

Barclays CEO Energy-Power  
Conference  
September 4, 2014



**Northeast  
Utilities**

# Safe Harbor



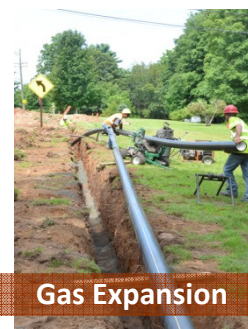
This presentation includes statements concerning NU’s expectations, beliefs, plans, objectives, goals, strategies, assumptions of future events, future financial performance or growth and other statements that are not historical facts. These statements are “forward-looking statements” within the meaning 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

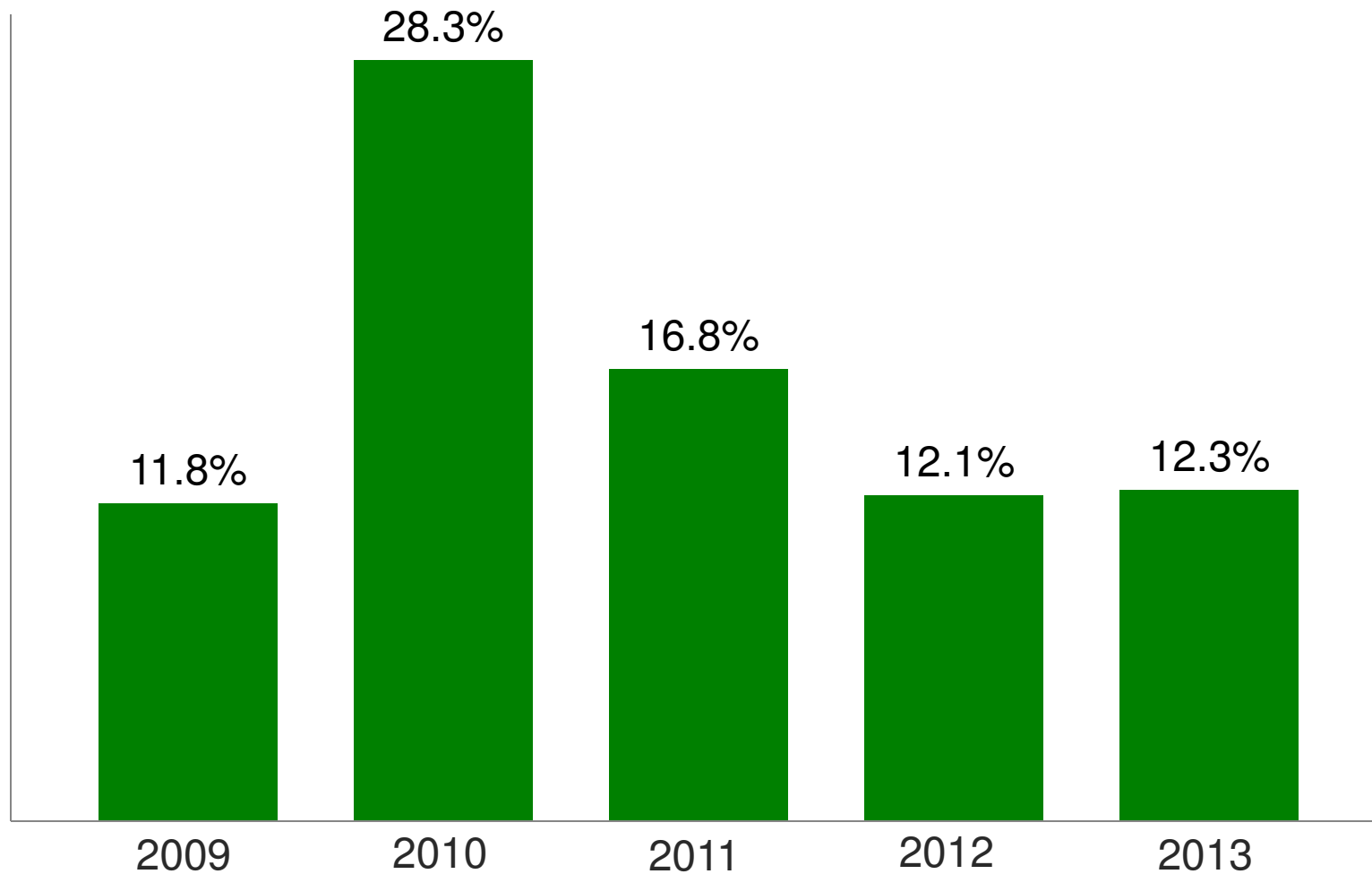


- Projected long-term EPS growth of 6%-8%
  - Unique transmission growth platform
  - Unique opportunity to reduce O&M by 3% - 4% annually
  - Unique robust gas expansion plans
- 2014 EPS range of \$2.60 to \$2.70 consistent with growth rate
- Projected dividend growth of 6%-8%
- Very strong financial condition
- Top-tier customer service and reliability
- An experienced management team with a proven track record





