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Corporate Speakers

Jeffrey Kotkin	Northeast Utilities	VP - IR
Tom May	Northeast Utilities	President, CEO
David McHale	Northeast Utilities	Chief Administrative Officer
Lee Olivier	Northeast Utilities	COO
Jim Judge	Northeast Utilities	CFO

PRESENTATION

Jeffrey Kotkin: All right. Good morning and thank you for joining us here in Boston and over the web, for those who are listening over the web. I'm Jeff Kotkin, I'm NU's Vice President for Investor Relations.

And before we begin the presentation, I want to introduce some of the additional executives and NU finance professionals who are here today. First, I want to introduce Jim Muntz. Jim is President of NU Transmission. I think many of you had a chance to speak with him. Phil Lembo, our Treasurer is back there and also one of Phil's colleagues, Cheryl Fastino-Silvia is in the back, she's been helping check in today.

I also want to introduce our Investor Relations team, John Moreira, who I think many of you know. John wears two hats at NU now, he's both Director of Financial Forecasting and Investor Relations, John Gavin, our Manager of Investor Relations, and Barbara Nieman, who you know, Barbara and I have worked together for a long time, our Investor Communication Specialist. John, John and Barbara have worked really hard for the last month or two to put this whole day together. I just really want to thank them.

Before I turn over the presentation to Tom, I want to have those here in the room and those reading our slides online, review our Safe Harbor. Thank you.

Those listening over the web or later reading the transcript should also be aware that some of the information in the presentation may be forward-looking as defined within the meaning of the Safe Harbor provisions of the US Private Securities Litigation Reform Act of 1995 and these forward-looking statements are subject to risks and uncertainty, which may cause the actual results to differ materially from forecasts and projections.

Some of these factors are set forth in the Safe Harbor language. Additional information about the various factors that may cause actual results to differ can be found in our annual report on Form 10-K for the year ended December 31st, 2011, and our 10-Q for the quarter ending June 30th, 2012.

Additionally, our explanation of how and why we use certain non GAAP measures is contained within our most recent 10-K and 10-Q. And with that, I will turn over the presentation to Tom May, our President and CEO.

Tom May: Thanks, Jeff. I don't quite understand, I always thought that, that stuff that you had to say was for the less than intelligent investors, but when we have this kind of group with us, I don't know why we need to protect them. After the questions I had last night, I'm the one that needs protection. But thanks, Jeff, and good morning everybody. Welcome to Boston. That's my official job, and those that were not with us last night, thanks for coming today. I hopefully thanked everyone last night.

It's great to host you here in the newest part of our city, the Seaport District, and I was having a conversation earlier this morning with somebody that was talking about what this used to be 10 years ago. You were here 10 years ago, this was the largest parking lot in America. This was just a big flat wasteland that people could park their car real cheap and then walk over the bridge to the financial district. So it's great to get rid of that parking lot and create a new Boston down here.

In fact, our mayor has dubbed it the Innovation District because it's now home to new high tech companies like Aperion, Rue La La, Mobile Monday and soon, we're going to have Vertex Pharmaceuticals taking up 1 million square foot building to make this their worldwide research center.

So we -- it's a little funny to have all those mice sitting in a building on the waterfront, but we love it because, believe it or not, those mice use more energy than people do. They don't go home at night. I know many of you don't either, but we're excited about that.

Also, this area, Fidelity -- it shows you how smart the financial world is, Fidelity actually moved down here, probably 15 years ago. They were a first mover here and probably have a couple of thousand people here, so we've got a real mix of different businesses here. And then, Manulife moved the old John Hancock operations out of that John Hancock Tower, sold the building, even though it still has the name and moved their operations down here, too.

So it's a pretty cool place and, as I said to some of you last night, it is the new hip nightlife place. A lot of places along the water where you can sit on decks and enjoy the scenery and the boats that go by. So hope you all, especially those from out of town, that might stay around for the weekend, enjoy it.

Today's agenda. You're going to hear from about half of my senior team today. We've been dying to tell you our story. Unfortunately, in the governance process, the new governance process at the new NU, we first had to go through a strategic planning process with our board. They wanted to hear before we ran out and told you, they wanted to hear about what our plans were for the future, what we thought we could accomplish and now that we have completed that, we are free to share it with you. So we're excited to finally be at this stage.

The lineup for the day is on the screen, you've already seen it, you all know David McHale, he's going to talk to you a little bit about the merger integration process that he is leading. But I like to call it redefining the customer experience. It's not just about money, but it is about money.

Lee Olivier, you all know, who heads up our operations, Chief Operating Officer, will be telling you a little bit about some exciting transmission developments. Although unfortunately, these books -- I hate to give these books out. I'm going to kill Jeff afterwards because, if you all know -- you've all know the story by now, but it's some exciting things that we're finding, opportunities that I believe will continue to flow. And he's going to tell you a little bit about that and a little bit about the things that are happening to us in the natural gas world in Connecticut, which I do believe will translate into the rest of New England.

And Jim Judge is batting cleanup, number four in our lineup. Going to tell you about our financial outlook and why we are such a terrific investment opportunity. And at the end of all that, we will have a Q&A. Somehow, I'm told, we're all going to stand on this stage here and share the stage and answer your questions. But we'll talk about that later.

Getting right into the story. It's been six months -- almost six months, it was -- the fateful day was April 10th when we closed this transaction and said, so since then I've spent a lot of time getting to know this new company. And, bottom line is, I like what I see. I really do think we have a great opportunity to create shareholder value in a way that we will continue to outperform the industry. And that's important to me and my management team.

I think you're all familiar with our investment thesis, which is here on the board. I'm not going to go through them line by line, point by point. But I think our presentations today will convince you that we do offer a unique investment proposition, unique in our industry.

Many of you heard me say this before. We like our service territory. That's why we wanted you to come and see it. Unfortunately, last night the fog rolled in and the only thing you saw was glass. We were hoping you could see all those shiny lights out there that get me so excited.

But we've been in this region less affected by the recession than other regions. For example, our real estate values have held up. And as a result of that, we didn't go through any mortgage crisis. We didn't have foreclosures. And when you have foreclosures floating around in the market, what happens is your consumer confidence starts to dive, and people start acting differently.

We really haven't seen that here and many of you that commute into the city each day, that are Boston based, know how bad the traffic is, which is a good sign from an economy's perspective. And our unemployment rates have consistently been below the rest of the country, so that's exciting.

But now, we're seeing a building boom that we haven't seen in a decade. I hope you've noticed all the cranes in the air. Those -- and I'm not talking about birds, I'm talking about those big construction cranes, because when we see those, we know that a year from now, those are going to be big customers, and we enjoy that.

We, in fact, put a handout in your books about what's happening. This is a Boston Business Journal article, but there's a list of about 50 projects that are in the throes of development and construction. And we really haven't seen this kind of a load growth in quite some time, so we're pretty excited about that. And this is happening, as you can see, on some of our presentation. It's also happening in Fairfield County in Connecticut. So a lot there, millions of square feet of new development which we're bringing our infrastructure to serve.

One of the things that we have done in this first six months is we've assembled a great management team. Chuck and I had agreed on the senior team, the six executives that report to me. But we had to wait until the merger was complete, because at times we weren't sure we would have a merger. So our integration efforts got off to a little bit of a slow start. When we closed, we went right to work and we started to pick our team.

First, my executives picking their team and their team picking their directors and managers all the way down. And we've done that right down through the supervisor level. We have selected the best of the best from two companies that know how to create shareholder value.

You'll see these charts -- I love these charts for some reason. But when you look at our track record, both companies, Northeast Utilities or NSTAR, for the last 10 years, or if you look at our track record for the last five years or you look at it for the last 15 years, you will see that we have consistently -- you pick your period, we've outperformed our peers, and up until now, the broader markets. I don't know if we're going to be able to keep up with them this year, unfortunately.

But more importantly than that, we are all pretty excited about the runway we have before us. And that's what we're going to be talking to you about today.

I mentioned at our recent strategic retreat with our board, at that retreat I described, as we were setting the stage for what was lying ahead, I described the new NU as a two trick pony. The first trick being that we have, and we will enjoy for some time, above average top-line growth. It's driven from our Transmission business and now, it will be also driven by our gas business, which we will be chatting about in a little while.

The Transmission business is pretty interesting. No one predicted what deregulation of the generation business would have, what impacts it would have on us. But it really set off a transmission building boom that we've been enjoying for the last five or six years and we think is going to continue for some time to come. Deregulation was something that many of us in the industry fought.

We somehow wanted to hold on to our power plants. It is the best thing that ever happened to you, our shareholders, because it did set off this building boom. And when you look at it, the generation business, at best, is a cyclical business, not one you can depend on. You're seeing what's happening out in the markets right now.

In fact, we believe that those forces in the market, the current disarray in the power markets, are going to continue to provide us with new and significantly more opportunities in the years ahead, as we're the ones that have to help to get the new power sources to market, to the load centers that we serve in Connecticut and Massachusetts.

The gas bubble, obviously in the resulting low prices of gas, has everybody in the Northeast scrambling for new gas supplies. Connecticut is the first state and we're going to talk about that in a little while, but it is the first state to really embrace and target gas as their economic savior. And they really are going to be trying to do an incredible infrastructure build out to try to take their gas penetration for residents and businesses from 30%-odd to in excess of 70%. But Lee will talk about this in great detail.

I mentioned the two-trick pony, the second part of our trick is, of course, the merger and our ability to take cost out of the business to become more efficient. And quite frankly, we're pretty good at this, I think you are familiar with our track record. But I also want to not say we're just good at this, we're good at both tricks. This pony's tricks -- we have a terrific transmission business.

A great team that understands the New England grid better than anyone else, how it operates, how the flows react to new insertions or new power plants that are put on the grid. And I know this for a fact because I've admired that organization from afar for decades. Now it's mine. I feel pretty good about that.

You're also going to hear about our plans to streamline our businesses and to become more efficient. I really like to do this. I spoke to a lot of you about this last night. I refer to this as redefining the customer experience, and it really is an opportunity to focus all 9,000 of the NUers on a goal and a strategy to become part of a team -- a winning team, and everybody wants to be part of a winning team.

I want to assure you that we will be driven by a central message, a central mission, that we're in the service business, and great customer service is our goal.

I've been using this model here for years with our employees. Our success begins and ends with great customer service. If our customers are happy, that blue part of the circle, then our regulators are going to be happy. And if our regulators are happy, all of you in the room, our shareholders, are going to be happy also.

But the glue that holds all that together and keeps that circle revolving is an engaged workforce. What's an engaged workforce? It's people who are engaged in and collaborating with us, on and in our planning. They need to own the plan. They need to be passionate about executing against that plan. They're the real owners of great service.

Since I began this job, I've had over 30 town meetings with my new employees, and I always begin by telling them that I am a nut about customer service. Let's get it straight, right from the beginning. I also tell them that they're the key to creating the kind of company that we'll all be proud to work for. We've all seen the increasing expectations of our customers.

Sometimes it's after storms, sometimes it's after a disaster, a hurricane, a tornado, but our customers still -- and you all are connected to your technology, they don't want to be without it for a day. And so when the sun comes out the next day, they want instant response. And while we can't give them that, we're working on ways to dramatically improve how we do that.

But even in normal times, on blue sky days, our customers' expectations of the service we provide and the way they interact and transact their business with us is forever changing and evolving. And, of course, I remind our employees at these town hall meetings that we're a 24-by-seven service industry, and we need to anticipate what these ever changing expectations are of our customers. And we need to exceed their expectations.

I'm a nut about analogies, and I tell them, when the great Wayne Gretzky -- where's, let's say, there's Beth over there, she knows hockey. That when the great Wayne Gretzky was asked why he's so great, he said, well, I always skated to where the puck was going to be, not to where it was. And that's what I remind our employees they have to do.

