

# **Eversource Energy**

**A Sustainable Investment Opportunity**

**November 2016**

**EVERSOURCE**  
ENERGY

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*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 Eversource Energy.*

## Eversource Commitment

### ▪ Our Business

Eversource has a long-standing commitment to the highest standards of integrity, accountability and independence. Our corporate governance, comprehensive risk management strategy and solid financial oversight result in a strong record of total shareholder return and dividend growth in line with earnings growth, creating a rare investment opportunity.

### ▪ Our People

Eversource is committed to the safety of our employees and the public. We maintain a well-trained and diverse workforce through employee engagement, comprehensive benefits and workforce investment.

### ▪ Our Customers

Eversource continually engages with our customers to deliver reliable energy and superior customer service. We serve our communities through customer outreach programs, assistance programs to ensure access to basic services and philanthropic activities, as well as supporting economic development.

### ▪ Carbon Strategies

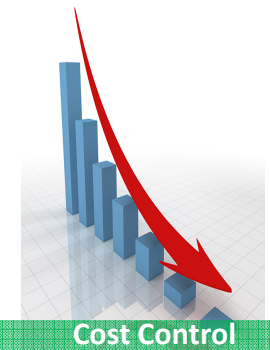
Eversource strategies to facilitate achievement of greenhouse gas (GHG) reduction targets include reducing traditional end-use energy consumption, adding renewables to the energy mix, expanding distribution of natural gas, and using electricity or natural gas for emerging end uses such as transportation.

### ▪ Our Environment

Eversource continually manages field and office operations with a commitment to environmental stewardship for today and future generations. We protect land and water resources, offer customers significant energy efficiency choices and work to improve regional air quality.

## A Unique Investment Opportunity

- Projected long-term EPS growth of 5%-7%
  - Electric and gas transmission growth platform
  - O&M reductions of 2% - 3% per year
  - Natural gas expansion and system upgrades
- 2016 EPS range of \$2.90 to \$3.05 consistent with growth rate
- Projected dividend growth in-line with earnings
- Growth driven in part from implementing progressive state policies on reducing energy use and emissions, and accelerating adoption of clean technology
- Very strong financial condition – only “A” credit rating in industry
- Top-tier reliability
- A strong, experienced management team with a proven track record

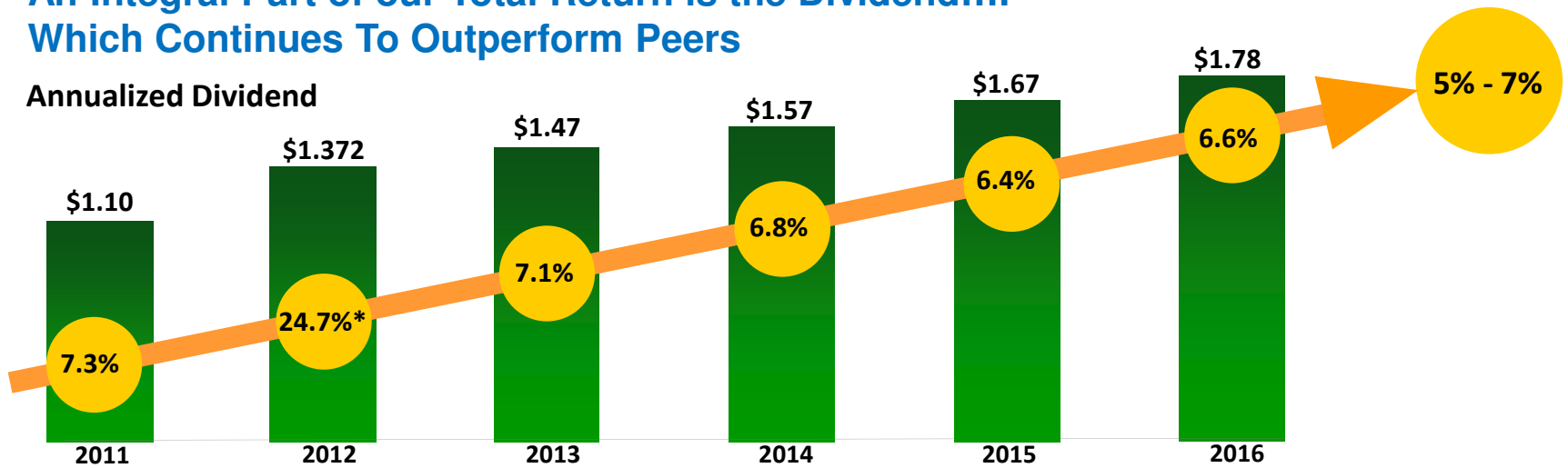


## We've Delivered Top-Tier Shareholder Returns

ES outperformed the Philadelphia Utility Index over the 1, 3, 5 and 10 year periods