## Strong Record of Total Shareholder Return



## Longer Term Growth – Exceeds Industry



**3-year  
Guidance**



**2012 – 2015: 6 - 9% CAGR**

**5-year  
Guidance**



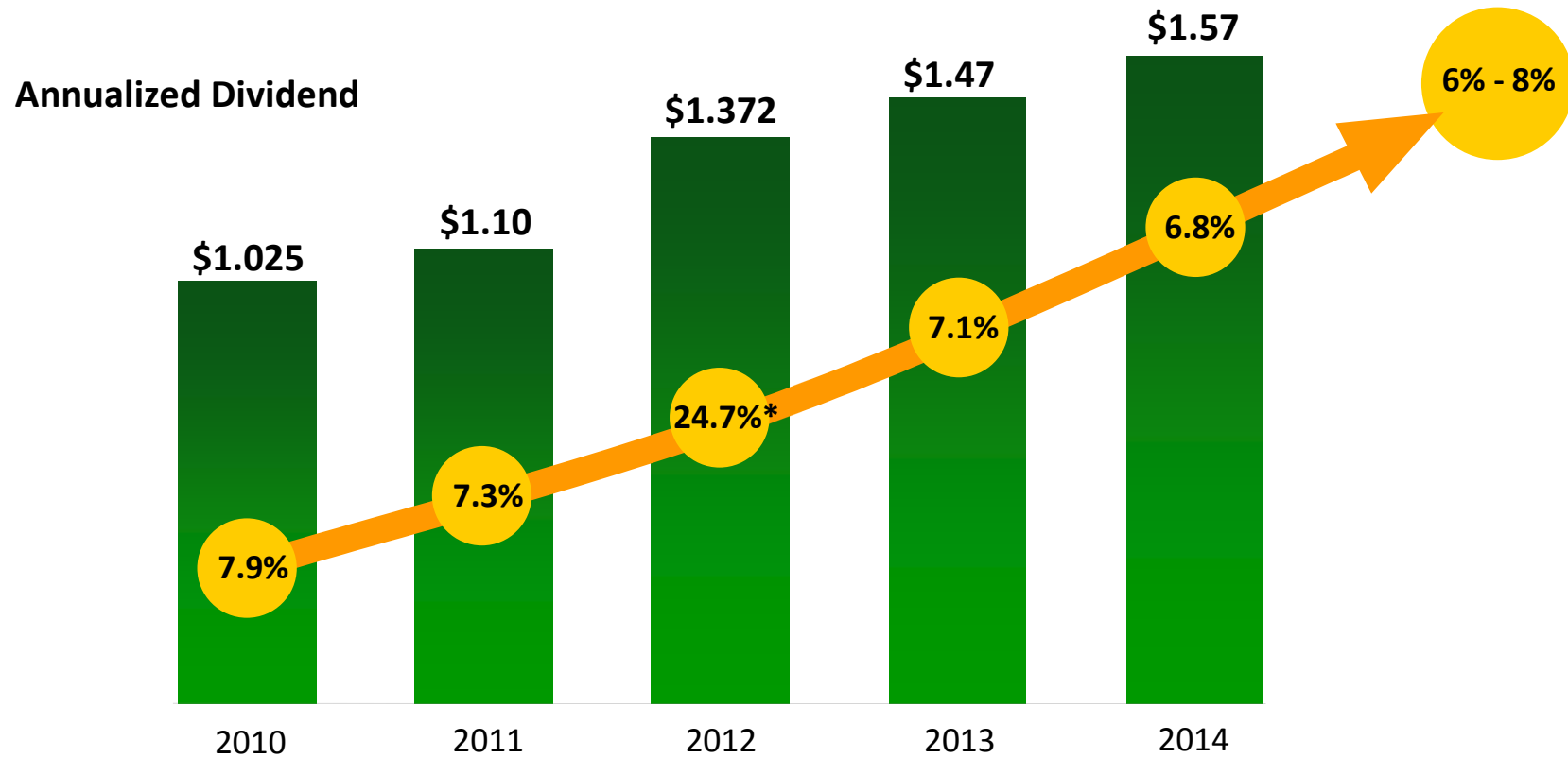
**2012 – 2017: 6 - 8% CAGR**

### Key Drivers for Long Term Guidance:

- Significant growth in FERC-regulated transmission – 11% CAGR
- 3% - 4% annual decline in O&M through 2017
  - Lower pension expense
  - Standardization of operating processes/adoption of best practices
- Annual retail sales growth—Electric 0.0% - 0.5%; Natural Gas 3% - 4%
- Modest distribution rate relief



## Dividend Growth In-Line with Earnings Growth

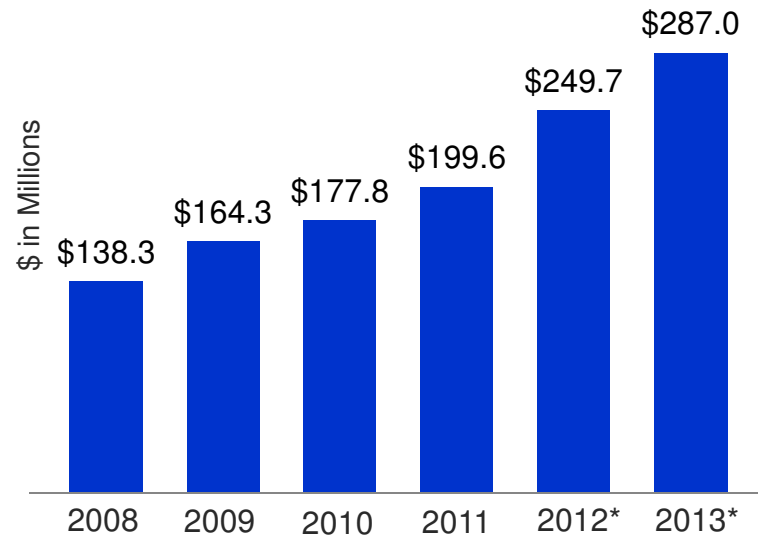


*\* Reflects impact of the merger*

# Electric Transmission, Natural Gas Distribution: NU's Top-Line Growth Segments



*Transmission*



*Natural Gas Distribution*



\*Includes NSTAR Electric, NSTAR Gas results since April 2012.