We've got to anticipate what our customers want, and meet them there, and that's why we're building all sorts of mobile apps so that they can pay their bills, they can come in to our computers in the middle of the night and make payment plans, which they're doing. I'm shocked at how much business that our customers are doing with our computers in the middle of the night, instead of talking to our employees in our call centers, and that's what we've got to do.

I could go on and on about this, but one last point that I'd like to make, I've done this before, and it actually costs less to provide great service. But that means you have to simplify that service, you need to standardize it and you need to use technology like I was talking about to transact business with your customers. And we will do that. David will talk a little bit more about this in a minute.

While Jim is going to cover the financial outlook in great detail, I have one thing to say here, I believe we created a financial powerhouse with this merger. The rating agencies have recognized that. Our lower risk profile, our financial strength, they actually have us rated in what we believe is the top three or four in the industry and I believe this is what differentiates us from the pack and that's what's going to let us take advantage of the myriad of investment opportunities that are going to be coming down the pike in the years ahead.

Okay, I have to end with this brag sheet. We put NSTAR to bed, like I said, just about six months ago, a 125-year old company. We had to delist it, take it off the stock exchange. At our final board meeting, we kind of celebrated the accomplishments of the board together with the management team, and I used this slide to reference what we had done. Some of you have been long term investors in NSTAR, some of you have come in and out of the stock, and that's okay, too. And some of you missed this ride that we were on.

But when I took over as CEO 18 years ago, the stock was trading at $10 a share. Along the way, as prices -- as the stock price rose, we split the stock once and then we grew the two shares to almost $50 a share.

We also, along the way, grew our earnings and dividends at an above average rate, and so we paid out another $40 in dividends. When you add that up, it's an average annual return for our shareholders of about 15% a year. But don't misunderstand this slide and this discussion we had with the board. The board didn't talk about this as our final swan song together. That wasn't the case.

I must admit though, I think I said this to someone last night, I was starting to get a little bored. And until this merger opportunity came along, I wasn't sure what I was going to do. But, man, I am so optimistic about what we have created here, about our future. I am really jazzed up about the new NU and its potential. Heck, it's a lot of fun to create a new culture. It's a lot of fun to lead a team and have them create higher service levels that exceed your customers' expectations.

And, of course, as you might gather from this slide, it's a lot of fun to continue to outperform our peers in the industry and create the kind of shareholder value that you're all interested in.

So with that introduction, let me now turn it over to David, who is going to tell you about some of the ways we're going to accomplish this for you.

<u>David McHale</u>: Thank you, Tom. It's good to see many of you again. I've been back at the shop for six months, so they let me emerge for a few moments. I want to talk about three things really, integration, and

Tom touched on that a little bit. I want to talk about redefining the customer experience. And as you probably gathered, those two are very much related in terms of driving the success of this company.

And then I want to talk about Connecticut energy policy, which I think is just distinct, because Connecticut is working on this right now. It's really about a six-month effort. And, as I've just learned, the Governor -- Governor Malloy in Connecticut, just finished his sort of keynote presentation this morning to an industry group that kind of revealed the plan. It's a draft plan.

I'll talk about many of the elements, but you'll want to check that out, it's up on the web right now. There is a press release out on the governor's website. We have some materials that we can hand out in terms of an executive summary.

The good news there is, I think it's very supportive, it's very constructive and much of it, in fact, accretive to what we have in the book today. And we'll embellish that a little bit.

But on merger integration, I think, just to pick up on some of Tom's thoughts, this is more than just cost savings. That is critically important, of course, particularly in this first three to four years where those benefits, those cost savings accrue to the shareholder. You'll recall that there is no 50/50 sharing, there's no sharing per se, but I do want to remind you, and it's important, customers already received a lot of value.

There were rate credits given as part of these merger agreements. Jim will go through that in more detail, but over this first three to four years, these accrue to and support the guidance that we've given you today, the growth that we've given you today, but it's really about a transformation of the organization.

Two very, very successful companies in their own right, but is bringing two cultures together. Tom mentioned bringing the best of both worlds together, picking the best leadership. It's an opportunity to really transform the Company. And when you think about where we are right now, we've gotten much of this behind us in terms of the alignment, in terms of the organization.

And while a lot of the savings are in the future, we have the team that is already executing on this, it's very promising. And I put here in the third bullet, early indications are that we are going to meet our expectations, not only our expectations, we're going to outperform ours, and I hope, outperform yours as well.

And while you'll want to see probably a little bit more precision, you'll want to see us quantify the math on synergies, we thought you wanted to see that so you would understand what our O&M trajectory is, going forward. So, we might be less quantitative on the year by year, but we're going to cut to the chase, I was going to save the punch line for Jim, but it's in your books, you've seen it. I mean, this is a company that is going to do year-over-year O&M decreases at a run rate of about 3%.

Now, you follow this industry, we've done a lot of benchmarking. The best companies in this industry are growing O&M at 1% or 2%. The exceptional companies are growing O&M at 0, keeping it flat. This company is going to decrease O&M year in and year out at a run rate of about 3%. We think that's quite promising as we move along.

I want to just to show you, maybe qualitative, or talk a little bit more qualitatively about the process that we are going through that really allows us to position the synergies, position this company for success. And it's really kind of two approaches. There's sort of a tops down, I think Tom mentioned this, sort of one company model and then there's sort of a bottoms up, going through kind of function by function, the integration. Those type of things that you would expect and you followed in other mergers.

But it's really quite transformative, because you're bringing two companies together who had different operating models. I think it's fair to say that NSTAR in many respects was much more sort of centric and centralized in a way they delivered services to their business.

We were a little bit more decentralized and we're going to bring this together and in that process, you're able to sort of streamline the businesses, standardize the way that we bring services to the business, and then carve costs out, while we still support each business locally and geographically. But by introducing common approaches, common standards, procuring the same stuff, I think that we've seen so far that we can save more money than we had originally believed.

That's incredibly important as we go through the process, but also on the organizational side in terms of the people. And we've been -- we try to be very careful about what we've done with the workforce and we've said all along that there are going to be workforce impacts. We know what many of those impacts are going forward and I want to touch on that a little bit as well as we work through this.

But, just as an illustration of how transformative this is and how different this is for us, when you look at what we're doing with customer service, it was incredibly important to both companies, we benchmarked how we're doing on all attributes, in all aspects of customer service, but NU had a more limited model in terms of how it was managed.

I used the term here kind of meter to cash, so we're bringing together now, under one executive who reports through my organization, everything from meter reading through billing and remittance processing and energy efficiency and call centers -- all the call centers, all one way of doing business, all one way of costing out the business, and that is more comprehensive than what we've done in the past.

And in part of that, you'll see that we'll be able to introduce a lot of savings in terms of the way we approach the market and the savings in the way we approach our customers, savings in the way that we introduce technology, Tom mentioned some of them.

NU has some very forward-looking, very progressive, state of the art technologies that allowed our customers to interact with us, pay their bills quickly, receive information quickly. We'll now scale that up, at basically no cost to the NSTAR Electric customers as well.

On the supply chain, very, very different, profoundly different from what NU historically had did -- has done. It's more of the adoption of the NSTAR model. We had done centralized procurement. But now we're looking at fully integrating the supply chain. It's procurement; it's managing stockroom; it's managing warehouses; it's looking at the way that we deployed, how much inventory we carry, standardizing what we purchase and working through with our vendors and our suppliers. I'll give a little bit more specificity on that as well.

On the IT side, you'd expect that, that would be a very significant area for us to save money. But this concept of deploying technology on an enterprise-wide basis, I can't underestimate how important that is. So, when we're developing new applications, new systems, new technologies, one way of doing it, one system, one delivery.

Not only is it cheaper, but you're introducing better technology, more enhanced technology and when it comes to managing systems like outage management or work planning and the like, we'll talk about it a little bit more, you're introducing much more capability at a time when our customers and our regulators are demanding more capability from us.

They were very critical in our storms about us not knowing exactly what's happening, this whole concept of situational awareness. We are going to be rolling out technology soon that will allow us, real time, to tell our communities, our neighbors, our municipalities exactly what's happening.

And that technology is going to be system-wide. And when you deploy technology system-wide like that, you reduce licensing fees, renewal fees, you take IT professionals out with the support numerous systems. It's a lot of money, but I want to emphasize, it's more capability as well.

We're introducing and we've already built an integrated energy supply organization. Before, a little bit more autonomous, a little bit more dispersed. We had fuel, natural gas in one organization. We had fuel in PSNH. We had -- a little scattered across. We did it quite well, fine, but now we're going to do it better. And I think it creates a real synergy, it's the single best and the largest power team in all of New England. We have the best ISO New England team and support and knowledge of all of New England. All that now has been brought together in one team.

And a lot of these benefits accrue, not so much to shareholders, because you know our model here is really kind of a pass-through model. But the lower the cost for our customers and create a real synergy of understanding on how natural gas prices affect power prices, especially as we have to procure renewables, flows right through all those benefits to customers.

And I'd say the last thing here about, again, our customers focus. Bringing together corporate relations, economic development, supporting the states that they're trying to grow jobs and the like, very, very powerful way to move the needle reputationally for this company and to gain political support.

In terms of some specifics, first, on the people side -- and a lot of this is already embodied in the guidance that we've given you. A lot of this is embodied in the long-term growth rate. But I -- and I think there's upside, for sure. This isn't all done, but a lot of this -- you can think of it as three buckets, things that have already been accomplished, things that are clear line of sight in the pipeline and things a little bit on the horizon that we think are very, very promising that we can achieve.

On the labor side of this, we have already moved forward with addressing the size of the workforce. We've said right off -- and when we did a merger study about a year and a half ago, Jim Judge and I testified to this point that there would be labor reductions in the neighborhood of about 350 people. Those impacts were wide known -- widely known. We started that process.

But first things first, we have a lot of contractors and a lot of vendors working for us in the organization, we want to preserve opportunities for our employees first, so we made a very specific goal for our contractors and vendors. Half of everybody that we had when we closed this merger on April 10th, they will finish up their assignments, by the end of this year, 50% of that labor force gone. And by the end of 2013, the vast majority of all contractors and vendors who work for this company, gone, huge amount of dollars.

Some specific skills we'll have to retain, but we did that to preserve opportunities for our employees. That said, we have still a lot of redundancy. And we have moved forward with the process to address that redundancy and there are employee impacts. We're trying to be very careful, very deliberate, very gentile about it, but we have to address that duplication.

That goal of about 350, that we put into the original net benefit analysis with the merger study, we will achieve that goal. It may not be on the same exact pace. We had it done over five years through attrition in the study, but we will achieve that goal. Slightly different scale, slightly different benefit or pace, but we will get that done.

On the IT side, we're already moving quickly to get -- to address some of the redundancies. Big monies around infrastructure, data storage, data centers, how to move things into the cloud. You're taking two great teams and you're not only looking at redundancies, you're thinking about what are all those things that were on the wish list that were kind of too expensive to do stand alone but with broader -- bigger scale now, go ahead and do them. You can get them done for small amount of dollars.

I talk about enterprise wide applications, this isn't just IT, it's just not the factory IT or infrastructure, it's HR systems, it's GL systems, it's ERP systems, all that in motion. This won't be done by year end. This won't all be done in 2013. This is all kind of a long time horizon in some cases, but very powerful in terms of saving money and introducing more capability.

I've talked about supply chain already. Amazing stuff, every company goes through this, but one of the very first things we did, we looked at all the contracts that we each have, everybody we do business with, you line them up and, sure enough, of course, we do business with the same suppliers, the same contractors and vendors, and guess what, somebody has the better price, somebody has the lower price. That was last week.

