

# AGA Financial Forum

May 18 – 20, 2014



**Northeast  
Utilities**

# Safe Harbor



This presentation includes statements concerning NU’s expectations, beliefs, plans, objectives, goals, strategies, assumptions of future events, future financial performance or growth and other statements that are not historical facts. These statements are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, readers and the audience can identify these forward-looking statements through the use of words or phrases such as “estimate,” “expect,” “anticipate,” “intend,” “plan,” “project,” “believe,” “forecast,” “should,” “could,” and other similar expressions. Forward-looking statements involve risks and uncertainties that may cause actual results or outcomes to differ materially from those included in the forward-looking statements. Factors that may cause actual results to differ materially from those included in the forward-looking statements include, but are not limited to, cyber breaches, acts of war or terrorism, or grid disturbances; actions or inaction of local, state and federal regulatory and taxing bodies; changes in business and economic conditions, including their impact on interest rates, bad debt expense and demand for NU’s products and services; fluctuations in weather patterns; changes in laws, regulations or regulatory policy; changes in levels or timing of capital expenditures; disruptions in the capital markets or other events that make NU’s access to necessary capital more difficult or costly; developments in legal or public policy doctrines; technological developments; changes in accounting standards and financial reporting regulations; actions of rating agencies; and other presently unknown or unforeseen factors. Other risk factors are detailed from time to time in NU’s reports filed with the Securities and Exchange Commission. Any forward-looking statement speaks only as of the date on which such statement is made, and NU undertakes no obligation to update the information contained in any forward-looking statements to reflect developments or circumstances occurring after the statement is made or to reflect the occurrence of unanticipated events.

All per share amounts in this presentation are reported on a diluted basis. The only common equity securities that are publicly traded are common shares of NU parent. The earnings per share (EPS) of each business do not represent a direct legal interest in the assets and liabilities allocated to such business, but rather represent a direct interest in NU's assets and liabilities as a whole. EPS by business is a non-GAAP (not determined using generally accepted accounting principles) measure that is calculated by dividing the net income or loss attributable to controlling interests of each business by the weighted average diluted NU parent common shares outstanding for the period. In addition, recurring EPS excluding certain charges related to the April 10, 2012 closing of the merger between NU and NSTAR are non-GAAP financial measures. Management uses these non-GAAP financial measures to evaluate earnings results and to provide details of earnings results by business and to more fully compare and explain NU’s results without including the impact of the non-recurring merger and related settlement costs. Management believes that these non-GAAP financial measures are useful to investors to evaluate the actual and projected financial performance and contribution of NU’s businesses. Non-GAAP financial measures should not be considered as alternatives to NU consolidated net income attributable to controlling interests or EPS determined in accordance with GAAP as indicators of NU’s operating performance.

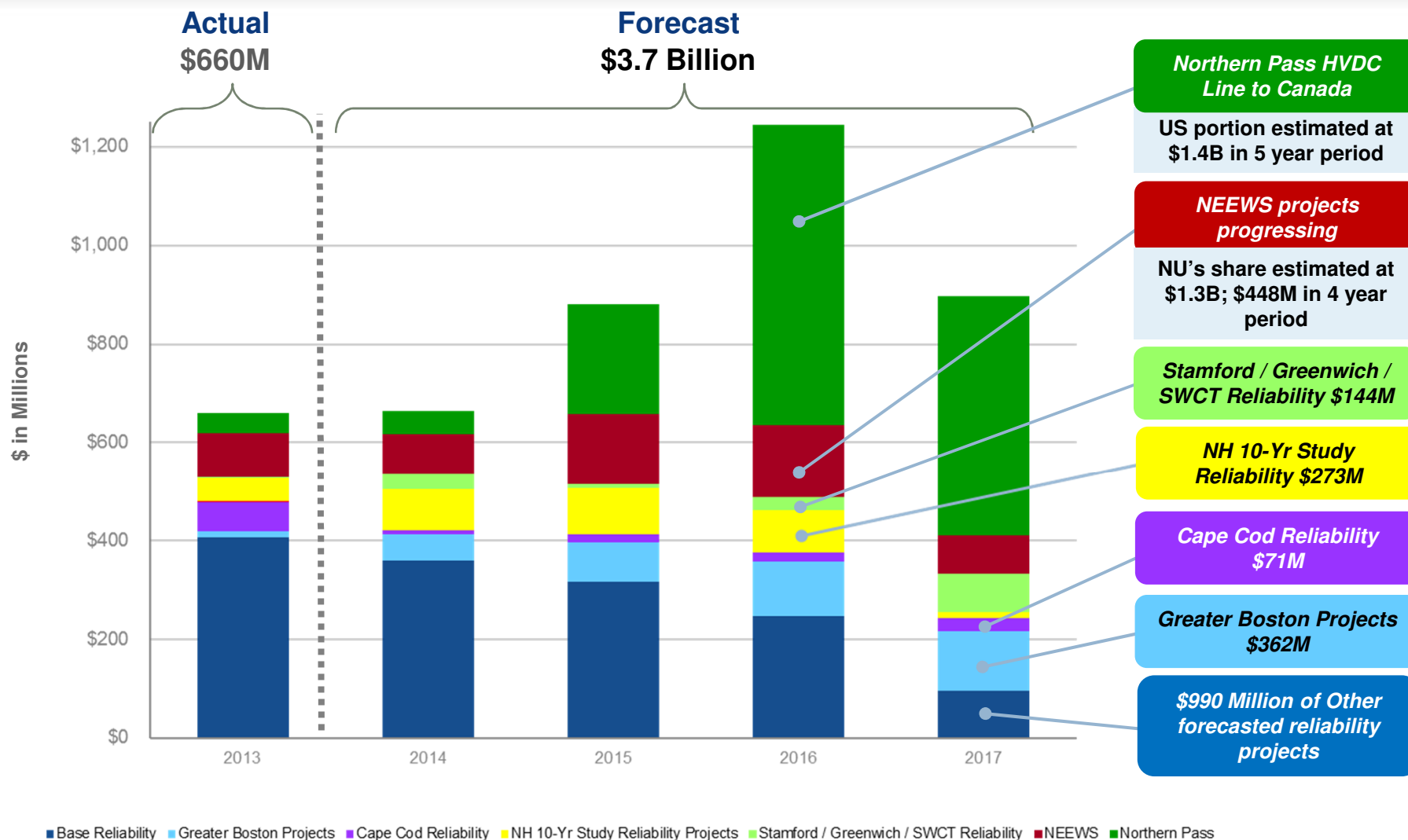
# A Rare Investment Opportunity



- Projected long-term EPS growth of 6%-8% - nearly 2X industry
  - Unique transmission growth platform
  - Unique opportunity to reduce O&M by 3% - 4% annually
  - Unique robust gas expansion plans
- Projected dividend growth of 6%-8% - nearly 2X industry
- Very strong financial condition
- Top-tier customer service and reliability
- An experienced management team with a proven track record



