

December 3, 2019

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: D-19-17 - Application of The Narragansett Electric Company d/b/a National Grid
Regarding Issuance of New Long-Term Debt
Settlement Agreement**

Dear Ms. Massaro:

Enclosed for filing is an original and four copies of the **executed** Settlement Agreement between National Grid¹ and the Rhode Island Division of Public Utilities and Carriers Staff Advocacy Section (Division Advocacy Section) relative to the Company's Application to issue new long-term debt in the above-referenced docket (the "Application").

The Company and the Division Advocacy Section have reached an agreement regarding the Company's issuance of new long-term debt, as reflected in the enclosed Settlement Agreement. Also, the Company is simultaneously filing an amended Application with the Division to reflect an increase in the authorization request from the originally requested \$850 million to \$900 million, and to reflect the option to issue new long-term debt as either secured or unsecured, as provided for in the Settlement Agreement.

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

Very truly yours,



Jennifer Brooks Hutchinson

Enclosure

cc: John Spirito, Esq.
Leo Wold, Esq., Division of Public Utilities & Carriers
Linda George, A/Administrator, Division of Public Utilities & Carriers
Jonathan Schrag, Deputy Administrator, Division of Public Utilities & Carriers
Cynthia Wilson-Frias, Esq., Public Utilities Commission

¹ The Narragansett Electric Company d/b/a National Grid (referred to herein as National Grid or the Company).

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF PUBLIC UTILITIES AND CARRIERS**

Application and Statement by)	
The Narragansett Electric Company)	Docket No. D-19-17
d/b/a National Grid)	
Regarding Issue of New)	
Long-Term Debt)	

Settlement Agreement

This Settlement Agreement is entered into this 27th day of November 2019, between The Narragansett Electric Company d/b/a National Grid (the “Company”), and the Rhode Island Division of Public Utilities and Carriers Staff Advocacy Section (the “Division Advocacy Section”) (collectively the “Parties”).

WHEREAS, on July 9, 2019, the Company filed an Application and Statement with the Rhode Island Division of Public Utilities and Carriers (the “Division”) seeking authorization to issue and sell one or more series and/or issues of new long-term debt, pursuant to the General Laws of Rhode Island, Sections 39-3-15 and 39-3-17 (“Application”); and

WHEREAS, the Company responded to data requests from the Division Advocacy Section and, subsequently, the Parties engaged in a series of technical and settlement conferences; and

WHEREAS, the Company subsequently amended the Application to increase the not to exceed aggregate principal amount from \$850 million to \$900 million outstanding at any one time, and filed the amended Application with the Division on December 3, 2019 simultaneously with this Settlement Agreement; and

WHEREAS, the Parties believe this Settlement Agreement is in the best interests of the people of the State of Rhode Island and the customers of the Company;

NOW, THEREFORE, in consideration of the recitals hereto and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

1. The Company shall be authorized to make issuances of new long-term debt in an amount not to exceed an aggregate principal amount of \$900 million outstanding at any one time for any or all of the purposes set forth in the

Company's Application including, without limitation, replenishing internally generated cash funds that were used to fund long-lived capital plant additions and to redeem long-term debt (potentially including the legacy Providence Gas outstanding First Mortgage Bonds), and using those debt issuance proceeds to pay dividends and to pay down existing short-term debt balances (the "New Long-term Debts Issuances"). Proceeds from the New Long-term Debt Issuances will not be used for making investments in unregulated activities or making loans to affiliates. The foregoing authorization shall not limit the Company from fully participating in the current and in any future National Grid Money Pool arrangements in which regulated affiliates of the Company also participate, including, without limitation, making short-term loans (i.e., for a term not exceeding one year) in connection with such arrangements.

2. The New Long-term Debt Issuances will be effected in one or more tranches with maturity dates each greater than one year but not to exceed 30 years from the date of issuance.
3. The Company is authorized to issue the New Long-term Debt on either a secured or unsecured basis. The Company will inform the Division Advocacy Staff of any future New Long-Term Debt, including whether any such future New Long-Term Debt is secured or unsecured. In connection with the Company's consideration of the potential issuance of secured debt for some or all of the New Long-Term Debt, the Company also shall consider the early redemption of the outstanding legacy Providence Gas First Mortgage Bonds.
4. The Company agrees and acknowledges that in the event it elects to issue unsecured debt during the authorization period, the Company shall be required to provide a written explanation in prepared testimony of the type of debt issuance and why such unsecured debt was determined at the time to be in the best interest of the Company's customers as part of a pending or future rate proceeding or docket before the Rhode Island Public Utilities Commission. In such a rate proceeding or docket, the Division reserves the right to take any position on the Company's choice of new long-term debt.
5. The Company may enter into evidence of indebtedness for the New Long-term Debt through any or all of the instruments set forth in the Company's Application.
6. The Company will inform the Division Advocacy Section of its intent to issue in advance of closing. However, such advance notification shall not be a condition precedent to the Company's right to proceed with an issuance otherwise authorized by the Division in this docket.
7. The maximum interest rate for any New Long-term Debt Issuances shall not exceed 6.5 percent absent a written waiver of that cap from the Division.