Today, we have the same price, it's the lower price. We've already taken millions of dollars out of our supply chain just by -- I'll characterize that as the low hanging fruit, but to be fair, there are a lot of people in the organization that worked hard to make this happen.

In thelonger term, focusing on inventory turns, the level of inventory we carry, where that inventory is located, what are our purchasing practices, can we take working capital out of the business, without compromising the way we deliver to the business, without compromising what we stock and what we supply. Great, great prospects there. NSTAR had a very, very good model and we're embracing that model now moving forward.

I've talked a little bit about the meter to cash process and in some of those areas, again, you don't need two billing areas. You don't need two remittance processing areas. We will maintain our call centers. We are not going to impact our operations group. We're not going to impact customer facing organizations. We will not compromise our ability to improve customer service. But there's a lot of things that we can do as a process, scaling up to 3.5 million customers that are going to take money out of the business.

And on the operation side, driving a process through Lee Olivier and Jim Muntz, looking at every aspect of how we do business to standardize and to remove cost, and also, how we interact with customers when we're out and about on their properties, setting poles, working on service. Again, a culture especially for the legacy NU companies, but also for NSTAR, that is completely focused, more focused on the customer than probably you've heard us talk about in the past.

This is just a reminder from -- of what we showed more quantitatively in the merger process, it's the net benefit study. This is just to ground you. I'm sure many of you already have this information in your models, but when you look forward now, categorically, we're getting the savings from these same areas, but I think they're going to be richer.

We characterize the savings, by the way, in testimony, as being conservative. We feel much better about that. We will get these savings. And that's, in large part, what contributes to the declining O&M. Jim will talk about that more, but it's powerful because when you think about labor escalation that still exists on a workforce of 9,000 people, you have cost pressures and you have increasing wage inflation and you have pressures around pension alike, but we're offsetting all of that to get year-over-year decreases in O&M.

Just briefly on that customer experience part, we've probably hit this enough, but it really is the key tenet. If you think about the illustration that Tom showed you in terms of getting the customer service equation right and the regulatory equation right, it's very, very powerful. It's really the linchpin of our success.

And while we've taken on a little bit of criticism coming off of our storms, I think good evidence just over the last couple of weeks that we know how to deliver good customer service. If you follow JD Power ratings for this industry, just two weeks ago, they came out and rated the gas companies, the LDC business for the LDCs in the Northeast. Number one, NSTAR Electric, number two Yankee Gas, top of the heap, might as well show you that right now, we're pretty proud of it.

Now, albeit and to be fair, if I showed you the same information, although we don't have as fresh data for the electric companies, we are not in the top decile and a lot of that has to do with people still remembering what happened with this storm. There's a big reliability component within these JD Power ratings. But we showed this as evidence to suggest we know how to delight the customers, and we will delight the customers going forward.

Now, it's just a little bit of a backdrop and many of you, you'll understand this, but what are the customers experiencing by way of bills right now, what they're paying for the price of power, I think is critically important in trying to keep our customers happy. I'm not sure they really understand the math and understand the story as well as you do, but if you think about the impact of natural gas in New England and on this business, it's very, very powerful.

A decade ago, if you look at the dispatch stack, oil was on the margin. So the clearing price at the hub in New England was being driven by oil. It almost seems like -- completely outdated now to be thinking that way. And a very small fraction of generation was produced by gas fired generation or power plants.

Today, it's completely transformed. Oil's not even on the margin. Oil isn't even used, for all intents and purposes, in New England right now and over 50% of generation is coming from gas fired power plants. And what this has done is it has hugely removed costs from utility bills, costs from our customers and, in fact, looking at this graph, which I think is pretty dramatic, in 2008, the cost that customers were bearing, and this is a wholesale market view, peaked at only -- at almost $80 a megawatt hour.

But as natural gas prices, the blue line, has kind of worked its way from what you'll all remember is $12, $13, $14 MMBtu, is now down in the $3 range. And that last row there, the New England wholesale power cost, again, $0.08 a kilowatt hour, down to now about $0.034 a kilowatt hour. You can, right now, buy on-peak power for about $43 in New England, off-peak power at $27. There are coal plants right now who are bidding at $44 and are not being dispatched. It's pretty amazing if you think back a decade ago on how the economics work.

What's important to our customers? None of that. This is what's important. We have -- we are showing you two bills right now, one for CL&P, one for NSTAR Electric. Again, look back in 2008 at the peak of these markets, customers in Connecticut were paying in excess of $0.19 a kilowatt hour. Not proud of it. That was our cost structure. Look at today, we're down to under $0.15 a kilowatt hour. We've had some components increase, transmission in particular, but the impact of what's happened in the gas market is very, very powerful.

And one of the reasons this is important is because you look at the headroom and you look at as we increase transmission, what's going to happen. And as you increase, even in the gas markets, more investment, what's going to happen to the customer. I would suggest that the customers' economics are moving in the right direction. In fact, we know from what we've already procured or hedged in Connecticut for 2013, prices are coming down once again, maybe another $0.005.

So directionally, customers should be pretty happy. They want to keep the lights on as well. That's something, of course, that we'll focus on.

NSTAR Electric, very much the same thing, $0.195 a kilowatt hour just four years ago. Today, about $0.14 a kilowatt. Very, very important way, very powerful way to please your customers.

Let's jump to Connecticut energy policy for a moment and I just mentioned this, the Governor this morning is sort of releasing this plan. This plan and study was first commissioned coming out of 2011 legislation that directed this really full stakeholder process, very collaborative, very comprehensive process to take hold. It started in April of this year, last spring, with the utilities, with the Consumer Council, AG, the NGOs, and studying the five sectors that I show you here, around transportations, buildings, power, et cetera.

The backdrop of that, I think two important tenets, and when you look at the plan and when you look at the summary of the plan today, are -- you all remember that Massachusetts had a Global Warming Solutions Act. We've had to remind ourselves that, yes, in Connecticut too, there was a Global Warming Solutions Act which called for reducing carbon by 80% by the year 2050. That is a major tenet and the governor's mantra has been cleaner, cheaper, more reliable. So, there will be an element of that, cleaner, cheaper, more reliable, in what you see in the plan.

That plan culminated today in terms of a draft, but that draft will be open now for public comment through the balance of the year. You'll see back and forth on that. And towards the end of the year, perhaps early 2014, this plan will be finalized by the Department of Energy and Environmental Protection. Some of the rule making will need to go to the PURA. PURA will actually make decisions on the rates, the tariffs, the design, some of the structure. And I want to talk about -- a little bit about what's in that plan.

Now to be fair, I haven't seen the plan yet. I understand it's being handed out this morning in draft form. It's about an inch thick. So, I can give you a high level view and we have a summary of that on the way out.

But the centerpiece of this -- and again, this is the governor's plan, is natural gas, making access to natural gas more available to Connecticut residents. And this is not just about Yankee Gas, this is across the entire state. So, maybe I'll pitch for the other natural gas utilities, too, in this state, but very, very powerful. There's all -- the big element about energy efficiency as a way to reduce bills for customers and renewables as well.

But to cut to the chase a little bit, what you're going to find in there is on the renewable side, the deep directing study around increasing the renewable portfolio standards in Connecticut, it's 20% now, by 2020 they are thinking about increasing that, not only increasing that, but broadening the definition. And they're specific in their plan, broadening the definition to potentially include large scale hydro. Very powerful if you think about one of the projects that we're going to talk about this morning.

So that's a study that's being directed, but Connecticut is not moving off the dime around RPS standards. They're looking at to broaden it, and they are really cementing RPS in Connecticut.

On energy efficiency, there too, I haven't seen the real specificity, but they are going to ramp up energy efficiency. I think the good news is, you'll see this in the summary, they call for the study of decoupling. They call for a study of giving the utilities, to create more alignment, incentives around the deployment.

Now, we at CL&P do have incentives, we generally earn about 4% to 5% of the spend each year. But that's different than what the DEEP is currently considering. They're thinking of ROE incentives, as they roll this forward. CL&P, as you know, does not have decoupling now. So, as we deploy more conservation, load management and energy efficiency, this concept of revenue erosion is very real. We lose $5 million, $6 million, $7 million a year of revenue, even as customers are benefiting.

It's the right thing to do, it's good stuff, but we need protection, we need that safety net, if you will, to make sure that there is alignment. It calls for proceeding with a review of decoupling or addressing revenue erosion. We think that's quite constructive. But again, the central -- the central theme here is natural gas and you -- we've shared this story with you before, when you look at who heats on natural gas now, in Connecticut, is only 31% of customers.

Lee will talk with more specificity about the plan, but the plan is going to, in effect, lay out a strategy, again, subject to public comment, but it will talk about a target market in the state of Connecticut of 300,000 customers that the state would like us to work on in terms of converting. And about 227,000 of those are either on a main now or close to a main.

And from a policy standpoint, they recognize that customers need the incentives to actually make those conversions. On average, it's going to cost the customer about $7,500 to convert. The plan will talk about potentially providing on bill financing. Not that Yankee Gas would necessarily provide the capital, but on bill financing over a period of up to 10 years so that right out of pocket, customers are saving money. Pretty innovative, there is a green bank that was established in Connecticut that can actually provide for the funding, but I think very progressive.

It's going to talk about making investments in 900,000 miles -- excuse me, 900,000 miles will, no? 900 miles, 900 miles of new investment across all of Connecticut in terms of new mains, about 40% to 50% of that is Yankee Gas. The other is for the other utilities. Big investment and it actually calls for considering more timely recovery of investment.

Now, we have to take -- this is an example of taking this to PURA to think about what is optimum for these utilities to begin to deploy that type of capital, and by the way, that's an example of something that would be accretive to what's in the book right now, but more timely investment, regulatory trackers, riders, etc. to allow Yankee not to suffer from regulatory lag necessarily.

It also talks about incentives, aligning incentives performance based to get that type of conversion. So, you can see in the key policy areas, we want to provide ways for our customers to save money. It's probably the most powerful way right now in terms of converting customers, but we also need incentives for the utility so that we get immediately -- immediate accretion that we earn rather than having to go into a rate case each and every year.

So that recovery of capital issue, something to be studied, but I think that the commission, I think that the PURA and the DEEP recognize how critically important this is not only to us, but to the state's utilities.

So let me just finish up -- obviously, both Tom and I, and you'll hear Jim and Lee, of course, very bullish on this story. We think we're very well positioned right now to capture the synergies and all the value, the whole strategic intent of this transaction.

We're six months in but very, very promising at this point. You'll hear us keep saying this, the customer equation, very central to what we do, very central to the success of this company. And I think the new energy policy that I just outlined in a very high level, very, very progressive, I think very forward looking and very constructive for Connecticut.

And I think at the end of the day, very, very much an upside for us as we build out energy infrastructure and invest in energy solutions in Connecticut for our customers. All right. I'm going to pause there and then turn this over to Lee.

Lee Olivier: Thanks, David, and good morning. It's good to be here with you all in Boston. What I would like to do today is to give you an overview of two things. I want to give you -- take a look at our transmission business, talk about some of our major projects, give you an update on those. Also, want to take you through a little bit about electric distribution, where we are this year, and give you kind of a high level view of our gas expansion plan.

I can tell you that everything you've heard from Tom and what you've heard from David is that this capex plan is really in the sweet spot in terms of policy makers, both nationally, regionally and locally. And I would tell you that there's probably no other CapEx plan, that at least that I'm aware of, that is better for our customers, the environment, with really fair shareholder return. So, it's a very exciting plan and we're very excited about talking to you through it.

So let's take a look -- we'll start with the transmission part of the business. If you liked the previous NU transmission business, you're really going to like the new combined company transmission business. We have a very exciting plan that's very comprehensive. And this plan actually grows.