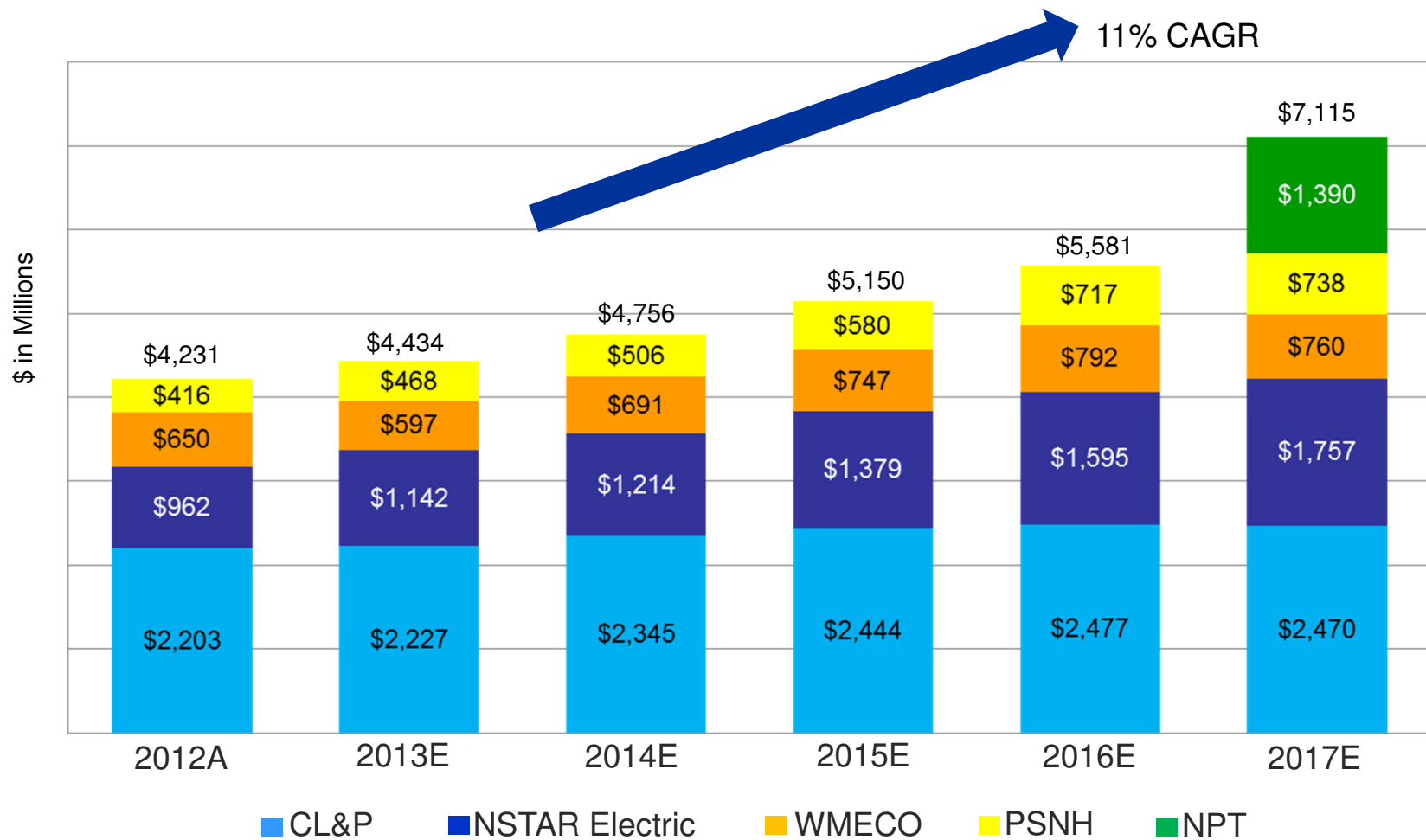
# Transmission Investing \$4.3 Billion From 2013-2017, Up 15% From Previous Plan



# Transmission Rate Base Growth Projections



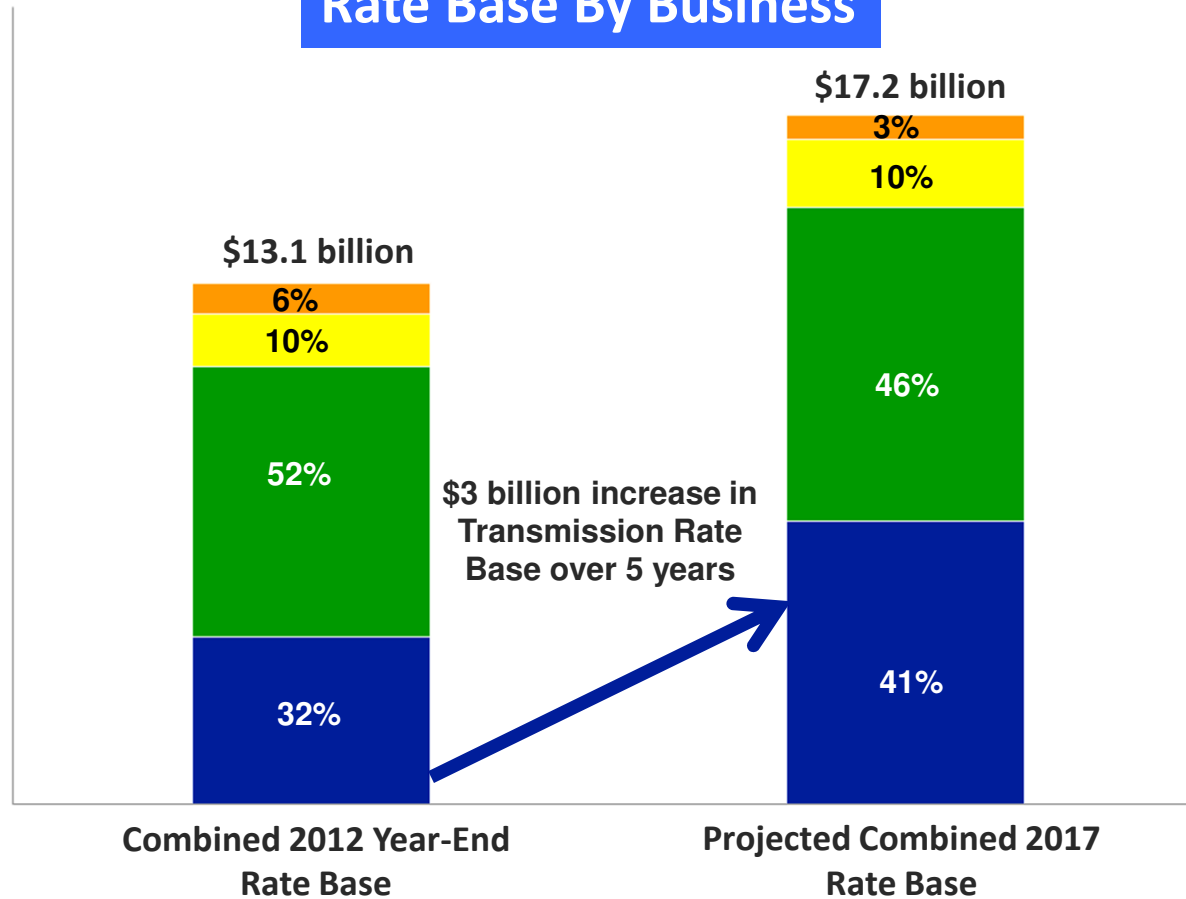
Transmission accounts for about 50% of EPS growth through 2017