# Transmission Expected to Account for Half of Earnings Growth



## *Why Transmission Investment is Needed*

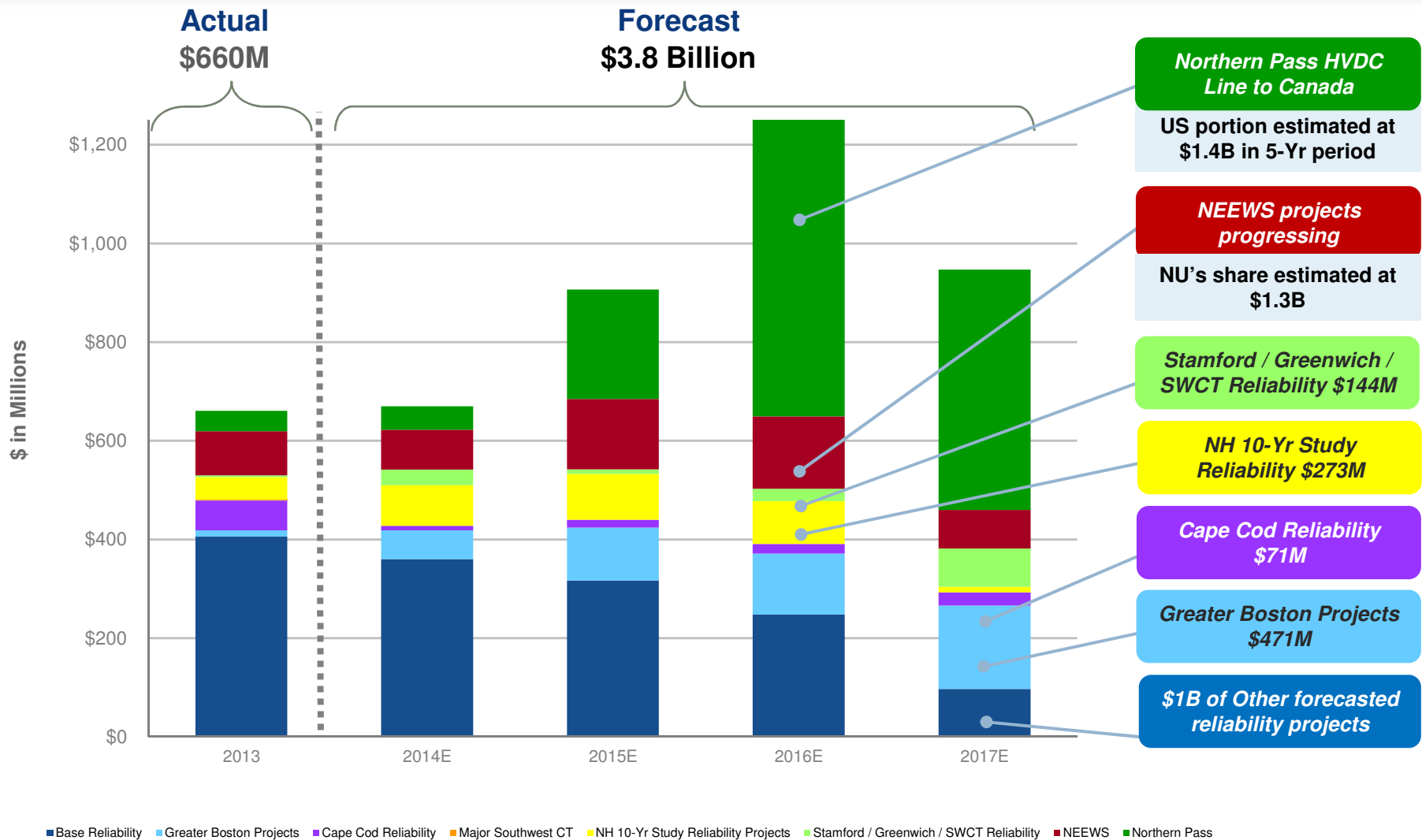
- Reliability
- Grid efficiency
- Policy mandates to promote cleaner generation
  - Coal, oil plant retirements
  - New renewable energy construction sources must be connected
- Cyber, physical security mandates

## *Regulatory Model*

- States approve siting
- FERC approves ratemaking
  - Congressional mandate for financial incentives to spur investment
  - Full forward-looking recovery of O&M, depreciation, taxes, interest, authorized ROE
  - No general rate cases; trackers refund excess recovery, collect under recoveries



# Earnings Will Grow as We Invest in Identified Projects



# NPT - Overview



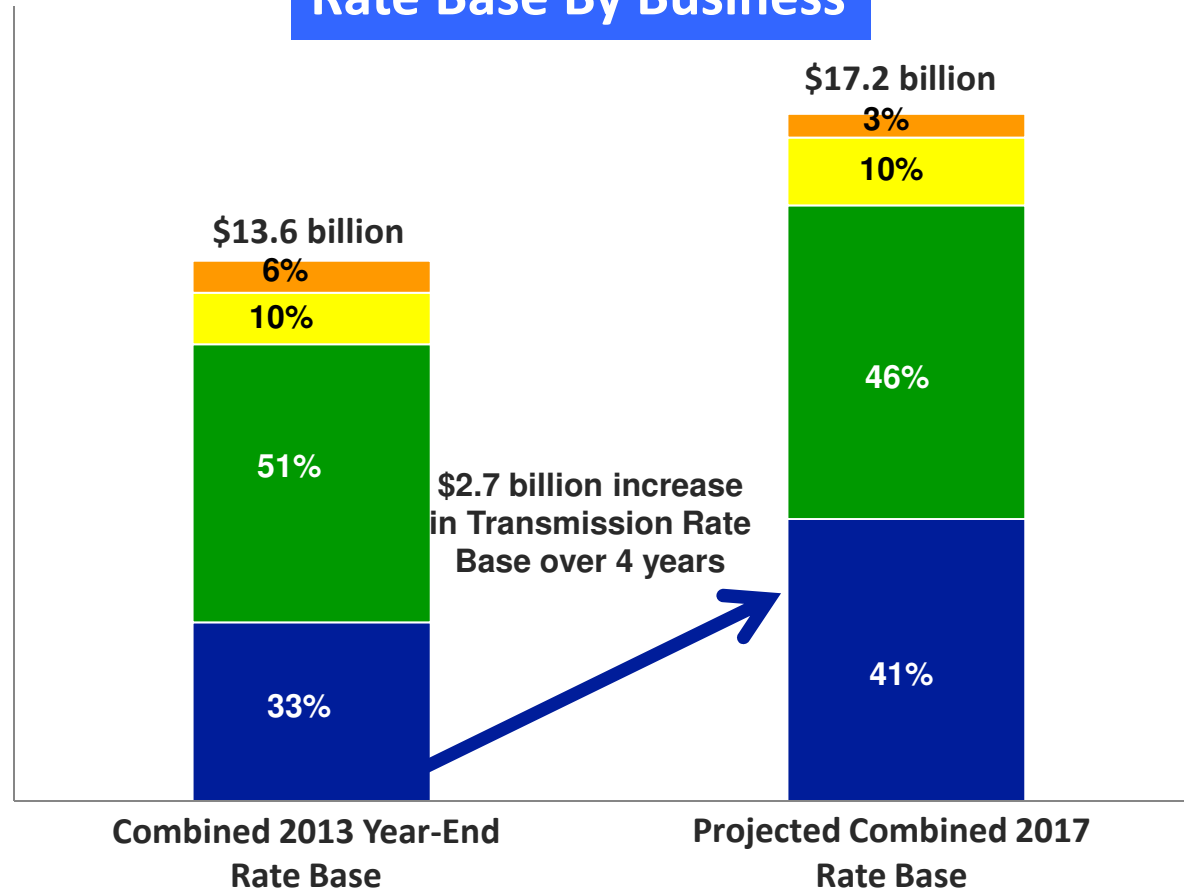
- 1,200 MW of clean energy
- \$1.432 billion HVDC line, terminal and AC facilities
- Participant-funded with opportunity for regional funding
- Uses HVDC technology at +/- 300-kV with AC/DC converters in Quebec and NH
- AC radial 345-kV line to connect to the New England bulk power grid
- New route identified 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