This is a $3.7 billion CapEx plan over the course of the next five-year period and about $700 million pickup from the previous plan that you saw. If you think about NU as being a leader in transmission, both regionally and nationally, we will continue to be a leader in getting transmission engineered, sited, built, very large projects, complex projects, and that's still a key major focus of the new NU company.

Over the last decade, of course, transmission has been the growth driver, earnings growth driver of the company, it'll continue to be that over the course of the next five years.

The framework in which we have operated in is the ISO-New England regional system plan. And inside of that regional system plan there's been about $10 billion of capex. If you look at where we are right now, and this is all based on reliability projects, we've worked off about $4.6 billion of that capex. NU has had about 75% of it or about $3.5 billion.

These projects have made a huge difference, as you've heard from Tom and others, in terms of improving the reliability, improving the reliability in the Boston area, as certainly in Connecticut, they had saved customers well over $1 billion in congestion costs by allowing these older, more inefficient power plants that no longer run. They used to run on what was called uplift just to support the voltage and the grid. They're all shut down.

In fact, relatively a stone throw away from us is the old Boston Edison plant, the New Boston plant, which was 800 megawatts, which is now completely out of service because you don't need it because we have built transmission, major transmission projects into the city. If you looked at Connecticut, you would see many of those older power plants that the old legacy NU used to operate, essentially have a maybe a 1 or 2% capacity factor.

The air is a whole lot cleaner in New England and a whole lot cleaner in Connecticut and Boston as a result of these transmission projects. So, they have been really good for customers, good for the environment and they've had fair shareholder returns.

If you think about what's left in the ISO system regional plan, there's about $5.4 billion left to spend. NU will have about 50% of that investment over the course of the next five years. And that does not include Northern Pass because Northern Pass is not a reliability project. So that's $1.1 billion on top of that. So the transmission is very robust.

Now, as we look at transmission going forward, there will be fewer of these very large projects like the Middletown-to-Norwalk project, or the current project we're working on, which is the NEEWS project. There will be a lot of smaller projects that fit nicely inside of the right of way, that fit nicely inside of our substations that are much more easier to site, shorter duration and more predictable in terms of planning and cash flows.

Let's take a look at the first major project we have underway. This is the NEEWS family projects, which is the Greater Springfield Reliability Project. I'm really pleased to say that this project has made great progress. We're about 83% complete. This is actually one of the four largest transmission projects currently under construction anywhere in the US right now with over $718 million. We're right on target to get the project completed about the end of 2013.

This is really a massive scale and scope of the project. If you think about it, we're going to build 38 new linear miles, over 100 new circuit miles, 600 structures, 13 new substations. And we're doing that in a way with, really, we work -- really working well with the communities that we're building this project in. This is really a massive scale of a project, but we've had very few issues with the communities that we work in. And that's because we have -- ever since we've built the projects in Southwest Connecticut, we really focused on the community, we really focused on the customer.

There's a continuous loop of feedback wherever we can make alterations on the project as -- or in the right of ways, we do that. So the relationships that we have built in the communities where we build these large projects has been, overall, has been excellent.

We'll take a look at the Interstate Reliability Project. Good progress here, too. This is a project that we have another partner, which is National Grid, and it's sited in three states with National Grid owning and doing the siting in Rhode Island and in Massachusetts. And, of course, we have started siting in Connecticut. We have had all of our hearings in Connecticut.

We expect to get a favorable decision from the Connecticut siting board sometime in early 2013. This is a $218 million project. And all likely, Grid will get their approvals later in 2013. We will actually start construction in late 2013 on the Connecticut side of this project, we'll start major substation construction. So again, very, very solid progress in terms of getting this project ready to go into construction. This project will be complete by the end of 2015.

The next project has changed. This was the Central Connecticut Reliability Project and if you remember, that project was kind of a point A to point B, 345 kv project, and essentially what it did is it picked up where the bottom part of the Greater Springfield Reliability Project ended in North Bloomfield, Connecticut, went down towards Southwest Connecticut to this Frost Bridge substation and it would interconnect into Southwest Connecticut.

As a result of changes in the marketplace and on the grid, we had essentially the Clean Energy Project that was built in Connecticut, it added about 600 megawatts of new capacity, we had changes as result of more use of DSM and energy efficiency. ISO wanted to look at this project and they'd put it through a reassessment. They had recently, in August, brought their needs case of the reassessment of the project to the planning advisory committee, and the project has changed. So, it's no longer a point A to point B project, well yet, the project is very, very comprehensive.

If you look at this area here, which is all of those red lines in the map, what those are is they're on existing circuits and they are thermal overloads or voltage conditions. So, that says essentially, that there will need to be a very broad upgrade of the grid in those areas. They actually studied four areas in central Connecticut, down to the coast, out to the west and out of those will be developed a series of 345 kv and 115 kv upgrades.

Again, these are the kinds of projects that will be, for the most part, inside of our right-of-ways, inside of our substations, much easier to site, plan and build.

Now, we expect ISO New England will provide their preferred solutions for these projects in 2013. We're holding our $301 million price tag on these projects. ISO was also holding that price tag inside of their regional system plan. So, this project, over the last few years, we had a little bit of doubt on how it was going to be shaped. We're very confident that this will go forward. It will be different from the standpoint of the design, but there will be a major series of projects here.

Talk about Northern Pass. David talked a lot about the very aggressive goals and if you look at New England, the goals are somewhere about 2020 we'd have about 20% renewable energy requirements -- RPS requirements in the region. You would also have a goal in places like Connecticut, Massachusetts, where you have a reduction of 80% of the carbon by 2050. There is probably no better project anywhere than the Northern Pass project, it's all a big part of those needs.

This project reduces about 5 million tons of carbon a year, it will lower cost to customers by about $250 million to $300 million and it really is a great project from the standpoint of New Hampshire. We think it will create over $1 billion of economic value to New Hampshire over the life of the project.

We continue to make very, very strong progress on getting this line built. I'm pleased to say that we have about 99% of the 140 mile right of way right now, either acquired or we have under agreement. The last, essentially 1%, we're working through the final details.

What we've told you in the past is that we would file at the end of 2012 for the DOE, which we'd file for our environmental permit, the impact statement -- and we would file that within this year, we're still on track to go do that. We told you that we would get the project done by late 2016 at our previous earnings conference. We advise you that, that could be a move slightly over into 2017.

So, right now, we believe it'll end in 2016 or the first half of 2017. We have a very high confidence level in the project. We continue to work with our partners, Hydro-Quebec. They are very eager and supportive of the project.

We continue to work with the agencies that we will need, essentially, permitting from. As an example, there's about 9.5 miles that goes through the Green Mountain -- or White Mountain, excuse me, National Forest in New Hampshire. We had an initial plan to put poles or towers there that would be 130 to 150 feet high.

As a result of listening to some of the key stakeholders around the White Mountain National Forest, we're going to lower those down to about 80 to 85 feet, which will make a huge difference in terms of the viewscape there. But it's another example how Northeast Utilities will work very closely with the states, with the communities to make sure that our siting is successful for a project that is probably the most important project to come to New England in the last 30 years.

This is a look at our five year cap tax. And, as I've said, we've got essentially $3.7 billion of capex. And this slide, many of you have seen before, it has three views. It has the historic view of the legacy NU capex, it's got the current year spend and it's got the five year projection.

And if you look out the -- previously, we'll spent about $3.5 billion, about $1.6 billion of that has been in Southwest Connecticut. We have about $718 million of capex this year. That's one of our larger spends over the course of the last four to five years. We'll put -- essentially, we'll complete about $511 million of that this year, so it will be in service.

And then, you have the $3.5 billion view. And the way to reconcile the $3.7 billion is this, is that if you go back to the last EEI presentation, legacy NU presented about $2.6 billion, NSTAR about $400 million, and you had about $3 billion of total transmission CapEx. We've added $700 million more, $500 million of that $700 million would be in the NSTAR franchise area and the other $200 million would be spread throughout the three states.

So, as a result of what Tom talked about, which is all of those cranes and the boom that we have here in Boston in terms of development and more people moving into the inner city that want to be part of the Boston scene, we're going to need to do a major transmission upgrades into the city, both from the north, the west, and the south. And then Boston has its own internal 115 kv transmission system internal to the city, and that will have to be upgraded as well. That's what we call the Boston network and then you have the Greater Boston Project.

If you run down the capex spend, you've got essentially about $1 billion left to spend on Northern Pass. You've got about $569 million to spend on the NEEWS project. And if you kind of aggregate those projects that are all in that -- in the NSTAR service territory, they add up to about $600 million.

And then, you have this $1.47 billion of other projects and if you follow this over the last few years -- few years ago, that was $800 million and then went up to $1 billion, and now it's nearly $1.5 billion. So, we're working up the projects but we're adding more projects. So, consistent with the message that I've given is that the program continues to grow, but it grows in a different way. In a way -- in many ways, it's more predictable.

This slide looks at those other projects, that $1.47 billion worth of projects and I think the big takeaway here is that these projects are spread throughout the four electric companies in the three states.

If you look out, about 78% of these projects are either already inside the regional system plan. So, you just have to get them through the local siting part of the process or they are not required to be inside of the regional system plan.

And a question that was asked the other day is the regional system plan is about to be published, if some of these projects like the ones in orange are not already in the regional system plan, you can put projects in the regional system plan throughout the course of the year by getting them through the planning advisory committee and out the other end they go into the regional system plan.

So, again, what this shows you is they're real projects, we know where they are, we know what we need to do, we have a very high confidence level that we can get these projects built.

Now, just moving on to the distribution business quickly, I think, overall, 2012 has been a strong year in terms of reliability in all of the electric companies. Of course, we haven't seen the kind of destructive storms that we saw last year, keep our fingers crossed.

And we've worked a lot on really building a very, very robust emergency preparedness organization. We had the once in 100 years storm and then we had the once in 400 years storm in October, which says that you can get those kind of storms on a continuum, so you need to be ready for them. And so we put a very comprehensive organization headed up by senior vice president responsible for it.

David talked a lot about working on synergies, improving processes, creating a better customer service. And inside of the operating companies -- you look at all our venues, between transmission and the operating companies, we have a best in class transmission business. We have a best in class distribution business in NSTAR. Our gas businesses really are our best in class right now.

So, our role right now in the distribution companies is to get each of those key processes over the course of the next few years, to the very best in class. There's two senior officers, one is here today, Jim Muntz, and the other Werner Schweiger who is the President of NSTAR, that have teams put together, reporting to Tom and myself on the progress that they're making.

So, we're going to systematically go through each one, improve performance, lower cost, at the same time, increase the customer service. So we've got a -- essentially a four year for the most part, most of our company's rate freeze, we need to work with inside that, improve performance under that banner.

So we continue. David talked a little bit about what we're doing in Connecticut, but we're really working closely with all of our companies -- all of our states rather, very closely in terms of making sure that the operating companies are fully in line with where the policymakers are in each state.

Clearly, emergency preparedness was a big threat to us last year in the October storm. We had the first demonstration of the kind of techniques and changes that David talked about. Governor Malloy ran essentially, a statewide exercise that was four days in August to test the entire state's emergency preparedness, state government, local government, utilities and we did great.

The feedback that we got from the state, from their emergency preparedness organization, the communities, was overwhelmingly strong. So, we've made a lot of progress there. We're going to take all of those best practices, including new software, we'll put together and use and spread those throughout the four electric companies.

One of the things that we said we would do, and we said we would really look hard at CL&P, at the resiliency of this system. There was a series of hearings, the governor's two-storm panel hearings that wanted to learn more about what we could do as a state to improve the resiliency. We have committed -- CL&P, NU is committed to spend $300 million on resiliency over the five years as part of our merger agreement.