# Transmission Portion of NU Rate Base Expands



## Rate Base By Business

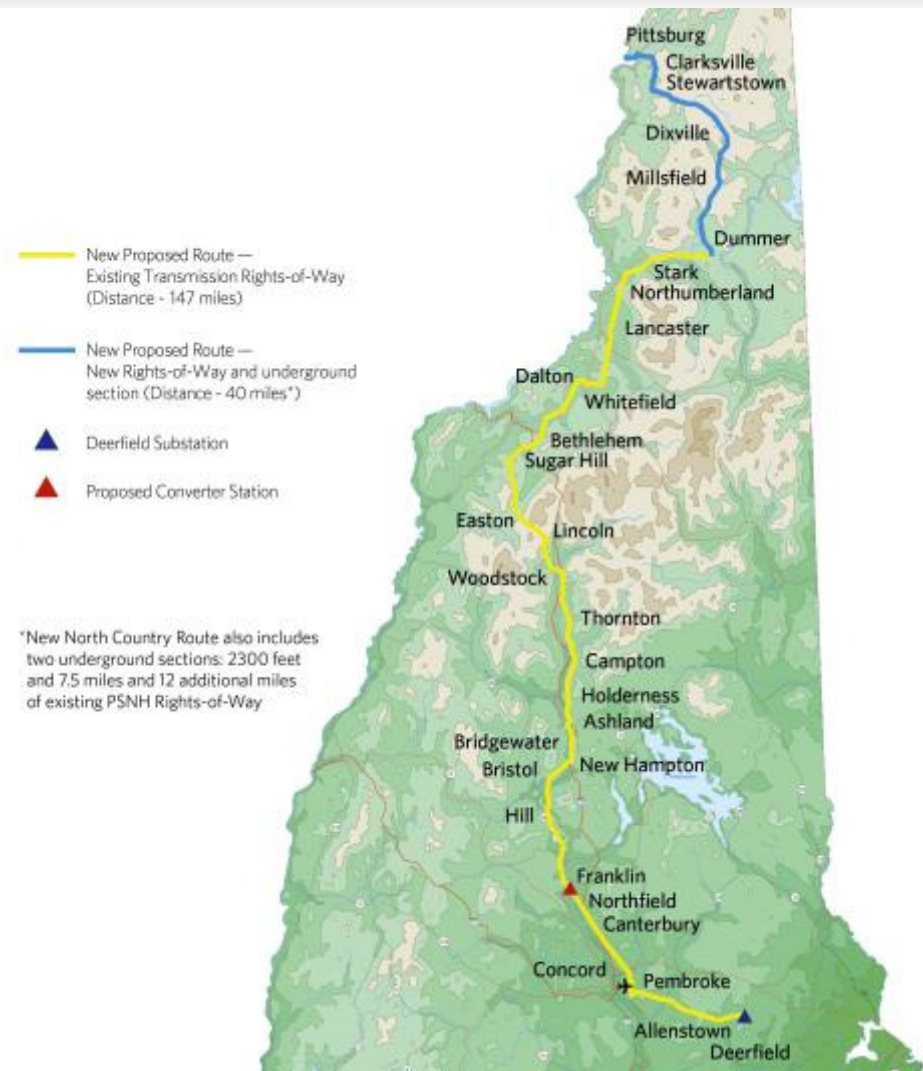


■ Electric Transmission ■ Electric Distribution ■ Gas Distribution ■ Electric Generation

# NPT - Overview



- 1,200 MW of clean energy
- \$1.4 billion HVDC line, terminal and AC facilities
- Participant-funded structure; no impact on the Regional Transmission Rate
- Uses HVDC technology at +/- 300-kV with AC/DC converters in Quebec and NH
- AC radial 345-kV line to connect to the New England bulk power grid
- New route identified June 27, 2013. Approximately 187 miles of new transmission including 8.7 miles of underground in 2 locations (147 miles HVDC, 40 miles AC)
- I.3.9 approval was granted by ISO-NE on 12/31/2013
- Expected to provide significant benefits to the region:
  1. Energy value through reduced wholesale market prices - \$200-\$300 million per year for New England
  2. Environmental value through carbon emissions reductions – annual reduction of up to 5 million tons of CO<sub>2</sub>
  3. Economic value through construction jobs and new tax base – 1,200 jobs and \$1.1 billion over 40 years in property taxes
  4. Reduces growing dependence on natural gas generation



# Northern Pass Can Help New England Mitigate Rising Winter Energy Costs



- Infrastructure challenges are pressuring customer bills
- ISO-NE has determined that New England gas pipeline constraints may have added over \$3 billion to customers' energy bills
- The region needs to invest in both electric transmission and gas pipeline capacity to achieve our renewable mandates and resolve our power market issues

**Winter Season Market Costs  
December – March  
(\$Billions, ISO-NE Region)**





# NEEWS: A \$1.3 Billion Success Story



## Greater Springfield Reliability Project

Completed

- In-service: November 2013
- Completed for 6% below \$718 million budget
- Final leg of 345-kV work completed in March 2013;
- Final leg of 115-kV line & substation work completed in November

## Greater Hartford Central Connecticut Reliability Project (GHCC)

In Planning Phase

- ISO-NE issued its needs assessment for CCRP, expanding the study to include other electricity connected areas inside CT
- Project is expected to evolve into numerous small projects
- ISO-NE expected to identify preferred transmission solutions in the summer of 2014
- Projected in-service: 2017
- Total projected NU investment: \$300 million

## Interstate Reliability Project

Under Construction

- Joint project with National Grid (*NU in CT; NGrid in MA & RI*)
- CT section approved by Siting Council in January 2013; Rhode Island section approved in June 2013
- MA siting tentatively approved
- CT site work began in March
- Projected in-service: late 2015
- Total projected NU investment: \$218 million



