICA INC.	
Outlook	Negative
Issuer Rating	Baa1
Senior Unsecured	Baa1
Commercial Paper	P-2
ST Issuer Rating	P-2
PARENT: NATIONAL GRID USA	
Outlook	Stable
Issuer Rating	Baa1
Commercial Paper	P-2

Source: Moody's Investors Service

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

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Division 1-13 – Supplemental

Request:

Please provide Narragansett's projections of its Sources and Uses of Funds for the current fiscal year plus the next three fiscal years.

Response:

Please see Attachment DIV 1-13.

Supplemental Response:

Please see Attachment DIV 1-13-1-Supp. for the updated Sources and Uses of Funds reflecting changes to the Dividends on Common Stock forecasts and the increase in financing authorization request of $900 million to account for the refinancing of existing secured debt. In addition, see Attachment DIV 1-13-2-Supp. for the capital structure as of March 31, 2019 proforma to the activities from the Sources and Uses of Funds.

THE NARRAGANSETT ELECTRIC COMPANY d/b/a NATIONAL GRID NY
SOURCES AND USES OF FUNDS
($000)

Fiscal Year	2020	2021	2022	2023
Sources of Funds				
Internal				
Net Income	120,637	132,961	134,126	145,565
Depreciation & Amortization	111,067	115,744	121,958	128,048
Changes in Working Capital / Other	717	(4,269)	(2,940)	(2,851)
Total Internal Sources	232,421	244,436	253,144	270,762
External				
Equity Issuances	-	-	-	-
Long-Term Debt	500,000	-	400,000	-
Money Pool Borrowings	-	80,214	-	35,938
Total External Sources	500,000	80,214	400,000	35,938
Total Sources of Funds	**732,421**	**324,650**	**653,144**	**306,700**
Uses of Funds				
Capital Expenditures	313,435	324,650	298,000	306,700
Dividends on Common Stock	-	-	50,000	-
Redemptions				
Long-Term Debt	250,000	-	-	-
Short-Term Debt	168,986	-	305,144	-
Total Uses of Funds	**732,421**	**324,650**	**653,144**	**306,700**

The Narragansett Electric Company ($000) Balance Sheet	Actual 3/31/2019	Assumptions RE	LTD	MAT	DIV	Proforma Capital Structure
LTD	$1,180,250	$0	$900,000	($250,000)	$0	$1,830,250
STD	$56,547	$0	$0	$0	$0	$56,547
Preferred Stock	$2,454	$0	$0	$0	$0	$2,454
Common Equity (less goodwill)	$1,328,274	$533,289	$0	$0	($50,000)	$1,811,563
Total Capitalization (Excl. Goodwill)	$2,567,525					$3,700,814
Ratemaking Cap Structure (excl. Goodwill)						
LTD	46.0%					49.5%
STD	2.2%					1.5%
Preferred Stock	0.1%					0.1%
Common Equity	51.7%					49.0%
Total	100.0%					100.0%
Ratemaking Cap Structure (excl. Goodwill and STD)						
LTD	47.0%					50.2%
Common Equity	53.0%					49.8%
	100.0%					100.0%

Summary	FY20	FY21	FY22	FY23	Total	Reference from Source & Uses
Retained Earnings (RE)	$120,637	$132,961	$134,126	$145,565	$533,289	*Net Income - NECO S&U row 12*
Long-Term Debt (LTD)	$500,000	$0	$400,000	$0	$900,000	*Long-Term Debt Issuances - NECO S&U row 21*
Maturities (MAT)	($250,000)	$0	$0	$0	($250,000)	*Long-Term Debt Redemptions NECO S&U row 35*
Dividends (DIV)	$0	$0	($50,000)	$0	($50,000)	*Dividends on Common Stock - NECO S&U row 31*

Division 1-21 - Supplemental

Request:

The Application seeks authority for new debt issuance such that the amount shall not exceed $850 million. Please provide the analysis, including all data and calculations showing how the $850 million ceiling amount was determined by Narragansett to be the appropriate and necessary debt issuance authority.

Response:

Please refer to Attachment DIV 1-21, which demonstrates the Company's four-year forecasted financial needs and proposed financing activity. As explained in the pre-filed direct testimony of Jonathan Cohen, the $850 million amount was determined by the forecasted financing needs to fund the Company's future capital expenditures and maturing long-term debt, as well as to restructure its capitalization so that it is more aligned with the Company's credit and risk profile, and sound utility and rate setting practices.

Supplemental Response:

Please refer to Attachment DIV 1-21-Supp. reflecting the audited balance sheet at March 31, 2019 and the basis for the updated financing authorization request of $900 million. The increase authorization reflects the potential refinancing of the Company's secured debt.

($000)	Actual	Projected based on 10-year financial plan			
Balance Sheet	3/31/2019	3/31/2020 [1]	3/31/2021	3/31/2022	3/31/2023
LTD	$1,180,250	$1,430,250	$1,430,250	$1,830,250	$1,830,250
STD	$56,547	($124,221)	($53,907)	($372,102)	($322,343)
Preferred Stock	$2,454	$2,454	$2,454	$2,454	$2,454
Common Equity	$2,053,084	$2,173,720	$2,306,681	$2,390,808	$2,536,373
Goodwill	$724,810	$724,810	$724,810	$724,810	$724,810
Ratemaking Cap Structure (excl. goodwill)					
LTD	46.0%	49.6%	47.4%	52.3%	50.2%
STD	2.2%	0.0%	0.0%	0.0%	0.0%
Preferred Stock	0.1%	0.1%	0.1%	0.1%	0.1%
Common Equity	51.7%	50.3%	52.5%	47.6%	49.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Financing Activity [2] & [3]					
Financing needed per 10-year financial plan		$319,232	$70,314	$31,805	$49,759
Equity Contribution [3]		$0	$0	$0	$0
New LTD		$500,000	$0	$400,000	$0
STD Change		($180,768)	$70,314	($318,195)	$49,759

Notes:

[1] Projected balance sheet based on FY19 actuals and forecast from 10-year plan.

[2] Financing needed reflects projected post-investment cash flow, interest expense, cash taxes paid, secured debt refinancing and maturing LTD; Excludes dividend payments.

[3] Projected equity contributions and new LTD issuances restructure FY20 capitalization to align with ~50% ratemaking equity ratio and maintain that in future years while also providing for the financing need projected by the 10-year financial plan.