The way that $300 million will go, there's about $85 million to spend in the first two years, which is '13 and '14. The remainder -- the $215 million over the remaining three years. The majority of that spend is going to be centered around vegetation management, substation automation and the ability to communicate with SCADA systems back and forth through substations.

The deal there is that we would get our allowed ROE, we would get a tracker essentially, which would be really the first tracker we've have on the D side in Connecticut, so we would be able to fully recover our money at the allowed rate of return, so we feel good about that. There are hearings that will be started on October 24th. Right now, PURA, this is the regulatory body, has only scheduled a one-day hearing. So, I think we're pretty confident that this plan will be approved as we have submitted it.

I want to talk just briefly about gas. Gas, for all of the reasons that you've heard, is really the new -- it's the new paradigm, it's the new mega trend in the North East, but particularly, in New England. David showed you the slides that talked about the penetration in New England, but particularly in Connecticut, which is very low, gas penetration about 31%.

So, we really view this as a great opportunity to grow the business. Clearly, with shale gas being nearby, has made a huge difference. We're not going to be at the end of the pipe anymore. The fact that gas no longer tracks the world price of oil, in fact, works in the inverse of that, so the higher the world price is, the more drilling that takes place in the US, the more secondary gas that finds its way into pipelines. We see gas for the very long term, being relatively low in New England, which really makes for a great opportunity for expansion.

And we're a different company now. We've got 500,000 million customers between the two states and many of them very, very close to the main that we can hook up and we are hooking up. We have a very aggressive program now. But with these incentives like David talked about, to extend the mains and provide incentives for customers that do the conversion, we see this growing fairly dramatically.

If you look at the right side of the slide, clearly benefits all around. Benefits in the center for the customer, those are residential savings for a relatively small dwelling versus a large dwelling, about $2,400, huge savings particularly in the studies that have come out of Connecticut.

Connecticut estimates it could add about $4 billion of GDP; it could save customers over a 10-year period with an aggressive growth plan, about $500 million per year, create thousands of jobs and reduce carbon in the state by almost 1 million tons of carbon per year. So, a great opportunity for the state of Connecticut.

Just looking at the trends. This is a slide of conversions, gas conversions. And if I actually rolled it back into the 2000, the 2002 time frame, we used to do about 300, 400 conversions a year. We get up to about 7,000 conversions a year with the combined companies and, of course, the recession hit, it went down, and you can see that the trend is up. We'll have the biggest series of conversions we've ever had this year, the most conversions with over 8,000.

I think the important thing here, about 3,000 of these -- almost 3,000 are with new dwellings. So, these are with either new commercial buildings, small commercial buildings or with new residential buildings. So, we're starting to see building starts increase. Our new customer conversions are up across all of the companies, anywhere is from 18% to 30%. So, again, we're starting to see that rebound in the economy.

This is a view of – there are two views on this. The first view is our base plan, which is the light blue in the bottom. And if you look out over the next 10-year period, we could add about 15% more customers or about 74,000 new customers to the combined companies. And that would be an incremental $40 million of capex per year.

That's already baked into the numbers that you will see from Jim. Don't need any really, regulatory enablers for that because these have very high rates of internal returns, could be anywhere from 30% to 40%. So, you get the revenue requirements to pay for these conversions and you get your return on equity at about 9%.

The second one is a much more aggressive growth pattern. So, we could add about 89,000 additional customers, we'd have about 33% growth, so we'd add about 163,000 new customers over a 10-year period of time. However, you need about $100 million of incremental capital per year. You would need the kind of enablers that David referred to in terms of whether it's a capital tracker.

Because here, what you're going to do is you're going to expand the mains out where there are no mains, and you would have that lag before you could connect customers. So, you would need something like a tracker. You would need, again, that support for customer conversions.

So, we see this particularly as a result of the governor's comprehensive energy strategy that he announced this morning as definitely viable. So, we've got to go dig into the plan, understand it, see what needs further regulatory approval. But I think as we look at this plan right now, it's more likely to be the more aggressive growth plan than the base plan as we go forward.

I just want to recap where we are. We're extremely excited about this CapEx plan. The transmission part of the business goes to $3.7 billion. We continue to have a very strong portfolio of projects. More and more of those projects are the smaller, easier to site projects, so they have a higher probability.

Our Northern Pass project is advancing. It's a very, very complex project, but we continue to make progress on it. Our schedule that we have announced is, we're holding to that schedule of end of 2016, early 2017, filing of our DOE permit by the end of the year.

NU has just a great footprint now. If you think about the footprint, we have the major load pockets in the southern part of the region, Southern New Hampshire, Boston, Southwest Connecticut. Where are the renewables going to come from? Northern Pass will solve a lot of it, but it won't solve a lot of it.

So, you need to be able to bring in more renewables and they're all in the north part of the region, so they're in Maine, New Hampshire, Vermont and to get them there, you're going to need more transmission. So, to get them to the market, you need to build more transmission, most of that comes through our service territory. Most of the capacity on those northern lines are fully taken up, there's very little capacity left. So, that creates additional opportunity that we haven't talked to you about here this morning.

We think the gas business is very, very promising in terms of being able to add anywhere from 150,000 to 200,000 new customers over the course of the next 10 years. Good solid support for the policy standpoint in Connecticut and growing support here in Massachusetts, as Massachusetts learns and understands more about the value of gas in the state.

So again, I would say there's no other capital program that I'm aware of anywhere that does more for customers, more for the environment and provides fair shareholder return. So, we're very excited about it.

So, with that, I'm going to turn it over to Jimmy, who'll run through the overall performance.

James Judge: Thank you, Lee, and thanks for a great update. Let me also welcome you to our Analyst Day, today. I want to apologize upfront for the voice. I'm fighting off a cold, the consequence of a seven- hour flight, which I'm sure many of you can relate to.

I echo Tom's introductory comments. I'd like you to spend some time in the area if your schedule allows for it. I think you'll see kind of first hand, the growth and expansion that we have underway. It's an exciting time for the city.

The heading on this slide, as it suggests, NU is well positioned for success. I think that's consistent with what you heard from Tom, from David and from Lee. Our plan's overall objectives are to significantly improve reliability and customer service while we build out the region's grid and at the same time, lower costs.

We have multi-year rate plans in place now that will provide the backbone for financial strength, the backbone for near-term earnings growth. Our very strong financial condition, our strong balance sheet, our high level of credit ratings will offer us some notable interest savings, that I'll cover in a minute. But also, it provides us sufficient dry powder for any future investment opportunities that come along.

As you've heard, we have a very committed, a very experienced leadership team and employee base that will drive these results that I'm going to share with you. And I am convinced that we can -- I'm convinced that we will -- continue to outperform our peers going forward.

I've put together a little outline here just to make sure you knew where I was in the presentation before we open it up for questions. But I want to begin with taking stock of NU, the platform that is the new NU today as we begin this journey. That initial platform offers a diverse and low risk business profile. It offers very strong financial condition, we have great certainty and stability now for several years and a management team really with a very, very long track record of delivering results for shareholders.

Second part of the presentation I want to cover is share with you update on the regulatory front, rate settlements that are in place, but more importantly, a couple of pending regulatory proceedings that you'd be interested in.

Finally, I'll give you what you've been looking for, which is insight into the financial expectations, both earnings and dividend growth, not only for this year, for next year, but an estimate of what our longer term growth prospects are. And in the process, I'll give you some insight as to the key assumptions that should give you some confidence that those numbers are achievable.

Here is one of my favorite slides, it evidences that this merger has created a very balanced and diverse business profile. Diversity, a couple of ways. Diversity in terms of regulatory climate, we're certainly now better able to withstand a difficult regulatory development in any one jurisdiction. But diversity in terms of our business segments as well. We're essentially now a third regulated by FERC, a third regulated by Massachusetts and the other third of the regulation is a combination of Connecticut and New Hampshire.

On the business segment side, you can see the diversity that's there. Based upon the capital plan that Lee just shared with you, it's going to be even more attractive. By the end of that capital plan, 2017, we will be approaching 40% of the business would be in the electric transmission slice of that pie.

NU does remain committed to strong credit quality. We continue to have among the highest ratings, as Tom mentioned earlier, within the industry and the only family of companies that has a higher rating is Southern Company. But some of you may not be aware of this, but even within each rating, there are rankings and if you look within the A minus rating, we actually rank as the second strongest credit.

So clearly, among the strongest, the top tier of credit quality in the industry. And our financial creditworthiness will continue to be a top priority for this company going forward.

So, I've talked about the business diversity that's part of our platform as we open up early on with the new NU. I've talked about the strong credit quality, but I think our rate certainty is really an aspect that distinguishes us from all other utility investments that you may be interested in or considering.

We have six distribution franchises. We have mult-year rate deals in five of the six. Yankee Gas is the only utility where we don't have a long term rate deal in place. This really allows us, and we’ve done this in the past, this allows us to avoid the cost of a rate case, the distraction of a rate case, allows us to focus on running the business more effectively. And what I'll tell you that I've found is this model works extremely well for regulators and customers as well.

When you think about it during a rate freeze period, a company has every incentive to achieve merger synergies, to reduce costs, to create efficiencies because the savings flow to the bottom line. And in the long run, our regulators, our customers are better off because we have been motivated to become more efficient. Clearly, that's going to be in the best interests of customers in the long run.

I'll give you a little bit of insight in terms of -- we've done this before, our own experience, NSTAR was formed as a result of a merger back in 1999. Since that time, we have had rate deals in place. Rate deals that motivated us to do what we're motivated to do right now, which is to become more efficient. And we did.

A decade later, in 2009, the O&M of the company was lower than the legacy companies were 10 years prior. And here's the punch line, here's the important part. Costs were lower, but reliability and customer service were dramatically improved. By 2009, I would argue that NSTAR had the best performance in terms of customer service and reliability of any utility in the country. So, I guess it's proof that it is possible to improve service, improve service dramatically, at the same time that you simplify and streamline your operations and reduce costs.

The last two pieces of the slide here show that in the transmission and generation side, obviously, we don't have rate cases there but we do have annual forward looking rate adjustments that take place that make us whole for our operating costs and basically, have -- it's, essentially trackers in terms of the return on investment.

Another cut at the performance, Tom alluded to it earlier, in terms of the track record, you saw the chart that evidences his career since he was CEO. Here's the slice of the two companies compared to the key benchmarks. This is really the final point I want to make in terms of emphasizing the platform that we begin with, platform success that has a management track record that's very impressive.

If you want to speculate on what a management team is going to do for you in the future, take a look at what they've done in the past. It's clearly the best indicator. Tom has been CEO for 18 years. I've been CFO for 17 years. Lee and David have lengthy tenure and leadership roles at NU as well.

If you look at these results, 50 utilities in the EEI Index, these are two top performers. In fact, that 600% return over 15 years is, by and far, the number one performance in our industry. So, you get top tier results along with the top tier financial condition. It's a pretty attractive proposition for our investors.

Now, beyond financial track record, and this has been talked about quite a bit already this morning, we really do have complementary skill sets, complementary expertise and we have every intention -- Lee talked about the exercise in operations right now that Jim Muntz, and Werner are heading - we have every intention of leveraging that expertise on behalf of our customers.

Already you're seeing it, right? We've got new transmission projects, $500 million of new transmission projects that have been identified by NU in the NSTAR Electric service territory. NSTAR has consistently, year in, year out, been the number one performer in terms of customer service and reliability in Massachusetts, and as I say, among the best in the country. Our legacy NU customers are going to benefit from that.

David mentioned earlier, already on the gas side, you'll see it on the slide, we're number one and number two in terms of our peer group, so we have brought together what is the best in class transmission operator and developer with the best in class distribution operator, and our customers will be well served by this combination.