# Factors That Will Drive Significant Additional Investment Beyond 2017

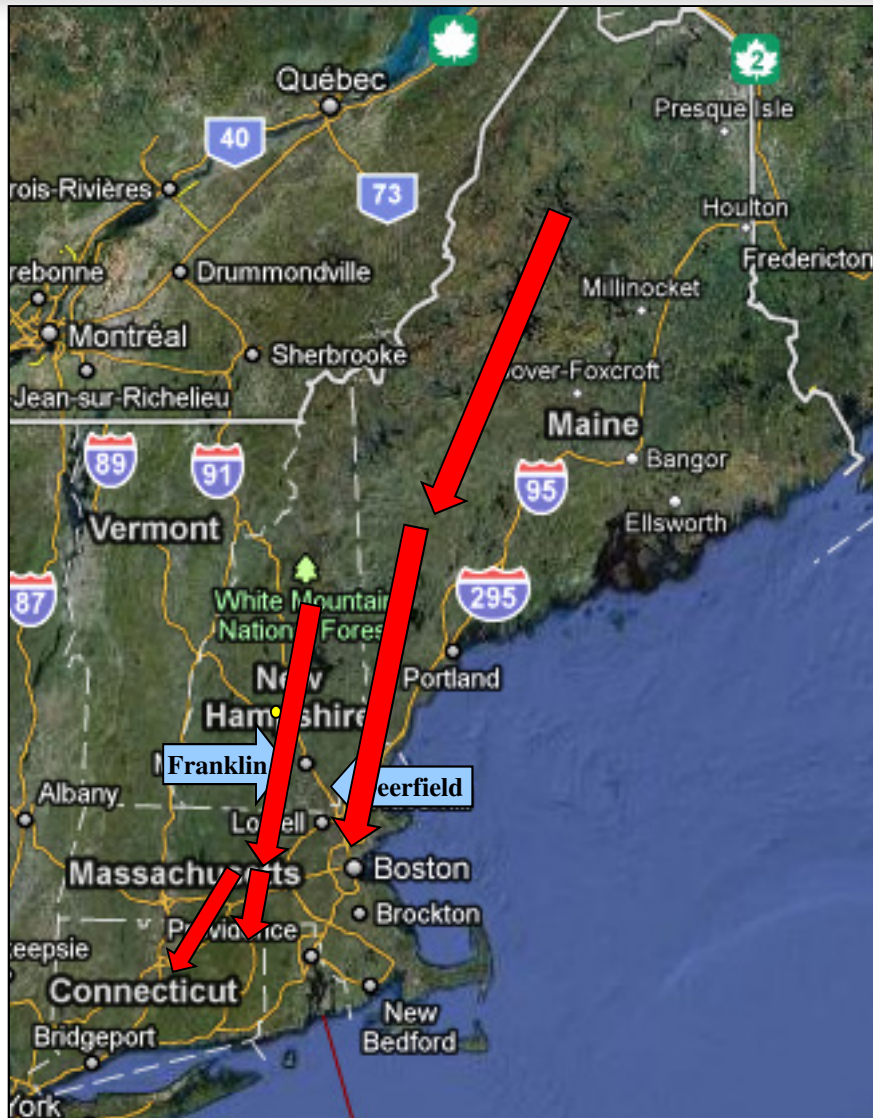


- Previously identified reliability projects beyond 2017
- Moving renewable power to load
- Generation retirements
- Physical security mandates
- Cyber security mandates
- Storm and flood hardening
- FERC Order 1000



Transmission Investment Upside Continues

# Major Renewable Resources in Northern New England, Canada, But They Are Far from Load



- Significant hydro, wind resources to the north
- Significant demand to the south
- RPS requirements rise every year
- Policymakers understand the need:

*...the New England States, through NESCOE, have agreed that one or more request for proposals will be issued to advance the development of transmission infrastructure that would enable delivery of at least 1200 MW and as much as 3600 MW of clean energy into the New England electric system from no and/or low carbon emissions resources.*

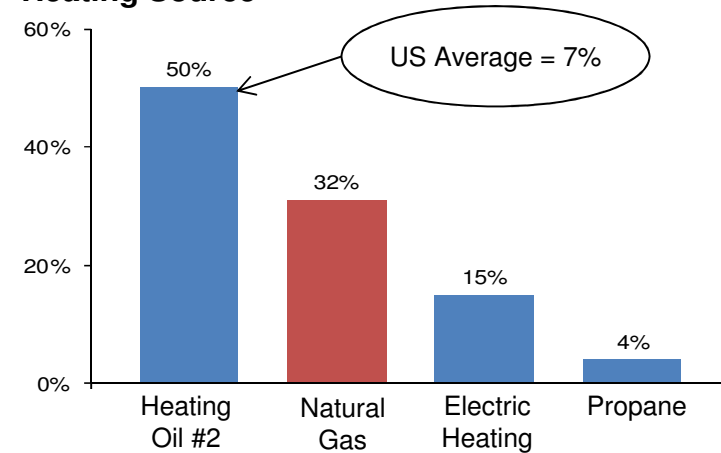
1/21/14 letter from New England States Committee on Electricity to ISO-New England

# NU Natural Gas LDCs: Significant Expansion Ahead

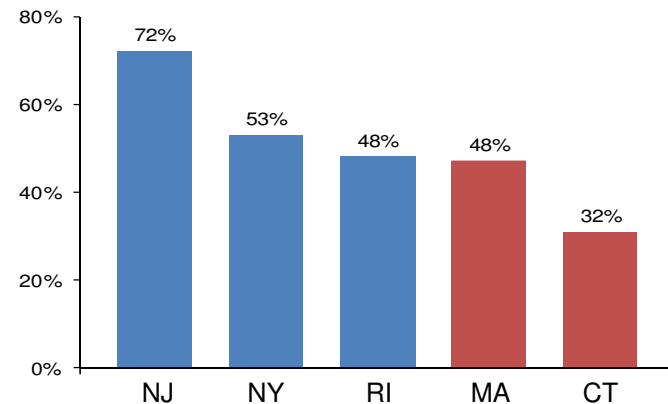


- Shale gas lowering natural gas prices in Northeast
- Oil heat much more expensive, yet remains dominant fuel source
- Huge conversion potential
- Favorable enabling legislation in Connecticut
- Long-term pipeline contracts, storage guarantee firm natural gas supply
  - New supply contracts approved in Connecticut, Massachusetts