# NU Consolidated ROE Will Grow as Transmission Portion of NU Rate Base Expands



## Rate Base By Business



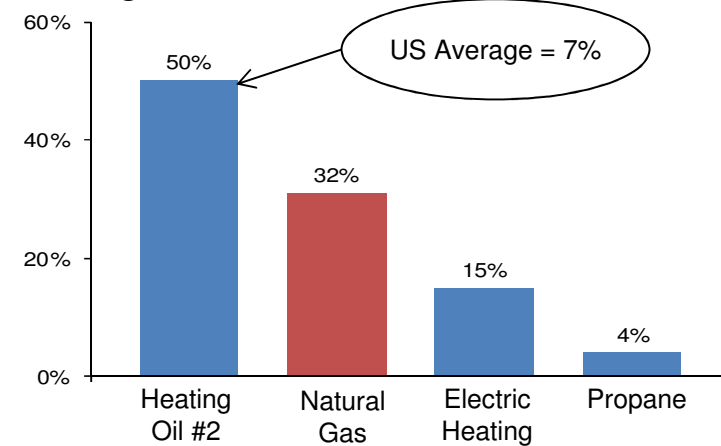
■ Electric Transmission  
 ■ Electric Distribution  
 ■ Gas Distribution  
 ■ Electric Generation

# NU Natural Gas LDCs: Significant Expansion Ahead

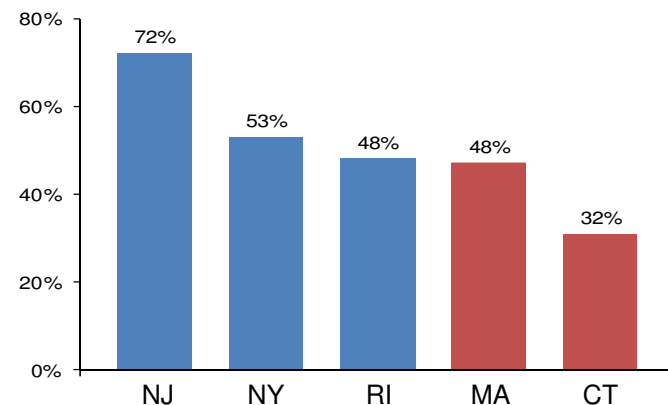


- Shale gas lowering natural gas prices in Northeast
- Oil heat much more expensive, yet remains dominant fuel source
- Huge conversion potential
- Favorable enabling legislation in Connecticut and Massachusetts
- Long-term pipeline contracts, storage guarantee firm natural gas supply
  - New supply contracts approved in Connecticut and Massachusetts
- Cast-iron and bare steel pipe replacement programs a priority in both states

**CT Residential Market Penetration by Heating Source**



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

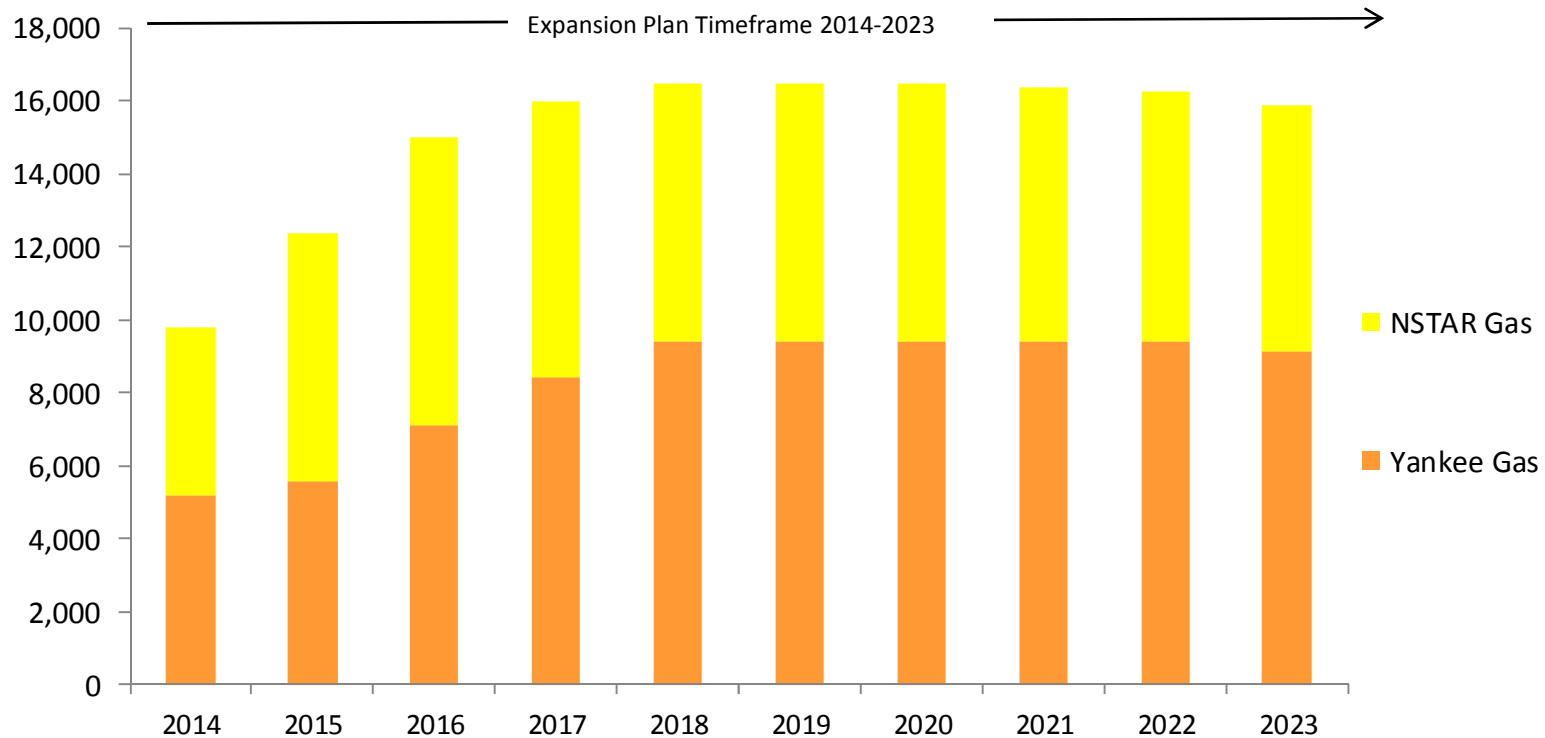


Sources: SNL; Energy Information Administration State Energy Data System (SEDS); Northeast Gas Association