Switching over now to the regulatory update, I only have two slides here on the rate agreements. As you know, we negotiated these deals six months ago. I know many of you are familiar with all the terms. Nevertheless, we've laid them out here in terms of the highlights. We had two settlement agreements in Massachusetts.

First one was at the Attorney General and the Massachusetts Department of Energy Resources. It included some concessions that the company made in terms of rate credits upfront, in terms of a commitment to what amounts to about a four year rate freeze. In return for that, we got a very fair construct around recovery of lost base revenues associated with energy efficiency spending.

In return, we got some structure around recovery of our 2011 storm costs and we also got continuation, which is important to us, continuation of cost recovery associated with our safety and reliability program.

Second agreement in Massachusetts was really driven by energy policy directives in the state. Renewables, we made a commitment to Cape Wind. And importantly, from the Company's perspective, from your perspective, we have a commitment to get full cost recovery and we actually earn incentives on those commitments.

Connecticut -- the Connecticut settlement had many of the same components. We had rate credits for Connecticut Light and Power customers upfront, and we committed to a rate freeze that was a bit shorter, 33 months. But it also introduced capital tracker, which is as Lee mentioned, really hadn't historically been in place in Connecticut, it allows us recovery of that $300 million of resiliency spending that we committed to and again, it did prescribe a recovery for the 2011 storm expense that was included in the settlement as well.

Historically, I'd say that settlements have been rare in Connecticut, yet as part of this merger approval process, we were able to reach a very comprehensive settlement with the key consumer advocates in the state. I think Connecticut, frankly, has been characterized as a difficult regulatory environment. I can tell you that based upon my own personal experience, I found it to be very reasonable and fair, as long as the company is willing to be reasonable and fair in its approach to the negotiations.

In fact, earlier this week we reached a settlement on a much smaller scale, had to do with five or six years of litigation associated with some energy procurement incentives that Connecticut Light and Power thought they were entitled to. That settlement was filed earlier this week. So, like we've been able to do in Massachusetts, I'm optimistic that we can find common ground in Connecticut and reach settlements that are win/win for all the settlement parties.

Two regulatory proceedings to update you on. First in New Hampshire, we installed a scrubber at Merrimack Station, as you know. Very, very successful project in terms of what it's been able to achieve. Project came in a full year ahead of the July statutory requirement. It came in $35 million under budget. It is reducing sulfur and mercury emissions by 95%, which is well better than the required standard.

There was just a couple of weeks ago, a consultant report that was -- the New Hampshire PUC had requested, that was a very, very strong endorsement of the Company's management of this process. So, we actually booked no return on the scrubber in the fourth quarter of last year. We earned no return, we booked no return in the first quarter of this year. We have begun booking a return, but it's only two thirds of the return that we're entitled to for this project and that began in April of this year.

So, based upon the project, going through its prudency review, going into rates fully, which we expect by mid 2013, we should be earning about an $18 million a year annual return on the project.

Second proceeding I wanted to talk about has to do with the 2011 storm costs, specifically tropical storm Irene and the October snowstorm. We actually expect to file, in a few months, we're confident that the vast majority of the expenditures that were incurred in those storms were prudently incurred.

But, as you know, we did agree to a $40 million write-off already, and we also agreed in the settlement to a time frame and a construct to get recovery of the storm costs. So, this is really the last final proceeding, the final storm docket we expect to go through and, as I say, we plan on filing it within the next few months.

I want to switch, I guess, from state regulation to touch on FERC regulation. We continue to be very comfortable with our position in terms of the current review of the base ROE taking place down at FERC, has to do with complaints that the attorney generals in New England led that we were earning well beyond what we should.

I think it's very, very important to point out that the incentives that you see on these slides, these are not part of that proceeding. In fact, if you look at the notes on the bottom, a lot of these incentives have already been appealed. The appeals have been heard and have been dismissed.

We continue to believe that FERC is very focused on incenting transmission improvements across the country. We don't anticipate, don't believe there's any shift in FERC policy in that regard. The 11.14% base return that we have here is in line and, in some instances, less than other regional ROEs and we feel it's well within the range of reasonableness.

Just this week, the attorney generals filed their testimony on this matter and what I can tell you is that the filing included numerous violations of what you'd call FERC precedent in this regard. So, further schedule -- in fact, in the back of my slides, the appendix that lays out the expected schedule, the utilities will be filing their testimony, their study on November 20th.

We will be having hearings next May. Next September, the trial judge will issue an initial decision. That will then go to FERC. At FERC, the parties continue to brief their positions. So, we expect a decision on this to probably be in 2014 by the time we get done.

Lee discussed the $700 million of additional transmission projects. If you look in my appendix and now that there's a little bit of detail there, that you'll see that it's a $3 billion increase in our projected transmission rate base, if you look at where we were in 2011 last year to where we expect to be now in 2017. And because we capitalize our transmission projects with about 50% equity, that means that we expect to have about $3.5 billion of equity in the transmission business, up from the $2 billion that we have today.

You saw in the previous slide that we earned somewhere between 11% and 13% on this, so I think this gives you enough guidance to do your own math in terms of what sort of earnings prospects we have going forward from our transmission plan. And again, I would repeat, we believe that FERC will continue to encourage, incentivize transmission investments throughout the country and maintain the attractive returns that we currently are allowed to earn.

So, I've covered the platform for the new NU, I've given you the regulatory update, and now, I'll get into some of the key inputs to our financial plan and our forecast. For electric sales, we actually expect pretty modest growth, in spite of the construction that you see in the region. We do anticipate modest economic recovery, but offset by increased energy efficiency spending in each of our franchises.

On the gas side, weather normalized sales, we expect to grow 1% to 2%. We have a bump in '13, for sure, when you look at what the winter weather was this year. That bump is an incremental 7% just to get to normal weather.

As has been mentioned, we do expect every year for the 2013 to 2015 period, we have plans to reduce our O&M by approximately 3% a year and, basically, driven by implementing some of the best practices and efficiencies that have been talked about.

And I would characterize what we've got here as assumed post-merger efficiencies as being very much in line with what other utilities have been able to achieve after a merger. By that, I mean, these cost savings are certainly achievable. And just to clarify, this 3% annual decline is off an O&M base that is $1.6 billion, which is kind of the annualized O&M that we would have at the end of 2012.

Interest savings, well beyond what we had envisioned when we did the -- when we announced the merger, when we were doing due diligence on the merger. With today's interest rates, both short and long term, we expect to realize approximately $35 million of annualized interest savings and that would be realized by next June.

One example of adopting best practices is that we moved quickly to take the commercial paper program that had been in place for 25 years at NSTAR and actually expand it across the NU family of companies. Expanding that commercial paper program, renegotiating the bank lines in 2012, that reduced the operating costs -- NU's short term borrowing costs from 2% to 0.5%, which is what we're borrowing at right now.

NSTAR Electric has a $400 million financing maturing on October 15th. We will roll that over at a cost of half the coupon rate that you see there, 4.78% is the coupon rate, and given where rates are at now, so the significant savings from that refinancing as well.

NU Parent has some debt maturing in June. That, too, will be rolled over at dramatically lower, a lower cost of money.

Also, I should point out that there were four tax-exempt series at Connecticut Light and Power, one at Western Mass Electric that were called on October 1st, and the cost of those debts were averaged about 6%. So, we're taking advantage of today's really extremely attractive financing markets and locking in some savings that will be permanent for customers going forward.

So the results in terms of guidance. We are projecting 2012 results to be in a narrow range of $2.25 to $2.30. Many of you participated in our July 31st earnings call and I suggested that we were comfortable at the time with the street's estimate for the second half of the year.

On a recurring earnings basis, if you exclude the merger related costs, we earned $0.98 in the first half of the year. The street estimate was $1.26 for the second half of the year. So, you put those together and $2.24 was the combined number. You can see from this earnings range that we have today, we actually think we'll do a little bit better than that.

A number of factors drive that, but in particular, we had a warm summer since we had that July call, and so we're confident at this range that we've established. On this slide, I show a number of puts and takes, additional factors that are either helping or weighing on earnings this year compared to 2011.

2013, we expect attractive earnings growth and this is really the first full year after the merger. The slide shows the key factors that will influence our financial performance. The merger cost savings are a big driver here. Again, a return to normal weather, yet another attachment in the back of my appendix, it shows you that the exceptionally mild winter that we had in -- the '11/'12 winter, if you will, cost NU and NSTAR combined, about $30 million of pretax margin.

About $10 million of that was in the fourth quarter of last year, the $20 million of that was the first quarter of this year. Really an extremely mild first quarter, and you can see from the exhibit that I have in the back that looks at the heating degree days just how unusual it was.

We believe that the Merrimack Scrubber will fully be in rates, that the prudence review will be completed by mid '13. And the major increases in expense, the drag on earnings if you will, is what you'd expect. When you have a capital program, your depreciation is going up every year, your property taxes are going up everywhere as well.

So, we have a combination of transmission rate base growth. We have cost management on a distribution system. We have gas growth in the mix. We believe that this will allow us to grow our earnings 6% to 9% annually over the next several years, and as you see, that's off of the 2012 base, that $2.25 to $2.30 base that we provide.

As Tom noted earlier in his presentation, NU offers a unique value proposition. We have a number of significant transmission projects currently underway. Our significant visibility into projects, many of which were already in the ISO's regional plan.

Gas conversions are clearly going to continue to rise, and the governor's announcement today evidenced that we can anticipate that. Cost savings expected from the merger, what were baked into this forecast, I would characterize as very reasonable and certainly achievable. And again, the only factor that's really weighing us is the fact that there is an earnings drag associated with the capital program, that the depreciation and property tax drag.

So, we have done some sensitivities in terms of the robustness of this plan. There's two issues, I think, that are out there and we get a lot of questions on. One is the FERC ROE case and the other is the timing of NPT. Is it going to be late '16 or '17 or what have you?

And what I'd tell you is that even if -- and by the way, we don't anticipate either of these to occur, but even if NPT was delayed for a full year, even if we were to lose a 50 basis point or a 100 basis point reduction in our ROE, we still feel that our earnings growth through 2015 will be in that 6% to 9% range. So, it is a robust plan. Again, we don't anticipate those worst case scenarios to materialize, but it gives you some sense of our confidence in our plan numbers.

Dividend growth, a long track record of growing the dividend. Again, consistent with what we've been disclosing, we anticipate to grow the dividend at the same level, 6% to 9%. The key part of the equation, in terms of the value to our shareholders, our payout ratio is currently in the high 50s. Obviously, our peers, T&D peers are -- tend to run closer to the mid 60s. So, we have considerable room for increasing the dividend.

More importantly, that below average pay-out allows us to retain earnings in the business and reinvest it. So, it allows us to sort of grow that transmission equity by retained earnings rather than doing equity issuances. So, a very attractive dividend growth that I'm sure is going to, again, outperform the industry.

Some is baked into the plan, but there are a number of items that are not baked into the plan, and so the 6% to 9% does not include some things that frankly we got encouraging news on today. Further expansion of the gas infrastructure, which is beyond what's currently enabled by regulation, if you will. We're likely to find some more transmission projects as we move forward that haven't been well defined yet.

Favorable Connecticut policy in terms of energy efficiency. Again, we need to assess what the governor came out today, but there's potential for energy policy aligning the Company's interest with the policymakers. As David mentioned, there's this discussion about studying decoupling, for instance. And finally, if the economy does recover faster than we expect, certainly that 0.5% to 1% sales growth that we have could prove to be conservative.