**CT Residential Market Penetration by Heating Source**



**CT & MA residential gas heating penetration vs. nearby states**

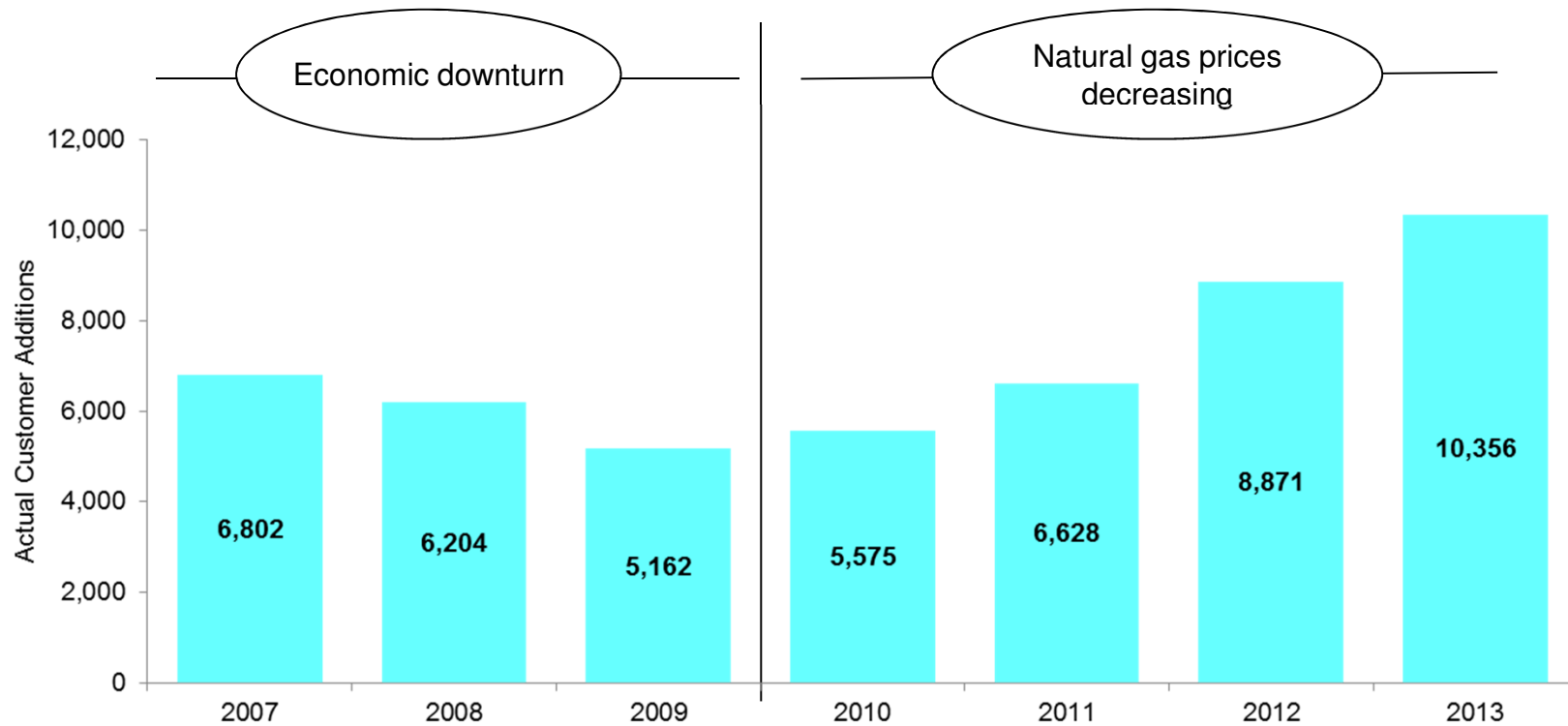


Sources: SNL; Energy Information Administration State Energy Data System (SEDS); Northeast Gas Association

# Customer Growth Has Picked Up for NU's Natural Gas Business



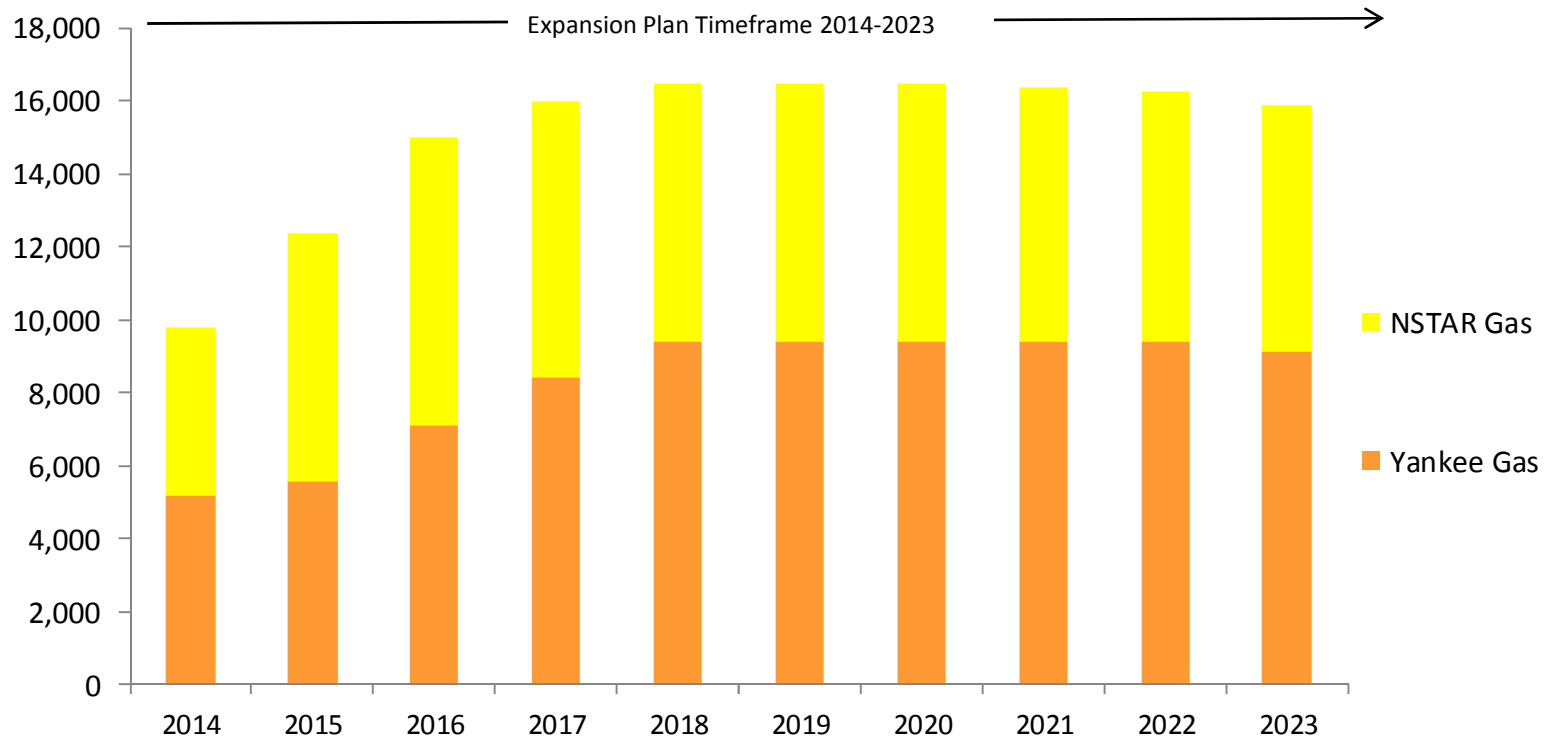
## NU Natural Gas Business – NSTAR Gas and Yankee Gas 2007-2013 Annual Customer Additions (Conversions and new construction)