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



### Potential conversion targets by year



## Energy Challenges in the New England Market May Provide Us With Additional Opportunities



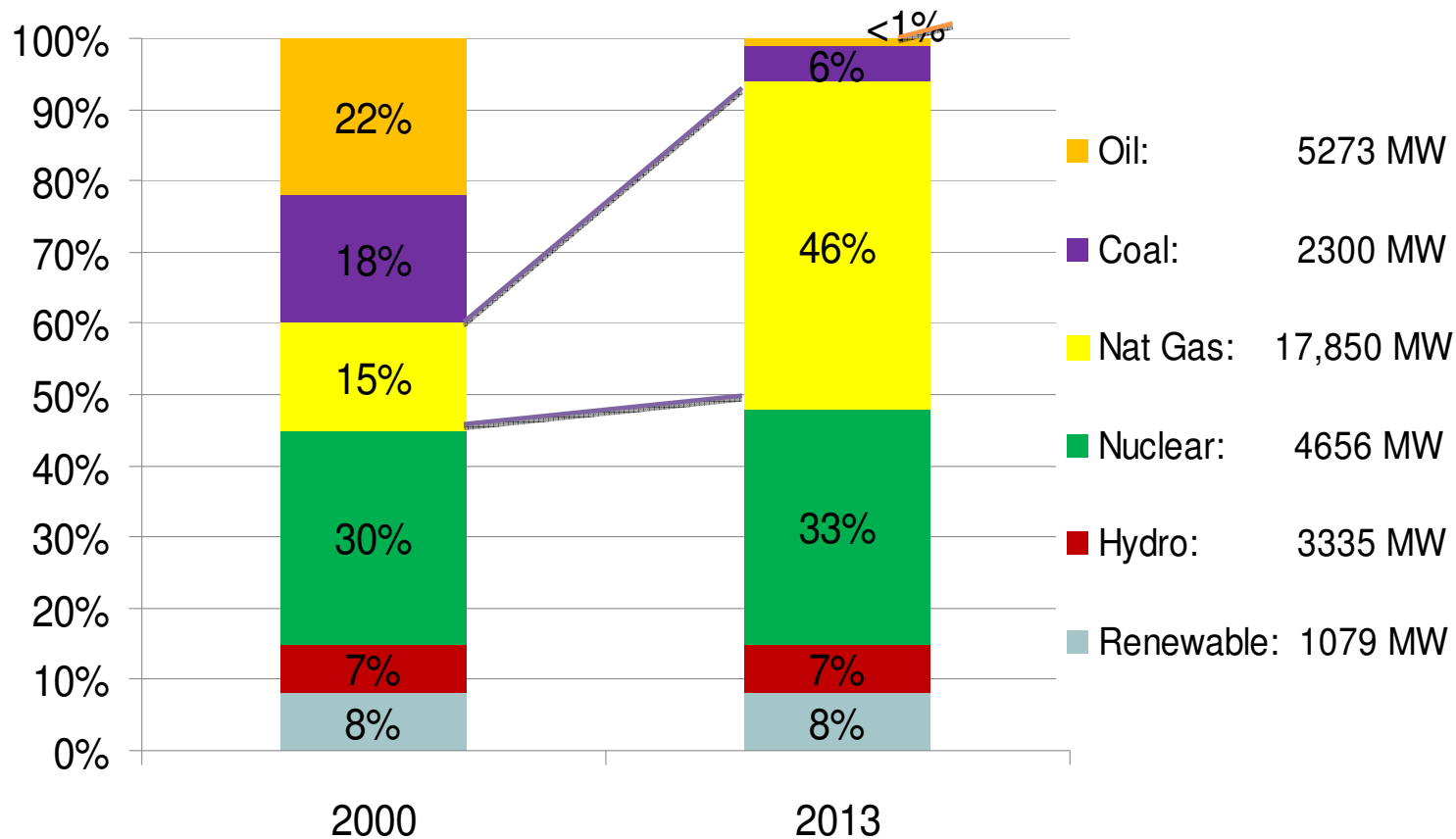
- Shift to natural gas for heating and power generation without additions to natural gas infrastructure
- Imminent retirement of generation capacity
- Aggressive carbon reduction goals coupled with increasing intermittent generation

# New England Has Experienced a Significant Increase in Natural Gas Generation



**Annual Energy Output**

**Generating Capability**



# Yet 75 Percent of Region's Natural Gas Generation Was Unavailable During Winter Peak Demand...



...And Critical Oil, Coal, Nuclear Units Retiring

*Fuel Mix During Peak on 1/7/14*

## 2014 Retirements

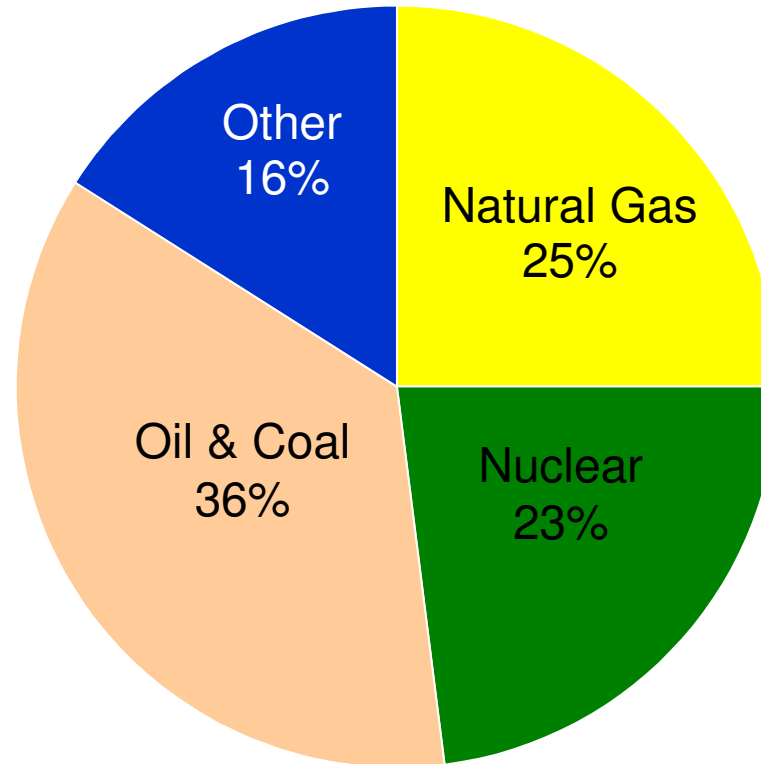
Salem Harbor (coal & oil) - RETIRED  
Mt. Tom (coal) - RETIRED  
VT Yankee (nuclear) - TO RETIRE