Total Shareholder Return	2015	3-Year	5-Year	10-Year
<b>ES</b>	<b>-1.3%</b>	<b>44.6%</b>	<b>89.3%</b>	<b>263.1%</b>
Philadelphia Utility Index	-6.3%	33.5%	57.6%	89.1%
S&P 500	1.4%	52.6%	80.8%	105.7%

An Integral Part of our Total Return is the Dividend....  
Which Continues To Outperform Peers



\* Reflects impact of the merger

## Why Eversource?

- **Energy Efficiency:**

Eversource manages one of the nation's most extensive and successful energy efficiency programs and is recognized as the top U.S. utility for its energy efficiency programs by the sustainability advocacy organization Ceres.

- **Renewable Energy:**

Eversource has signed contracts to purchase hundreds of megawatts of energy including wind, biomass and solar.

- **Electric Transmission/Infrastructure Development:**

Eversource is a national leader in electric transmission development, which has helped New England sharply reduce dependence on older higher emission oil and coal units.

- **Natural Gas Infrastructure:**

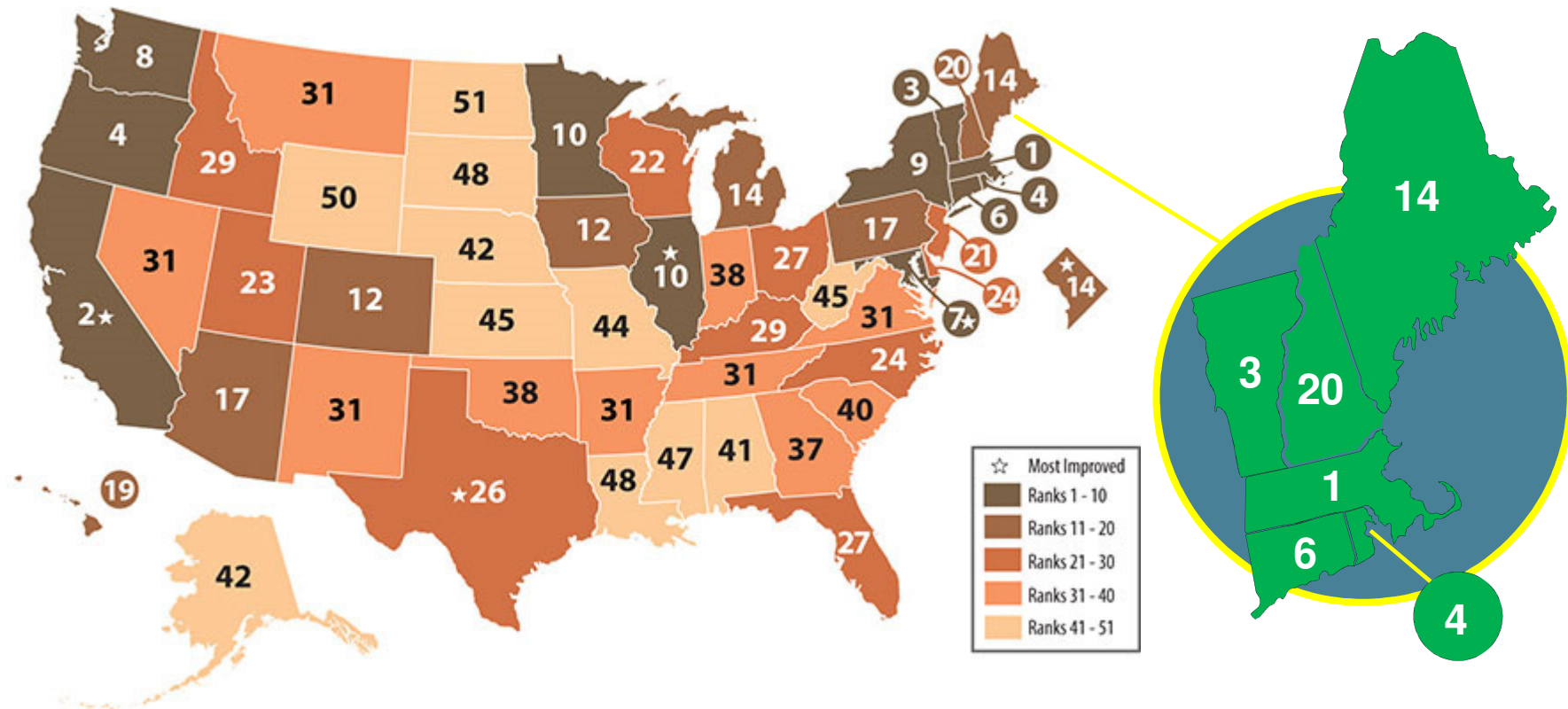
Eversource is sharply increasing its investment in new natural gas distribution network which will reduce New England's dependence on oil heat and reduce methane leakage from older pipes.