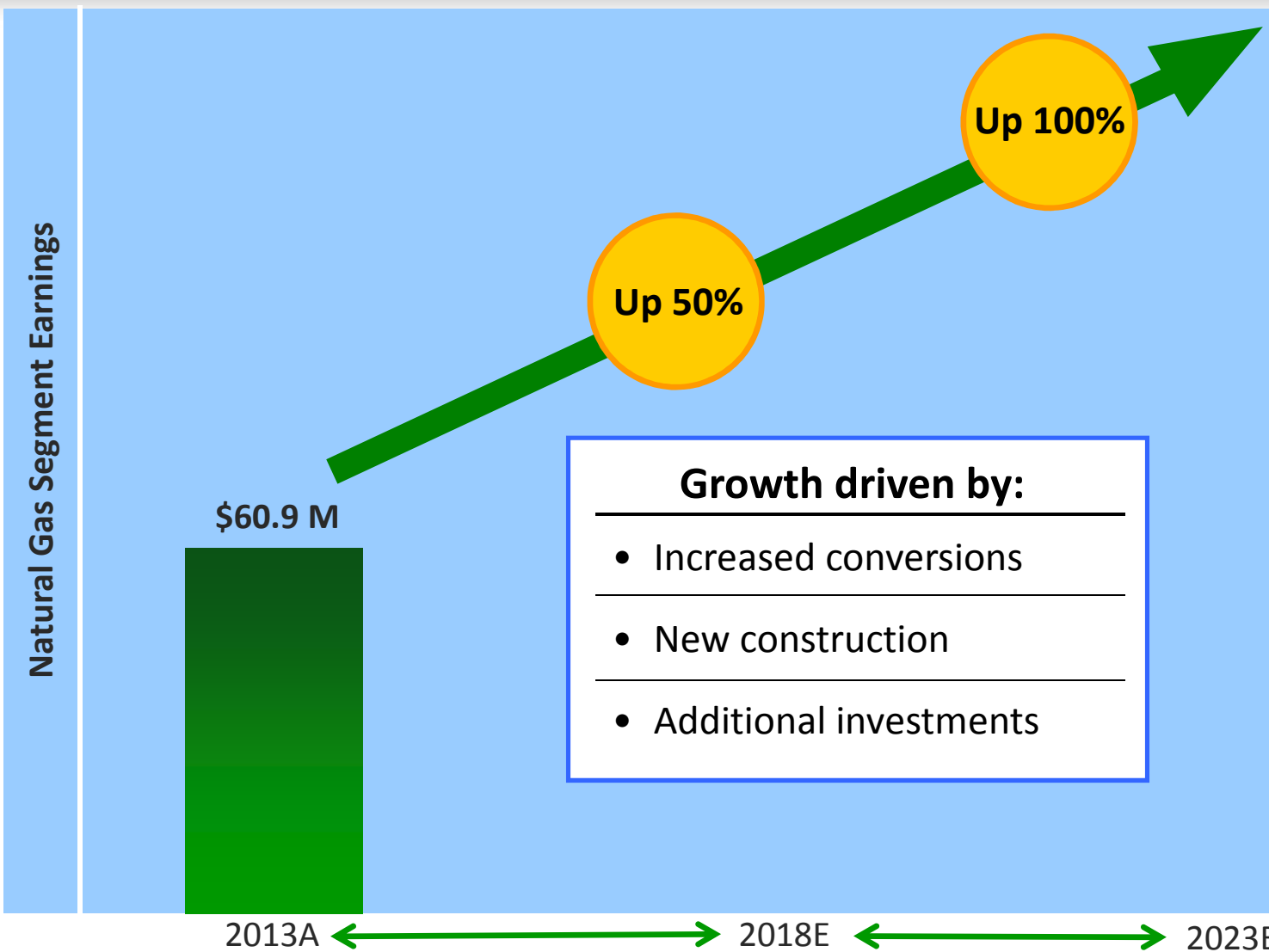
# Potential for 151,000 Additional New Heating Customers Over the Next Ten Years



### Potential conversion targets by year



# Natural Gas Segment Earnings Could Double in Next Decade



# First Quarter Results Represent Strong Start to 2014



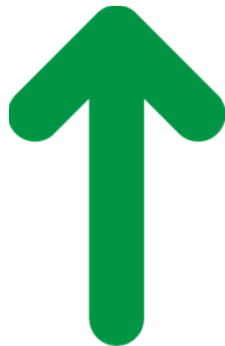
	Q1 2013 EPS	Q1 2014 EPS	Primary Reason for Change
Electric Distribution	\$0.32	\$0.35	Higher sales
Natural Gas Distribution	\$0.14	\$0.16	Higher sales
Electric Transmission	\$0.25	\$0.24	Absence of 2013 tax settlement
NU Parent and Other	\$0.02	\$0.01	Absence of 2013 tax settlement
EPS ex. Integration Expenses	\$0.73	\$0.76	
Integration Expenses	(\$0.01)	(\$0.02)	
Reported EPS	\$0.72	\$0.74	





**EPS Range \$2.60 - \$2.75**

## Key Drivers Compared to \$2.53/Share of Recurring Earnings in 2013\*



- Distribution revenue growth of \$35M - \$40M
- O&M reduction – 4%
- Transmission rate-base growth of 6% - 7%



- Depreciation and property taxes
- Interest costs



\*Represents non-GAAP earnings, which excludes \$13.8 million of integration costs in 2013. GAAP consolidated earnings were \$2.49/share.



# Financing Activities Completed or Planned

- Implemented new commercial paper program at NU

## DEBT RETIRED SINCE MERGER

Security	\$Millions	Date	Coupon
CL&P PCRBs	\$116.4	10/1/12	5.85% – 5.95%
WMECO PCRBs	\$53.8	10/1/12	5.85%
NSTAR Electric Unsecured	\$400	10/15/12	4.875%
PSNH PCRBs	\$109	5/1/13	5.45%
NU Unsecured	\$250	6/1/13	5.65%
WMECO Unsecured	\$55	9/1/13	5%
CL&P PCRBs	\$125	9/3/13	1.25%
NU Unsecured	\$300	9/20/13	Variable
PSNH PCRBs	\$89.25	12/23/13	4.75%
Yankee Gas Secured	\$75	1/2/14	4.80%
NSTAR Electric Unsecured	\$300	4/15/14	4.875%

## DEBT ISSUED SINCE MERGER

Security	\$Millions	Date	Coupon
WMECO Unsecured	\$150	10/4/12	3.50%
NSTAR Electric Unsecured	\$400	10/15/12	2.375%
CL&P Secured	\$400	1/15/13	2.50%
NU Unsecured	\$450	5/13/13	2.80%
NU Unsecured	\$300	5/13/13	1.45%
NSTAR Electric Unsecured	\$200	5/17/13	Variable
PSNH Secured	\$250	11/14/13	3.50%
WMECO Unsecured	\$80	11/15/13	3.88%
Yankee Gas Secured	\$100	1/2/14	4.82%
NSTAR Electric Unsecured	\$300	3/7/14	4.40%
CL&P Secured	\$250	4/24/14	4.30%

## UPCOMING MATURITIES

Security	\$Millions	Date	Coupon
PSNH Secured	\$50	7/15/14	5.25%
CL&P Secured	\$150	9/15/14	4.80%

## Longer Term Growth – Exceeds Industry



**3 year  
Guidance**



**2012 – 2015: 6 - 9% CAGR**

**5 year  
Guidance**



**2012 – 2017: 6 - 8% CAGR**

### Key Drivers for Long Term Guidance:

- Significant growth in FERC-regulated transmission – 11% CAGR
- 3% - 4% annual decline in O&M through 2017
- Annual retail sales growth—Electric 0.0% - 0.5%; Natural Gas 3% - 4%
- Modest distribution rate relief