~ 1,400 MW

## 2017 Announced Retirements

Brayton Point (coal & oil)  
Norwalk Harbor (oil)  
Bridgeport Harbor (coal)

~ 2,000 MW

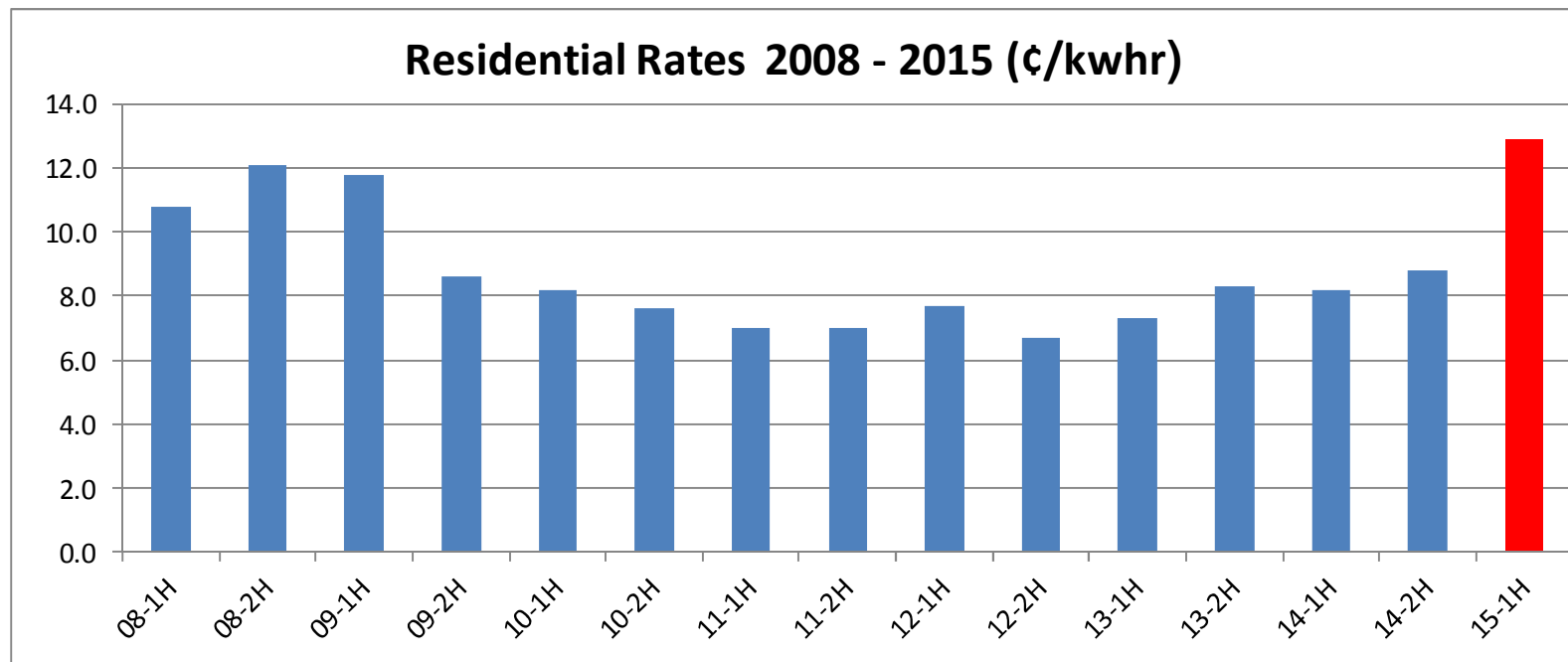




# Infrastructure Deficiency Driving Retail Rates Sharply Higher



- Price increases despite abundant nearby natural gas and hydro
- Pipeline constraints added \$3 billion to supply costs during 2013-2014 winter
- Liquidity reduced due to suppliers leaving New England market
- Failed auctions for retail supply



## NU Currently Exploring Multiple Options to Help the Region Meet Its Energy Needs



- Northern Pass the single best alternative for New England
  - 2-3 years ahead of any other transmission project
  - Only project with power supplier clearly identified
  - Only project with Canadian portion of project costs covered
- NU actively exploring additional electric transmission projects in connection with New England States Committee on Electricity (NESCOE) proposed RFP
- NU and other New England utilities proposing to support additional natural gas transmission into New England to ease winter-time generation constraints
  - NESCOE evaluating separate RFP for natural gas pipelines