- **Clean Generation:**

Generation mix primarily scrubbed coal, hydro, biomass and solar. All but solar to be divested.

# Energy Efficiency

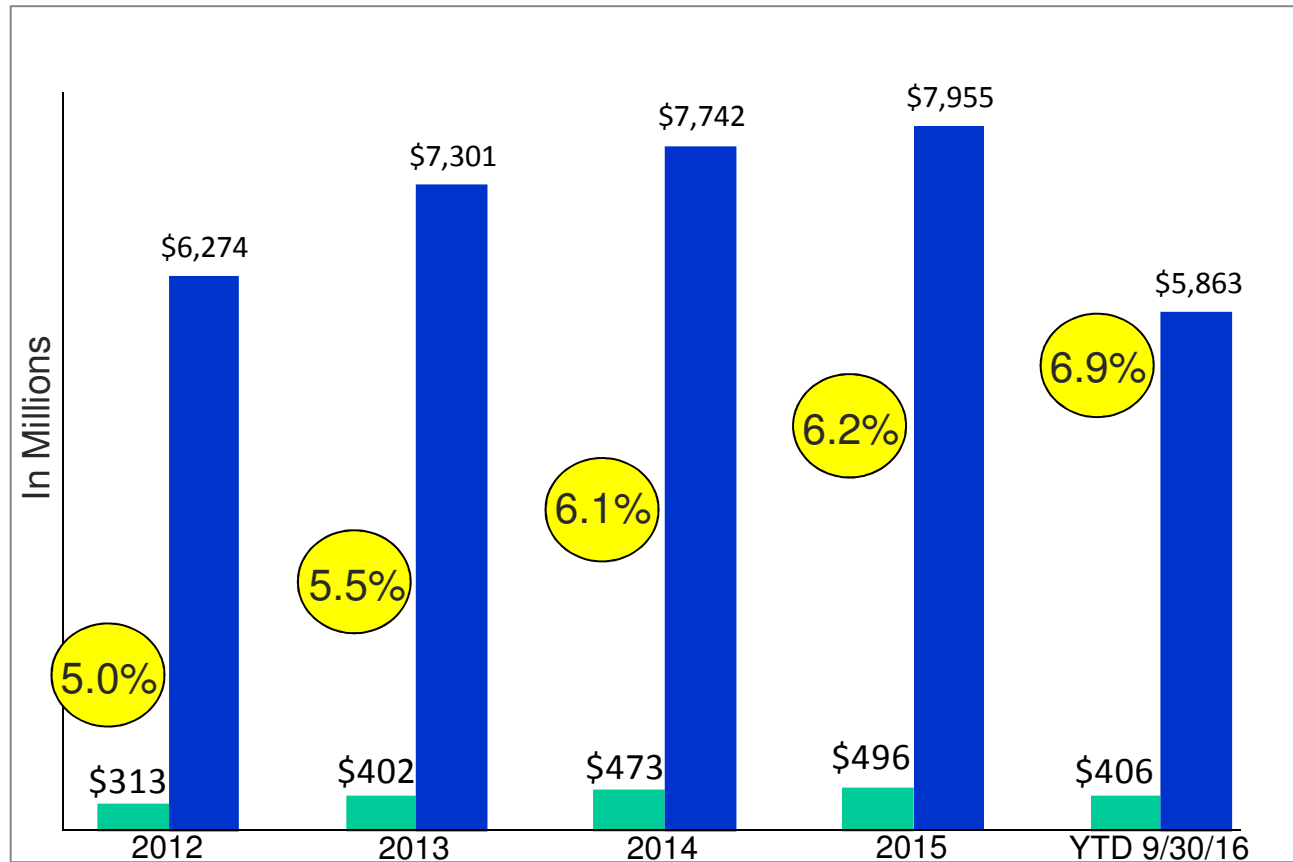
## New England has Some of the Most Ambitious Energy Efficiency Programs in the Nation