So, in closing, what would I suggest the key takeaways from today's discussion? First, is our very robust 6% to 9% long term earnings and dividend growth rate. Today, we revealed new capital spending, a $700 million, a 23% increase in our transmission plan for the next five years. We have $35 million of interest savings that are really identified, and for all intents and purposes, actually been realized already.

I would hearken back and remind you of 2008, the financial crisis that we experienced was quite a reminder that financial condition is important. And with NU, you get top tier financial performance along with a top tiered financial condition.

And finally, management's track record. Again, you have a pretty lengthy track record to assess and you should do that when you compare, I think you're going to be hard pressed to find another management team who's done a better job for shareholders in our industry.

So, I hope that you're all as enthused about the prospect as I am. I hope that today's Analyst Day not only met, but exceeded your expectations. So, that's all I have for formal slides. I think we'll open it up for questions. Jeff will facilitate that for us, and I've ask Tom and David and Lee to join us up here.

QUESTION AND ANSWER SESSION

Jeffrey Kotkin: All right. Great. We're going to take questions and then I'll repeat the questions to make sure that the folks who are on the webcast can hear what we're responding to. So, any questions out there? Yes, Steve?

Jeff Kotkin: Just to repeat, in light of the earnings and dividend growth that we outlined today, if earnings growth were to be somewhat lower, could dividend growth be somewhat higher in the out years?

Jim Judge: I would just suggest that the middle of that range is obviously 7.5%. We're not committing to grow the dividend 7.5% every single year. But, for the time period that we're talking about here through '15, we certainly think that the dividend growth will be in that range, 6% to 9%, may vary within that range each year as earnings growth would vary. But it's obviously a very healthy growth from the dividend compared to what other offerings you have out there.

Tom May: We've always had -- as you know, Steve, we've always had the same philosophy, that's what we've said at NSTAR. We will grow our dividend as we grow our earnings, and we've done that pretty consistently and we showed you our 18 year track record. We don't have any payout ratios. We don't target ratios. We just try to keep a steady stream of growth and that's about it. That's our payout ratio. That's our dividend policy. So we don't like to refer to payout ratios per se.

Jeff Kotkin: The question is whether there're EPS targets for the management team and have they been set yet for the new NU?

Tom May: Anybody want to answer that? We have an incentive plan that, obviously, is focused tremendously and weighted towards creating shareholder value. But we have a lot of moving parts, and again, if I can hearken back to my circle of value. It all starts with happy customers, our ability to continue to provide you with the kind of returns you want.

So we really do have plans that are driven by a few, not a myriad, not a slew of, but a few key customer metrics that we want. Some priority initiatives like Northern Pass, as an example. And the bottom line earnings growth and creating shareholder value. So, all of those things are taken into account. But, as you know, with executive comp, there is a very large component that is equity based, which we hope puts an added emphasis on creating shareholder values for our executives.

Jeff Kotkin: The question is in light of the additional growth opportunities that we have, which aren't baked into the forecast. How much more would those cause -- could those cause earnings to grow in the future?

Jim Judge: Yes, I'd just suggest that the 6% to 9% growth is not in the pocket. It's in a plan in a forecast, and there's an awful lot of hard work throughout the organization that has to take place to execute. And so, we indicated there are some things on the horizon, policy changes, potential other transmission projects that come along that aren't hard coated in there.

But this is a robust plan, it's a very attractive plan and we need to make sure that our troops are aligned to execute and deliver on it. Those are challenging O&M targets, to offset inflation, offset wage increases and still bring the number in 3% down each year. So, we're very comfortable with the 6% to 9% range, and if things come along that improve our prospects or actually weaken our prospects, we'll update the street when it's appropriate.

Jeff Kotkin: The question involves the rate case that was perscribed in the merger settlement in 2014 for the Connecticut Light & Power Company.

Jim Judge: Unlike the Massachusetts settlement, which goes to the end of '15, Connecticut Light & Power is required to file a rate filing for rates effective December 1st of '14. The decision -- or the filing to achieve that would have to be in by June 1st of 2014. So, we have an obligation to file that. We fully expect to.

I would be hopeful that we can work with the consumer advocate groups in the state and try to reach a settlement before a litigated outcome in that case. But like anything else, you have to assess your prospects from a litigation front with your offer that you have in settlement. And so time will tell whether that's achievable or not. But, I certainly am encouraged based upon the progress that we've been able to make reaching settlements in Connecticut to date.

Jeff Kotkin: The question involves financing the growth opportunities that we've discussed today. And how much may be done as a parent versus the subsidiaries?

Jim Judge: Yes. I guess in terms of ballpark numbers, if you look at the forecast period, '13 through '15, we have about $3 billion of debt financing, roughly, that we expect to do. Half of that is basically old money where we're refinancing maturities that are coming due. The other half is new to finance -- the construction build out.

Fortunately, because of our low payout ratio, the retained earnings are growing every year as well, so we don't have any equity issuance needs, but those are the numbers. In terms of specifically where they're going to be -- whether it's the parent company, whether it's the subsidiary, we're not providing that kind of guidance today but, philosophically we like to borrow at the lowest rate possible.

Jeff Kotkin: The question involves the rate of cost reductions and would it be comparable rate each year or would it be higher some years, lower others.

Jim Judge: Yes. The forecast is actually -- is a three-year forecast, not five. And I would suggest that the expectation it's more ratable than not. I mean, one of the things that we have found is that investors like to see consistent earnings growth and so we, in the past, have been able to show that after a merger, you can take costs out consistently over a long period of time. To do otherwise could be disruptive to the organization.

So, we will be bleeding in savings. We will be holding managers accountable year in, year out to drive those O&M numbers. So, for the sake of planning, you can think of it as 3% a year for all three years.

Jeff Kotkin: In one of Jim's slides, there's a list of potential upsides to the plan and the question was, which might -- would be more likely than others, among those?

Jim Judge: That would depend, I guess -- I want to make sure that I get to see the governor's energy plan. So, the gas growth prospects that they're anticipating beyond what we currently are allowed to do could be a very exciting and near term growth opportunity.

And obviously, any transmission projects that come along, they move the dial quite a bit. So, already in a short period of time, NU has identified an incremental $500 million in NSTAR service territory. So, I think those are probably the two levers -- two biggest levers.

Jeff Kotkin: The question is essentially, in which buckets are the cost savings coming from that we indicated in David's presentation.

Tom May: When you -- David can follow on, but I would answer that sometimes, it's difficult to identify what's a specific merger integration savings versus a best practice, versus innovation or efficiencies that are created as part of the normal course of business. So, we think it's more helpful to give you real O&M declines in terms of what our expectations are rather than to take a 17 line item list of potential merger integration opportunities and refresh those numbers.

David McHale: Jim, I would, I think, just complement that. And there's -- part of this is clearly defined integration in savings, but it's also just good fiscal discipline as we're putting these organizations together. But to be helpful, if you went to the net benefit analysis that was used in the merger proceeding, by category, there's a lot of specificity whether it's IT, supply chain, administrative areas and the like.

And we didn't explicitly refresh that today, but that gives you some pretty good direction categorically on where these savings are coming from. I think we're going to outperform those categories, but that splits it out for you.

Jeff Kotkin: Follow up question is, what are we looking for in terms of pension expense going forward?

Jim Judge: Pension -- first of all, I'd say there's the six franchises here, three of them are covered under our pension tracker and three are not. Pension expense, pension contributions did increase at NU in 2012. What happens to pension expense and funding needs will have an awful lot to do with where we are with discount rates at the end of the year, when we determine that. But, we have thought of 2012 as being a peak year in terms of a pension expense impact.

Jeff Kotkin: Question has to do with the 2014 Connecticut rate case and the impact on 2015, and what's embedded in the growth rate for the outcome of that rate case. And might decoupling affect the ROE?

Jim Judge: The 2014 rate case, there are assumptions in the plan. I think, obviously, if we're effective in terms of the cost control that we've talked about here, the needs for an increase are not that significant. We would plan for a reasonable ROE as an outcome of that rate case. And whether or not decoupling influences -- or should influence the allowed ROE or lower the risk is a debate that I think needs to take place. As of today, if I understand it, it's a dialogue about decoupling, a process to have a conversation.

There are no rules, I don't think that have come down today. So, I look forward to discussing those issues in Connecticut. And what I'd tell you is I don't think that what we've assumed in the forecast for rate increase in December of '14 is a huge variable in terms of our results in '15.

Jim Judge: As I understand it, the governor announced that decoupling should be looked at, okay? So, we don't have any kind of insight as to exactly what the outcome of that process will be.

Tom May: I think that decoupling is in the context of energy efficiency, not corporate wide. And so, if it plays out the way we would like it to, obviously -- and David, feel free to comment, he's been involved with the whole process in Connecticut.

But, it's something that we've said, if you really want to make energy efficiency attractive, you should look at the model that we use here in Massachusetts, where -- and they don't like to use that word, lost base revenue, so we talk about revenue erosion and the like.

So, we do not think it would be tied in with a negative. They're trying to create a positive in an incentive, they're not going to give us something and take it away someplace else, I believe. Feel free to comment --

David McHale: I agree. I think in the near term, the governor seems to have an appetite for addressing revenue erosion specifically related to implementing enhanced conservation step, right? And that could be as early as 2013. So, that's something that we haven't had in the past, right?

You get a little bit of -- we don't call it necessarily lost base revenue, but you'll get a recovery mechanism. But longer term, perhaps addressed in the 2014 rate case is broader decoupling. It may be just for energy efficiency, it may be applied like a UI across all of the business. That's a debate that will take place future state.

Jeff Kotkin: The question is whether NSTAR LLC would be an issuer of debt going forward.

Jim Judge: NSTAR LLC will not be an issuer or LLC.

Jeff Kotkin: The question, basically is, within the utilities, can you do transmission related funding?

Jeff Kotkin: Okay, the preference for funding transmission.

Jim Judge: Yes, the transmission assets are housed in the various distribution businesses, the OpCos, so the funding takes place there.

Jeff Kotkin: Okay. Two part question, one was what would be considered large hydro? What would qualify? And then what sort of opportunities are there on the transmission side to bring large scale wins down from northern New England to large centers of New England?

David McHale: David, I mentioned, on the way out perhaps we'll be in a position to share with you an executive summary. I know that's up on the web right now. I know the draft, which is 100 plus pages is now available as well. I know what they've said in terms of increasing the target. I mentioned 20% now is their target for 2020, but higher for sure, and then broader.

All right, you'll see that in the summary document. When you look into the draft itself, it then calls out studying whether or not large scale hydro would make sense. You have to be sort of studied, but if you think about the state's mantra, cleaner, cheaper, more reliable and a commitment to renewables, despite the fact that a REC one renewable today does not include large scale hydro, they seem to have a real appetite and a real interest in qualifying that type of asset and that type of opportunity.

But it's a directive to be looked at, to be examined, to be studied, but I think that's pretty favorable for this project in particular -- NPT project.

Tom May: And also add, someone asked me a question last night about do you really think you're ever going to be able to achieve these RPS standards? And I think there's a political reality that these targets of 25% are pretty stretch goals. And so, when you see some very large projects that are hydro, they become key to achieving your objective that you set out five years ago. So, we see a lot of movement in that direction.

Lee Olivier: And David, just in regards to the consortium. The consortium is somewhat in a state of hiatus, because essentially, there's a mechanism to build -- a financial mechanism to build liability based transmission. There is a mechanism that we created with HQ to build transmission to get power down behind there.

But right now, from the standpoint of building what is purely kind of economic transmission, really, isn't a very, very clear mechanism. Now, the region in terms of the regulators of the region, are coming out or have come out with an RFP. And what they're going to do out, they're going to go out and they're going to test those waters to see what it take -- to see what it would take to get transmission built such that you could bring more power down from places like Maine and New Hampshire and Vermont down into the load center.