# APPENDIX

# First Half Results

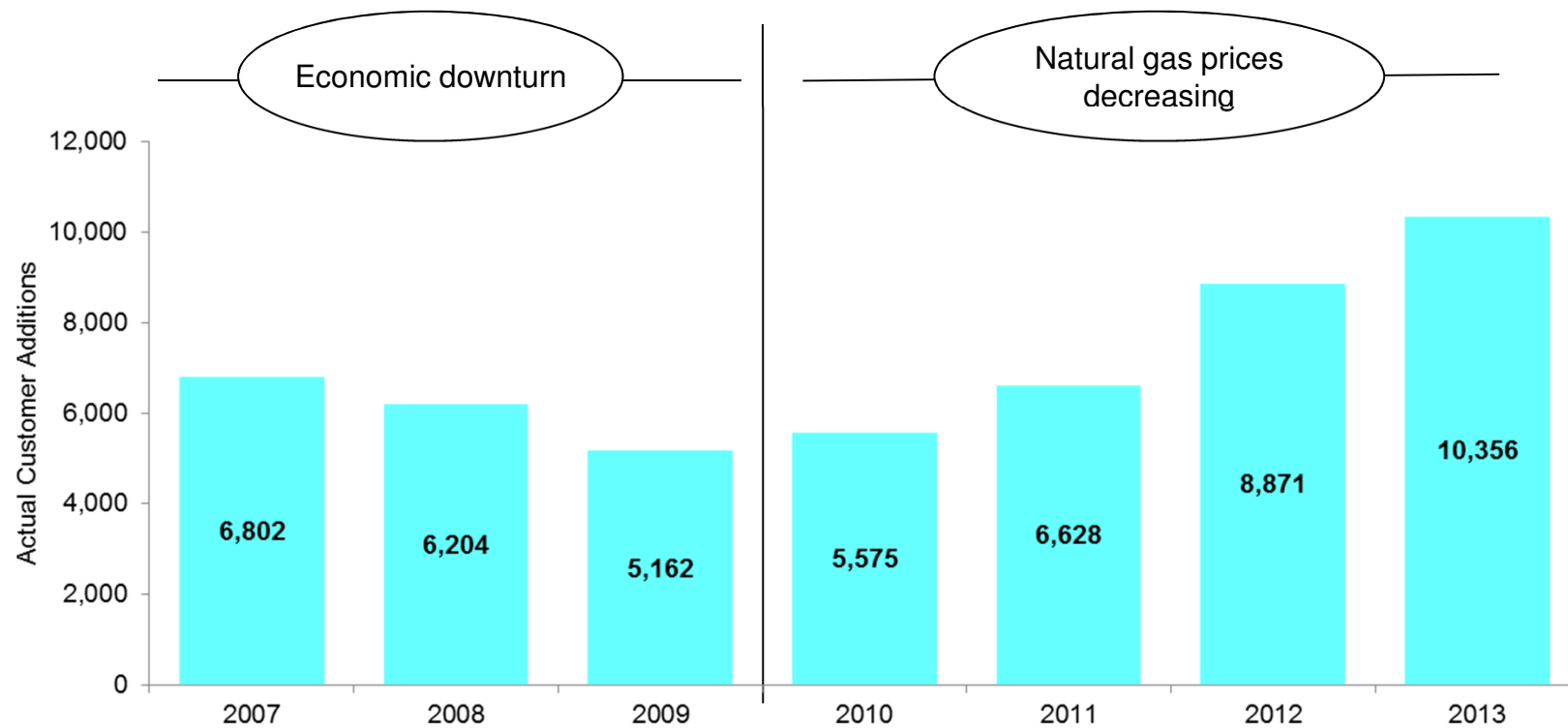


	1H 2013 EPS	1H 2014 EPS	Primary Reason for Change
Electric Distribution	\$0.60	\$0.62	Lower O&M
Natural Gas Distribution	\$0.14	\$0.17	Higher sales and customer additions
Electric Transmission	\$0.50	\$0.37	FERC ROE orders
NU Parent and Other	\$0.03	\$0.02	Absence of 2013 tax settlement
EPS ex. Integration Expenses	\$1.27	\$1.18	
Integration Expenses	(\$0.01)	(\$0.03)	
Reported EPS	\$1.26	\$1.15	

# 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)



# Long-term Rate Stability

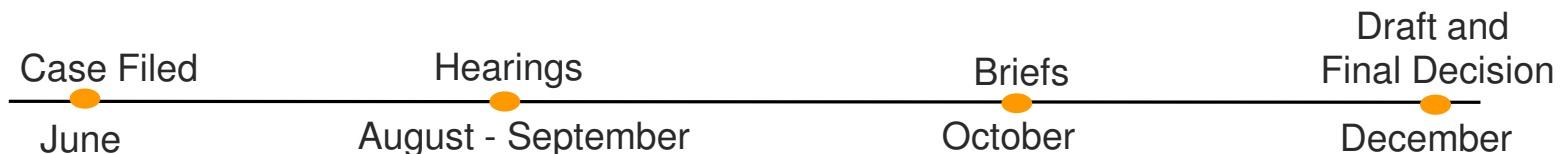


<u>Jurisdiction</u>	<u>Company</u>	<u>Commentary</u>
Massachusetts	NSTAR Electric	Base rates frozen through 12/31/15 with limitations on number of concurrent filings; NSTAR Gas to file first in 12/14 for new rates effective 1/1/16
	NSTAR Gas	
	WMECO	
Connecticut	CL&P	Rate case filed 6/9/14 Rate change effective 12/1/14
	Yankee Gas	Rate case filing anticipated in Q2 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
- Driven by increased investment in reliability which has improved significantly
  - \$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)
  - 2013 reliability best since 2000
- Lower O&M expense through strong financial management, operating changes, merger integration



# Other Regulatory Initiatives



## FERC ROE Case



- 6/19/14 order lowered base ROE to 10.57%, pending final determination of long-term GDP growth rate
- Change of methodology adopted (1/2 way between high-end of zone of reasonableness [11.74%] and mid-point [9.39%])
- Multiple requests for reconsideration pending