Note: The lower the number...the more effective the Energy Efficiency Programs



## Energy Efficiency Spending vs. Total Revenues Rising



Energy Efficiency Expenditures

Total Revenues

## Interests of Eversource Customers and Investors are Aligned on Energy Efficiency



## Energy Efficiency Spending

- New construction and major renovations
- Commercial and industrial retrofit programs
- Home energy services



- HVAC
- Insulation & duct sealing
- LED lighting & specialty bulbs



- Residential behavioral programs
- Lighting & appliance/retail products (buy-down) programs
- Education & community based programs



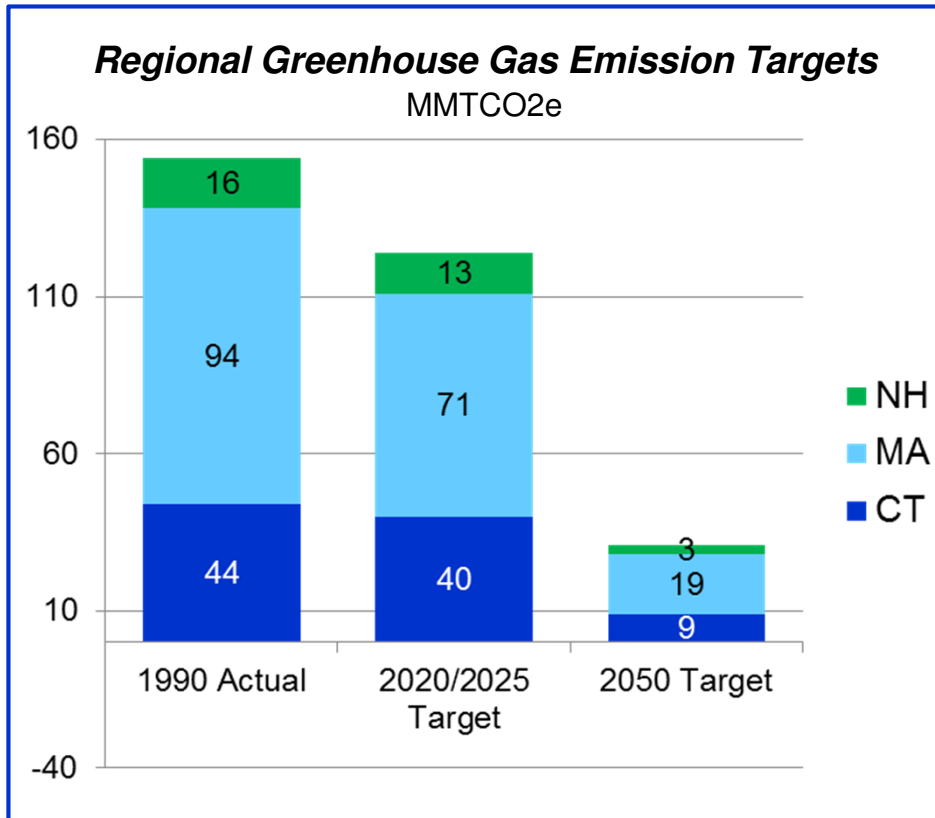
# Enabling Renewable Energy

## A Core Eversource Strategy Going Forward is to Develop and Implement Clean Energy Solutions for New England

- New England has aggressive renewable, carbon reduction targets
- Thousands of megawatts of New England's nuclear, coal and oil units have retired in recent years and thousands more will retire in coming years
- The region will grow increasingly dependent on Class 1 renewables, imported large hydro, and natural gas generation
- Renewables and hydro need to be connected to load; gas generation needs to be fueled
- Nearly 80% of the region's carbon emissions comes from transportation and building heating