Moreover, if the Company anticipates that the cost rate for any of the New Long-term Debt Issuances is likely to exceed 6.5 percent, the Company shall contact the Division to discuss the matter and possible ways of mitigating the resulting debt cost rate.

8. The Company may make use of hedging instruments related to any of the authorized New Long-term Debt Issuances if deemed necessary and/or appropriate to address market risk or volatility, and such instruments shall be limited to cross currency swaps, interest rate swaps, Treasury locks, forward rate swaps and call provisions. If the Company does make use of a hedging instrument, it shall consult with the Division Advocacy Staff before doing so.
9. For accounting purposes, the Company and the Division Advocacy Staff agree to the deferral and amortization of all the reasonable and prudent costs and expenses of the initial New Long-term Debt Issuance(s), including debt discount or premium over the life of this New Long-term Debt. The Division Advocacy Staff recognizes that debt issuance costs, including hedging costs (or credits), and debt redemption expenses should be eligible for rate recovery to the extent such costs are reasonable, prudently-incurred and appropriately allocated to retail gas and electric utility service.
10. The Company's request for a waiver of the Division's Rules of Practice and Procedure 815-RICR-00-00-1.14(A)(1)(a)(2),(3), and (4) shall be granted and the Company shall provide the Division with a statement of the basic terms of each New Long-term Debt Issuance within 5 days following each such debt issue settlement. A copy of the executed debt transaction documents along with a statement of the final actual costs shall be provided to the Division within 45 days following the settlement of each such issuance.
11. Any Order by the Division approving these New Long-term Debt Issuance(s) shall not constitute approval of or the Division's or the Division Advocacy Section's concurrence with:
 - a. The Company's capital spending plan or actual capital expenditures;
 - b. The capital structure proposed by the Company in any pending or future rate proceeding or docket before the Rhode Island Public Utilities Commission ("RIPUC");
 - c. The value of any assets, tangible or intangible, owned or to be owned by the Company.
12. An Order by the Division approving this Settlement Agreement shall not constitute pre-approval of or concurrence by the Division or the Division Advocacy Section of any specific amount of costs or expenses incurred by the Company for cost recovery or ratemaking purposes.

13. The Company retains an obligation to conduct its New Long-term Debt Issuances authorized in this docket at the lowest reasonable cost for the benefit of its retail customers.
14. This Settlement Agreement shall not affect or limit in any way the position and/or authority of the Division or the RIPUC with respect to rates, services, financial policies, accounting or any other matter affecting the Company.
15. This Settlement Agreement does not alter the Company's obligation to use a prudent mix of capital to finance its utility operations and investments.
16. The Company's authority to issue up to \$900 million of New Long-term Debt commences with the issuance of a final, non-appealable written Order from the Division approving this Settlement Agreement and shall expire March 31, 2023.
17. All prior discussions and agreements with respect to the subject matter hereof are merged in this Settlement Agreement, which alone constitutes the entire agreement between the Parties as to its subject matter. This Settlement Agreement may not be amended, modified or terminated except by a written agreement signed by both Parties, which specifically references this Settlement Agreement. This Settlement Agreement is submitted on the condition that it be approved in its entirety by the Division after hearing, and on the further condition that if the Division does not approve this Settlement Agreement in its entirety, the settlement shall be deemed withdrawn and shall not constitute a part of the record in this proceeding or be used for any purpose, unless all Parties agree to Division modifications.
18. This Settlement Agreement may be signed in counterparts each of which shall be deemed an original and all of which together shall constitute one in the same document.

[Signatures appear on the following page]

**The Narragansett Electric Company
d/b/a National Grid**

By: 

Terence M. Sobolewski, President

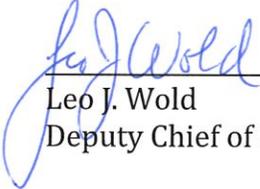
**The Division of Public Utilities and Carriers
Staff Advocacy Section**

By: _____
Leo J. Wold
Deputy Chief of Legal Services

**The Narragansett Electric Company
d/b/a National Grid**

By: _____
Terence M. Sobolewski, President

**The Division of Public Utilities and Carriers
Staff Advocacy Section**

By:  _____
Leo J. Wold
Deputy Chief of Legal Services