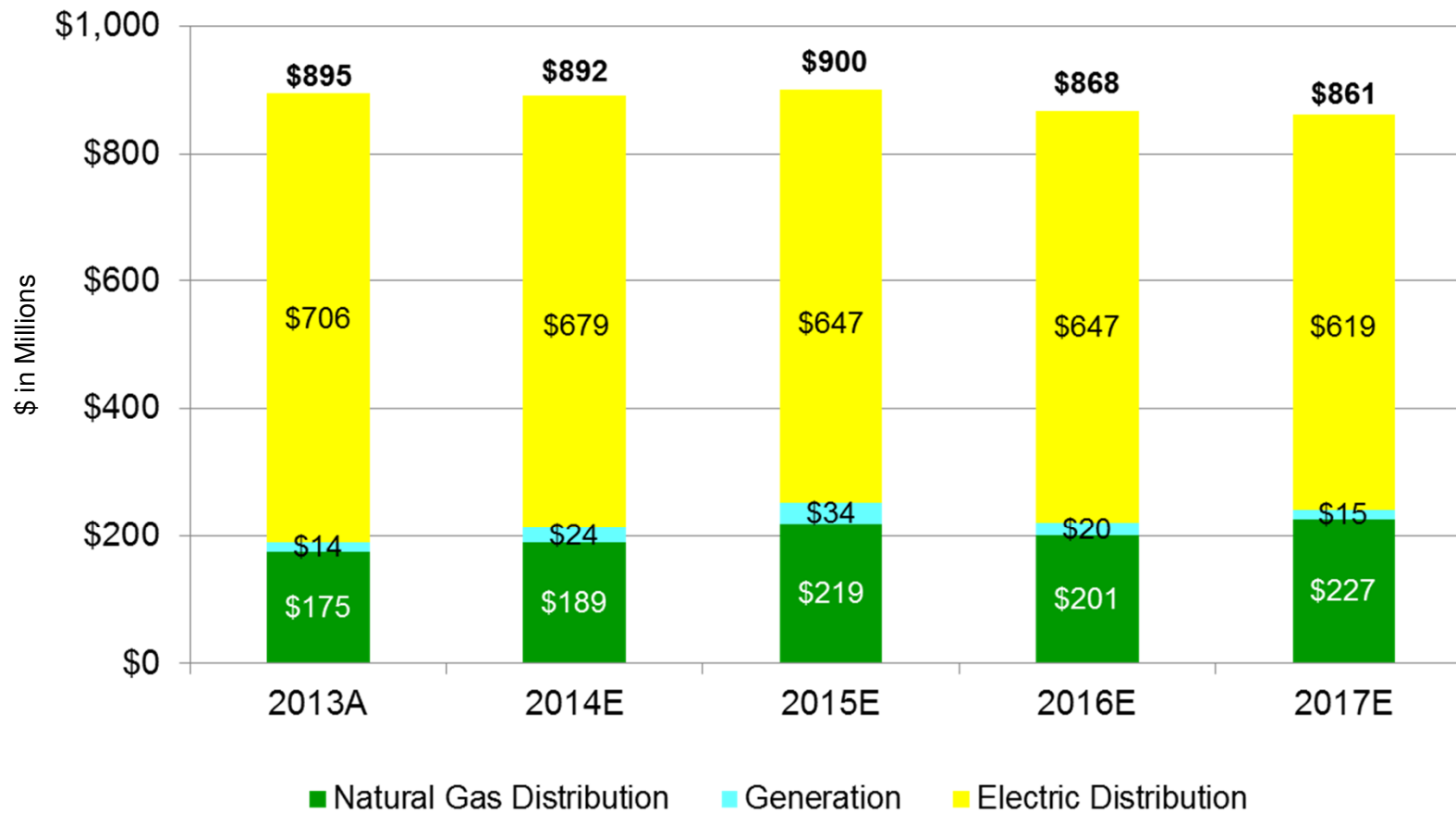
## Generation Update



- Merrimack Scrubber Case
  - Completed September 2011
  - Favorable staff testimony
  - Hearings set for October
- Generation divestiture review bill signed by Gov. Hassan



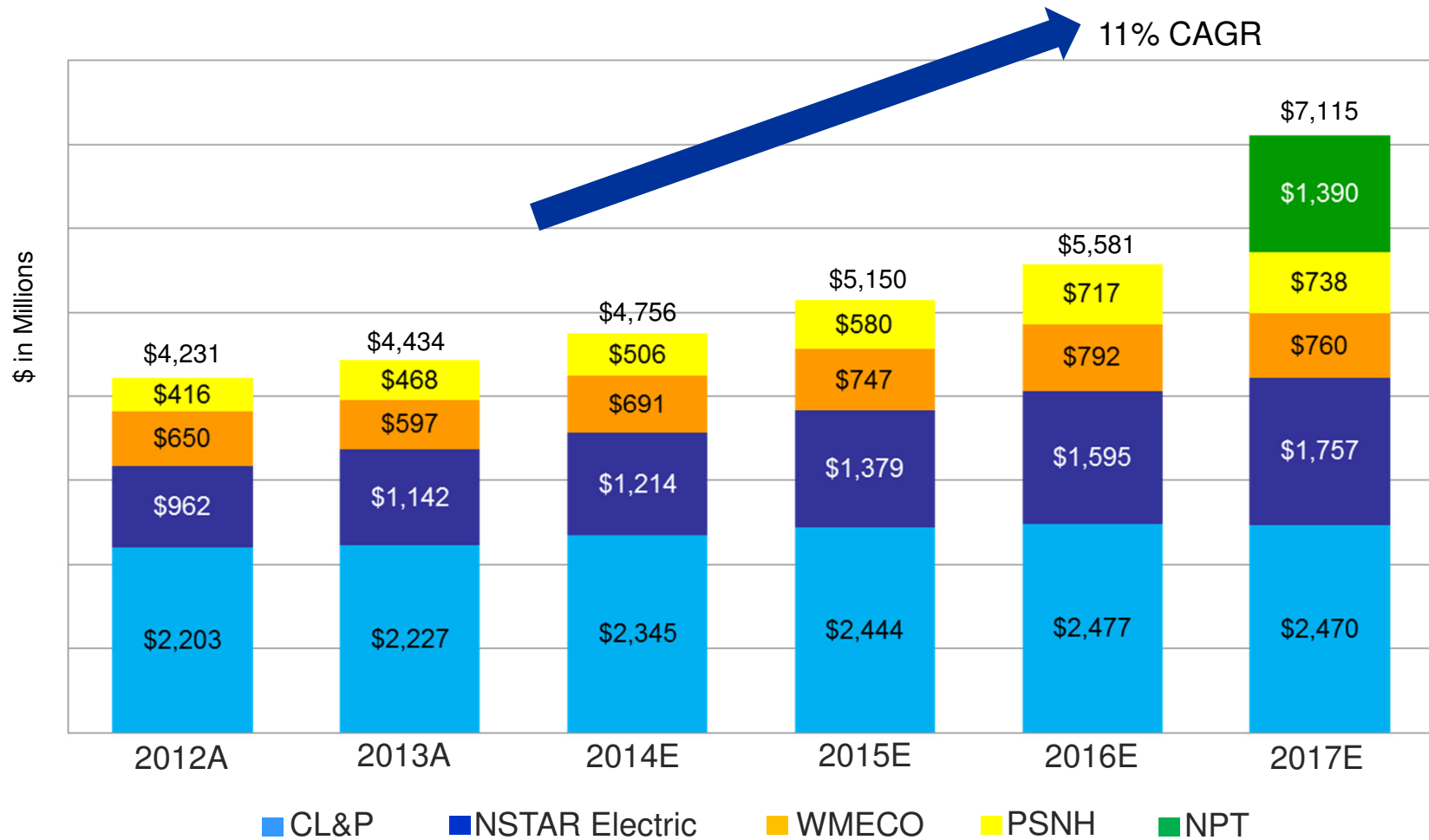
# Projected Distribution/Generation Capital Expenditures



# Transmission Rate Base Growth Projections



Transmission accounts for about 50% of EPS growth through 2017



# Progress on Major CT Reliability Projects



## Greater Hartford Central Connecticut Reliability Project (GHCC)

- New set of solutions presented to ISO-New England Planning Advisory Committee in July
- 4 sets of projects for Greater Hartford, Manchester, Middletown and NW CT
- Projected completion: late 2017
- Total projected NU investment: Approximately \$350 million

## Interstate Reliability Project

- Joint project with National Grid
- Siting approval in place
- Construction began in March
- Now 40% complete
- Projected completion: End of 2015
- Total projected NU investment: \$218 million