## O&M Opportunities & Regional Economy – Very Favorable Compared with the Industry



### 3% - 4% annual reduction in O&M through 2017

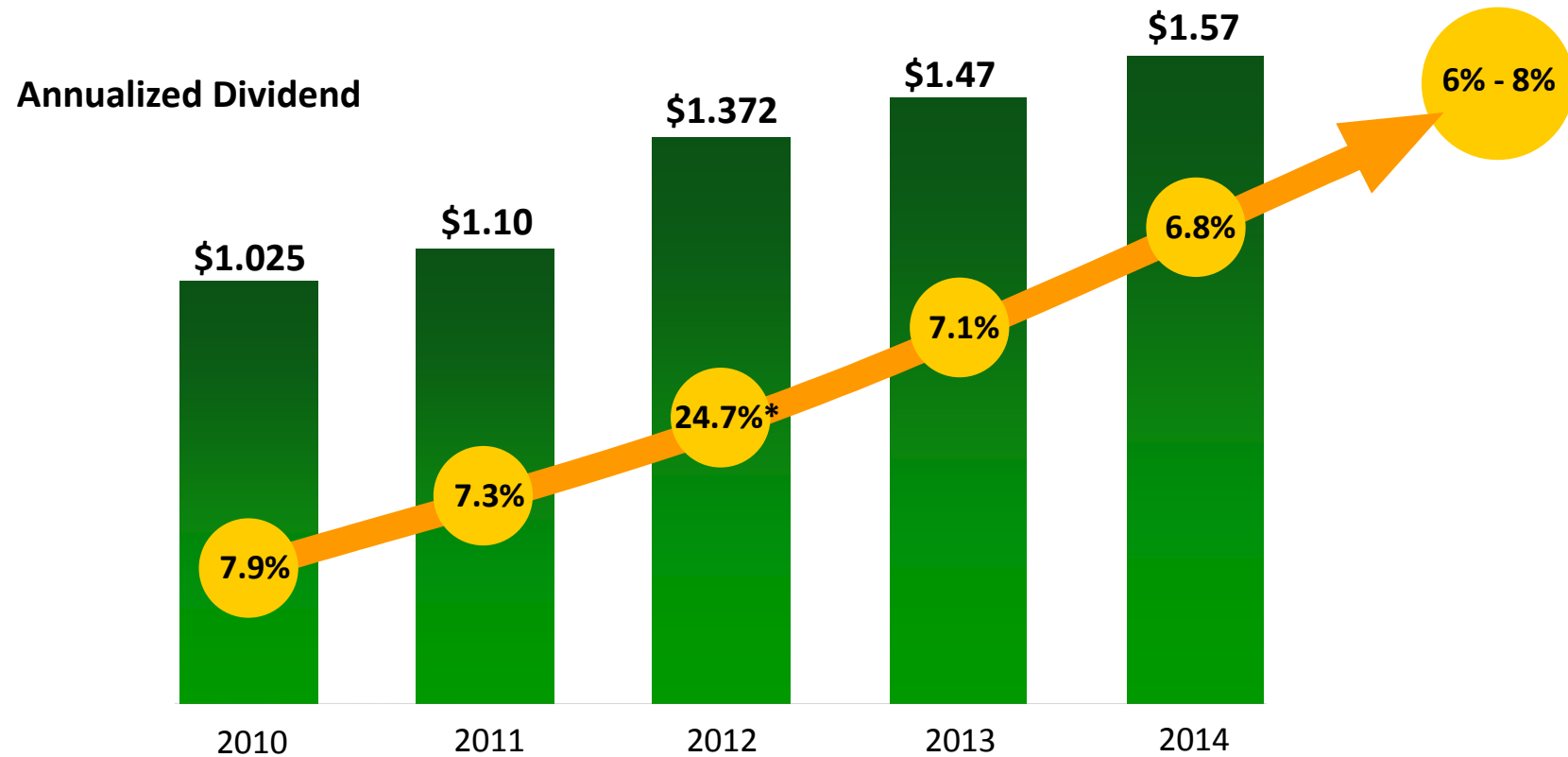
- Lower pension expense
- Standardization of operating processes and adoption of best practices

### Regional Economy

- Employment rate holding strong and has improved from prior year
- Housing starts trending higher



## Dividend Growth In-Line with Earnings Growth



*\* Reflects impact of the merger*

# Fifth Consecutive Year of Double Digit Shareholder Returns



## *Shareholder Returns Significantly Outperform Industry*

### Cumulative Returns

	2013	3-Year	5-Year	10-Year	15-Year
<b>NU</b>	<b>12.3%</b>	<b>47.0%</b>	<b>110.3%</b>	<b>194.5%</b>	<b>313.8%</b>
EI Index	13.0%	38.4%	64.0%	143.9%	182.1%
S&P 500	32.4%	56.8%	128.2%	104.3%	98.5%

# Long-term Rate Stability



<u>Jurisdiction</u>	<u>Company</u>	<u>Commentary</u>
Massachusetts	NSTAR Electric	Base rates frozen through 12/31/15 Base rate review filings likely 2016 - 2017
	NSTAR Gas	
	WMECO	
Connecticut	CL&P	Letter of intent filed 5/9/14 Rate change effective 12/1/14
	Yankee Gas	Base rate review required in 2015
New Hampshire	PSNH	Multi-year rate plan through 6/30/15

## Key Elements of CL&P Rate Case



- Distribution rate increase request of approximately \$117 million effective 12/1/14 will be filed in June
- Driven by increased investment in reliability
  - \$726 million of investment projected from 7/1/12 (end of last 2-year rate plan) through 12/31/15; \$465 million already in service
  - Higher local property taxes and state gross earnings tax (\$35 million of increase)
  - Reliability metrics have improved significantly; 2013 performance best since 2000
- Lower O&M expense through strong financial management, operating changes, merger integration
- Storm cost recoveries will also commence 12/1/14



# Other Regulatory Initiatives



## FERC ROE Case



- ALJ decision - 8/6/13
- Interest rates have moved higher since the record closed in April 2013
- Decision expected in 2014

## Storm Cases



- PSNH storm cost recovery in place
- NSTAR 2011 storm cost recovery in place
- PURA issued final decision 3/12/14 allowing CL&P to recover \$365 million of 2011-2012 storm costs over 6 years beginning 12/1/14