So, right now, the folks that are in the consortium want to see how that process plays out before they start investing a lot of money in engineering and planning only to find out that there's just no way you can get this financing built.

Jeff Kotkin: The question has to do with forward looking, how what we've etched out today, basically, would affect the customer bill over the next several years, just a little prices.

David McHale: I was going to be a little flip and say I left the crystal ball in my hotel room, but I think I tried to give you a little bit of insight into what we think for 2013, because Connecticut still does some forward procurement and we have about 70% of the load locked up.

So, we know that that default service product, which drives the competitive supply product is going to continue to kind of fall away. But, I also said that on the margin powers price with natural gas, no reason to believe that natural gas is going to start moving up aggressively, given the supply that rests now just west of New England.

What I didn't say is, also, I think the governor's energy plan is going to be very supportive of bringing in new pipeline investment and new capacity. So, I don't think that we're going to be facing supply constraints if we can get that done. So, prices the Citygate I think are going to be quite attractive, irrespective of what the commodity is doing, but that's a big driver, Jay. But, I think, many of us in this room probably feel comfortable that we're at a level of natural gas pricing that's not about to run north on us.

That said, and we try to emphasize the headroom in the bill, we're going to be adding investment in transmission. And even regionally, as others had investment in transmission, we pay for that through the RNS or the regional. So, the Central Maine project is a perfect example. That will put some upward pressure on that transmission component. But net/net, I think this is going to be a very favorable price environment for customers over the next several years, certainly, during the course of this three year plan.

Jeff Kotkin: The question basically relates to longer term O&M trends for the Company.

Jim Judge: Yes. I think you so, Dave. I think it was a comment I made that we did a merger in '99 that kept the O&M at levels below the premerger level for a decade. And I think, frankly, from -- if I was to suggest what's the strongest skill set that allows you to do that, it's an effective financial planning and budgeting process, so, that we look out, we see what the prospects might be. There's a lot of assumptions you can make in terms of revenues and CapEx and what have you.

But, we commit to a plan that allows us to, over the long term, year-in, year-out, grow earnings per share and that means you need to have a robust budget process. One of the things -- one of the slides that we dropped off is -- you saw Tom's track record there. We actually have a unique track record of the stock price going up every single year.

Total shareholder return was positive every single year for 15 years, and this will make it 16 years. So, I think it's a statement about the discipline that we take every single year to make sure that we're a top performer and bleed in those savings over a period of time. We think that's what our investors are looking for and that's the model that we follow.

Jeff Kotkin: Question has to do with essentially, gas sales growth and the 1% to 2% that we show in the book.

Lee Olivier: Just to give you a little perspective on what's happened over the last few years, particularly in Connecticut, we've had a number of facilities, as an example, one of the major casinos there that was on fuel oil, and we've converted -- they've converted over to essentially distributor generation, built couple 24 megawatt machines there to generate their own sales.

And we sell gas to them as an example, so that's a big gas sale for Yankee Gas. There's been a number of others in the state of Connecticut where we're -- they've converted over to distributed generation, manufacturing as an example. Those are all tied into Yankee Gas. So, what you saw is that big rise in sales because they take big volumes of gas.

But, as you go forward, there'll be lots of conversions for smaller facilities -- smaller commercial facilities and homes. And that's why our projection is lower than it was over the last few years.

Jeff Kotkin: Question has to do with the recent elections in Quebec, and whether we expect that to affect the Northern Pass line.

Lee Olivier: I would say the new administration, by their energy platform, Ms. Marois, who's the new premier, will continue to be very, very bullish on hydro and is actually very bullish on wind as well. And the Parti Quebecois was the party actually that started, when they were previously in power, and most of this major hydro construction.

Her platform is to build more, potentially nationalize what's there that's not already owned by Hydro-Quebec, be a major exporter, make sure that the obviously the energy needs of the province are taken care of first. And then, beyond that, export that energy to places like Ontario, New York and New England. So, actually, I think it's a reaffirmation.

Jeff Kotkin: Question has to do with potential alternatives that we would have to file with DOE regarding Northern Pass and how it may affect the schedule?

Lee Olivier: Yes. If you recall, we did announce a route approximately 18 months to two years ago and shall we say, we got a lot of feedback on that route. This new route will be the alternative to that previous route. We think this route is -- it will be -- it's a good route, it will be more beneficial, it will -- it is sitable.

We have other alternatives that we have looked at, and really -- although there are different routes, you're going to run into the same issues. Because if you have -- we think what we've found is a route that has the least impact on the environment, the least impact on the communities, but we will have other preferable routes. I wouldn't speculate on what that would do to the overall cost of the project, the other routes, or the timing of the cash flows at this point.

Jeff Kotkin: Question is whether we should earn our allowed ROEs at the distribution companies?

Jim Judge: I'd suggest that, obviously, for those financial results to materialize, and we're talking about a lot of cost savings and distribution companies that, yes, the under earning franchises will continue to improve each year in terms of the ROEs. Whether or not they approach or exceed the allowed ROE, I'll not getting into those specifics. But clearly, we are improving the financial results of all four of the electric franchises, as well as the two gas.

Jeff Kotkin: Question as to whether the higher end of the range contemplates over earnings.

Jim Judge: Well, can't relate to the 9%. We have six franchises with six different allowed ROEs. One's at 8.85% and one is a range between 10.5% to 12.5%. So, there's a myriad. In fact, our allowed ROE in our gas business in Massachusetts, the last rate case was 1992, it's 13%. So, we've got a broad range of ROEs to address. There's no hard 9% anywhere.

Jeff Kotkin: Questions relate to the $300 million CL&P resiliency filing before the PURA right now and also AMI.

Lee Olivier: Just -- we'll do the AMI one first, because it's really the easiest. As you recall, we had submitted the proposal to the old Connecticut DPUC around a rollout of an AMI program, it was about $300 million.

And although they liked the filing at the point -- at that point in time, the staff and the commission made a decision to put it on hold based upon the evolution of the technology, the issues all around cyber security, further study of what's happened out in places like California and Texas in terms of some of the issues that they ran into.

So, there is really no immediate plans around doing AMI in any of our states right now and I would not speculate that there would be anytime in the near future either.

Tom May: He forgot to mention that I'm not a fan of it either.

David Mchale: I'm going to add, from my colleague here, you will see in the governor's plan, even in the summary today, that they allude to or refer to examining smart technologies, smart meters, AMI. So, there may be an undercurrent of a willingness to reexamine this.

I don't think that means that they're going to reinvigorate a big investment there. I think they'll look at it again. This administration is not the same one that looked at it two years ago. But I'd stop short, Barry, of saying that you should start modeling in big capex, but I think you'll see some activity there in the study.

Tom May: Yes, we have no -- in our plans that we presented, we have no big meter investments in there. And the smart meter, as you know, it's a national debate now where people in California and Maine are saying, take it off -- or Vermont, take it off my house at your cost.

I didn't want it there. I don't want -- I've even got crazy letters from people saying they want to know -- they want an analog meter on their house. And I swear it's part of -- are there any lawyers in the room? What a dumb question that is. Of course, there's lawyers in the room.

But, I do believe they're going to -- the plaintiffs bar will create class action suits that somehow this meter technology is intruding their lives and ruining their lives. I get this sort of standard letters that are starting to appear. So, I think that debate is going to hold things up for a long time before we do that.

I do believe there is potentially a service here. We're playing with a technology that's very cheap. It goes on our existing meter where you connect it to the meter, and basically it takes data and jumps on the person's internet and sends us emails. We assemble it and send it back to them.

Now, if you want that, it's something that we could provide very nicely for $7.99 a month. But, the concept of building out a huge infrastructure and slapping all of this on there for the benefit of the 6% of the people that really want to use it, doesn't make economic sense as far as I'm concerned.

Lee Olivier: And from a cost benefit standpoint, what we've found, you're far better off putting investments into smart grid and so called self healing grids and getting grids to be, when you have major outages, to isolate themselves to be able to restore the customers much more rapidly. You are able to manage the grid like you would kind of an integrated power plant, where you can send flows in definite directions, reduce congestion costs, reduced line losses. We think there's more value and savings there.

From the standpoint of the resiliency plan, one of the things I didn't say is this -- the plan that we have for the $300 million is really not -- it's not a spread the peanut butter plan. It's really focused on the 60 worst circuits that we have. So, it'll be heavy focus on going through those circuits, doing major, what they call extended tree trimming, which is capitalized tree trimming.

You had essentially clear sky 20 feet out. That will help really dramatically during normal reliability. So, we think it will -- on average to the system, it will improve reliability somewhere between 20% to 30%.

And during a major storm, we think we can take 30% to 40% off the time of restoration, because much of the damages we've seen last year in Connecticut is really all about trees falling into our distribution lines and many of those trees are not on our properties, they're on private properties. So, it's getting rid of those big trees near trunk lines, we think will have a significant difference.

The other part of your question is, could you spend more? Certainly. And that'll be a decision that'll be made by regulators from the standpoint, based on where society is right now and what their needs are around reliable power, what the issues are, what more could you do.

Our plan is to get CL&P on a four year trim cycle. So, all of the system, once every four years, gets trimmed, and that's the industry standard. So, that's our proposal right now.

We're doing a lot of other things around improving the way we run the business. We're actually -- we actually have people on back shifts right now, but there will be more 24 hour seven shift coverage with troubleshooters on shifts. So, we'll be able to respond faster. So, when you factor in things like troubleshooters, more of those, this resiliency build out, we should see a fairly, over time, dramatic improvement in the reliability of CL&P.

Jeff Kotkin: Question relates to the location and types of O&M savings?

Tom May: Jim, could you get our forecast out and --

Jim Judge: Obviously, the opportunity for the merger in the shared service functions, in the corporate functions, that's where the real levers are in terms of reducing costs and they support all of the franchises. The customer facing operations, the field operations, while we may have some best practices that bring us some value, a lot of the cost savings are actually happening in the corporate functions.

Tom May: I don't think we can answer the question quite being -- stop my funny act and get back to serious. We've changed the model of this company, this new company. As David pointed out, NU ran a very decentralized operation and when we put these companies together, we really moved things out of Lee's organization and put them in David's organization and said we're going to have shared savings or shared services. And those shared services will also share savings.

So, as we get through this process and we create one company, and for example, one -- David uses the example the outage management system. When you took this over, there were three people screwing around trying to develop outage management systems. We're going to have one that David will oversee.

And then, we get into this issue of allocation and so our allocations will be different than it was before. And we don't really have the answers yet to where it all falls out, but it's a very different model, we've just started it, we're pulling it through. And we see the benefits of it, but we don't have the specifics of where those benefits are going to fall.

David McHale: I'm dying to tell you the answer, but you know what, it truly is proprietary. It truly is. But I would say that the benefits will be uneven for those reasons that you mentioned, but a classic example would be technology. There was need at NSTAR Electric, there's need at Yankee Gas, there's opportunities across the board to deploy across a much bigger platform technology needs and some of it is just avoided cost.

It could have been that NSTAR Electric -- even though they were run extraordinarily well, had a technology need sort of looming and just taking that off -- which would have been a cost pressure. Just take that off the shelf. And you're going to optimize all of the NU servers. Or you're going to optimize all of the NU data centers. And that's pretty powerful as well.

Jeff Kotkin: That appears to be it.

Tom May: Thank you so much for giving us a day and a half of your time or a night and half a day. We really did enjoy hosting you and sharing our story. I know there'll be a lot of follow up questions. I think you all know who the players are that can get you those answers.

But, Jeff, his team, you all know Phil, Jim, Lee and David -- it's our pleasure to have shared this, finally, we've been dying to do it, as I said, and go out and my last advice is buy, buy, buy. Have a great weekend.