## Generation Update



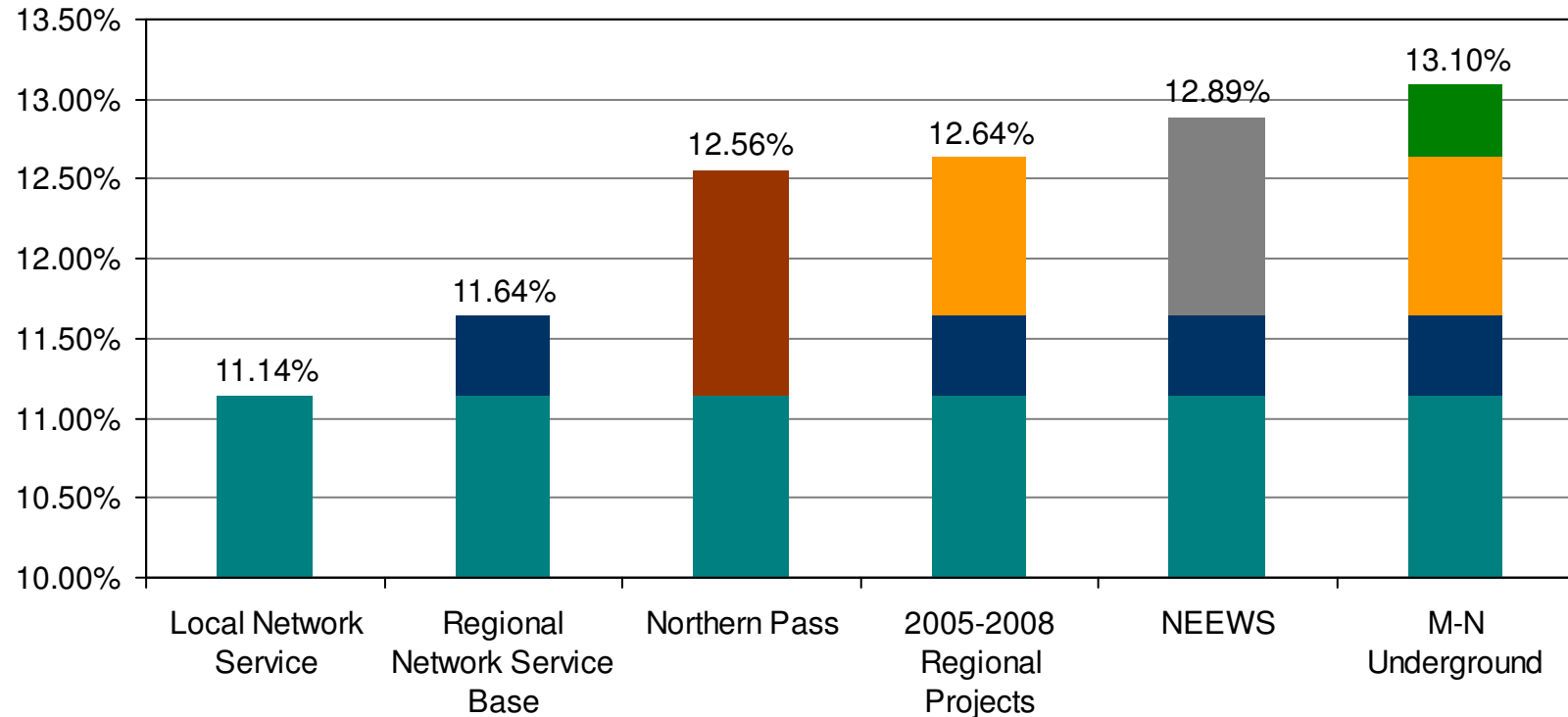
- Merrimack Scrubber Case
  - Completed September 2011
  - Favorable staff testimony
- Generation Divestiture Review

# Appendix



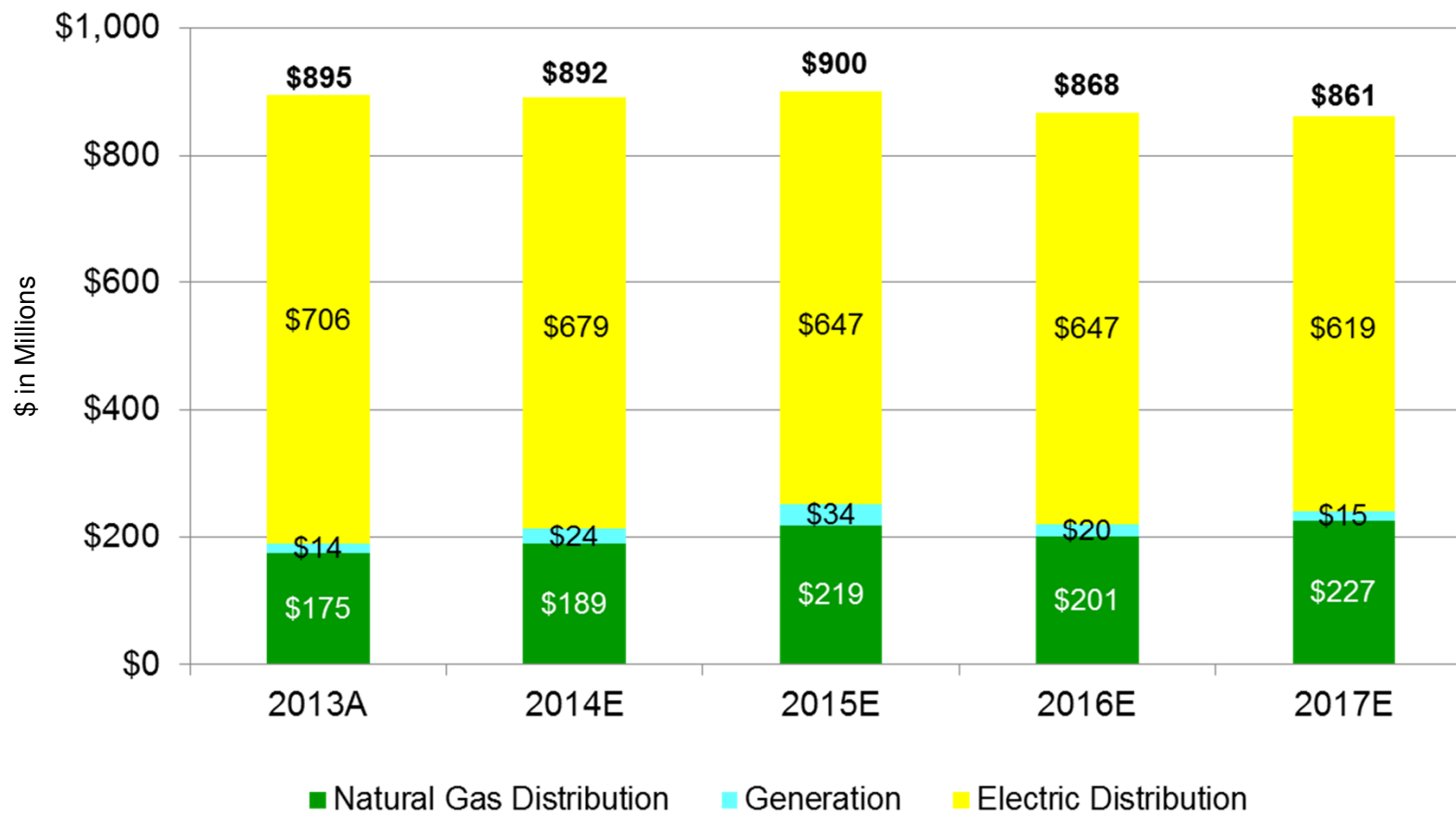
**Northeast  
Utilities**

# Key Regulatory Dockets – FERC ROEs



- NU's Local Network Service Tariff ROE (this is the New England base ROE that is subject of 9/30/11 and 12/27/12 complaint proceedings at FERC)
- NE RTO Incentive adder of 50 basis points on regional assets
- ISO-NE Planned Regional projects in-service before 1/1/09 (D.C. Circuit Court rejected appeal on 1/29/10)
- Middletown-Norwalk advanced technology adder of 46 basis points for underground cable system
- 125 basis point NEEWS incentive (request for rehearing denied by FERC on 6/28/11)
- 142 basis point Northern Pass incentive (request for rehearing denied by FERC on 8/5/11)

# Projected Distribution/Generation Capital Expenditures





# Total Projected Capital Expenditures