**All of the above provide significant opportunities to Eversource**

## New England States Have Aggressive Renewable and GHG Targets



**Renewable Portfolio Standards in Place**

	2015	2020	2025
CT	19.5%	27%	27%
MA	19.25%	23.5%	29.75%
NH	8.3%	20.3%	24.8%

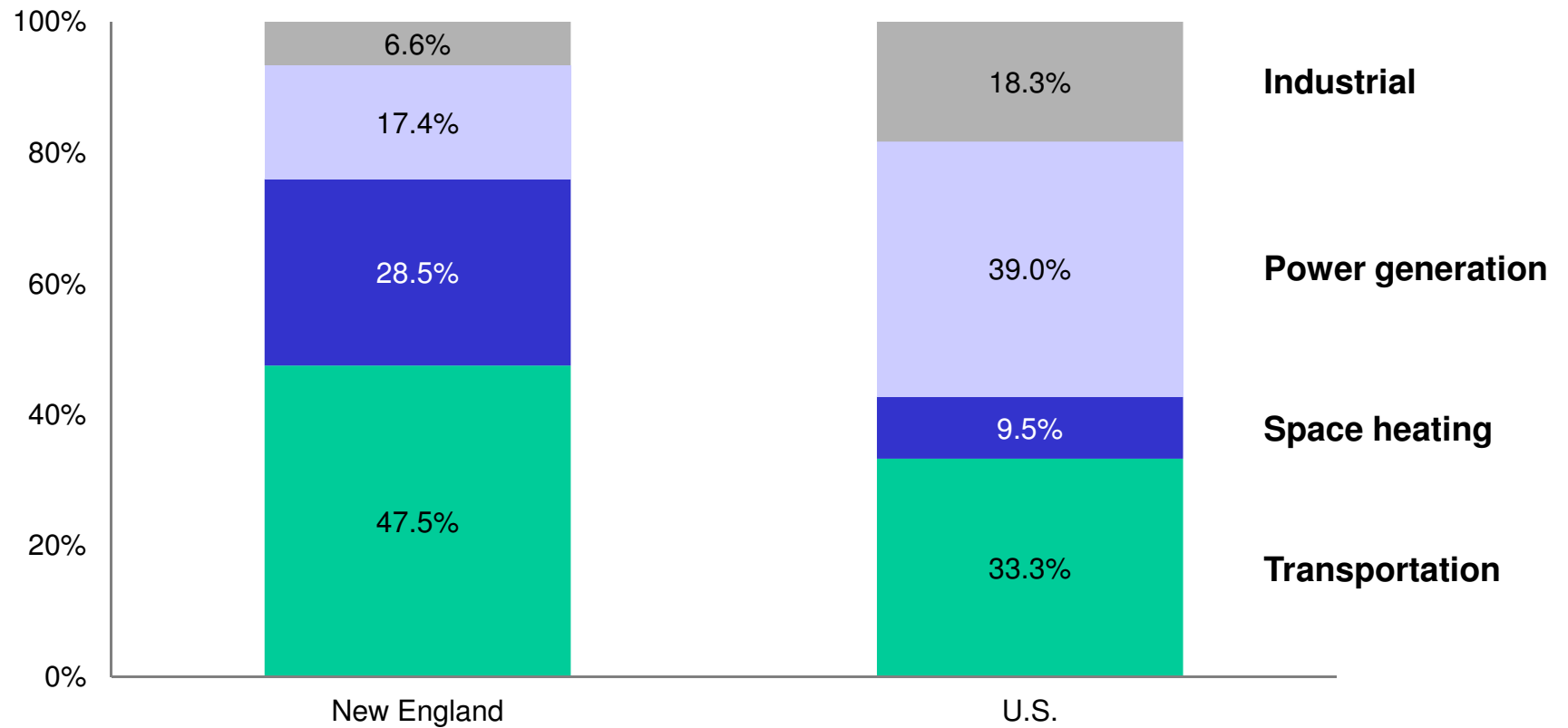
*(Percentage of electricity that must come from qualifying renewable facilities)*

## Carbon Emissions by Source

Regional discussion around carbon has focused on power generation, the largest source of GHG emissions in the US...but only the third largest source of emissions in New England.

### 2013 Energy Carbon Emissions by Source

New England vs. U.S.



## Eversource Supporting Renewable Generation Deployment

- Wind

Executed hundreds of megawatts of long-term contracts

- Solar

Owner and operator of 8 MW of solar facilities at WMECO

Plan to construct an additional 62 MW of capacity in MA by 12/31/17



- Biomass

Operator of 50 MW of biomass unit in Portsmouth, NH (Converted from coal in 2006.)

- Hydro

Developing unique proposal to bring 1,090 MW of clean Canadian hydroelectric power to New England markets



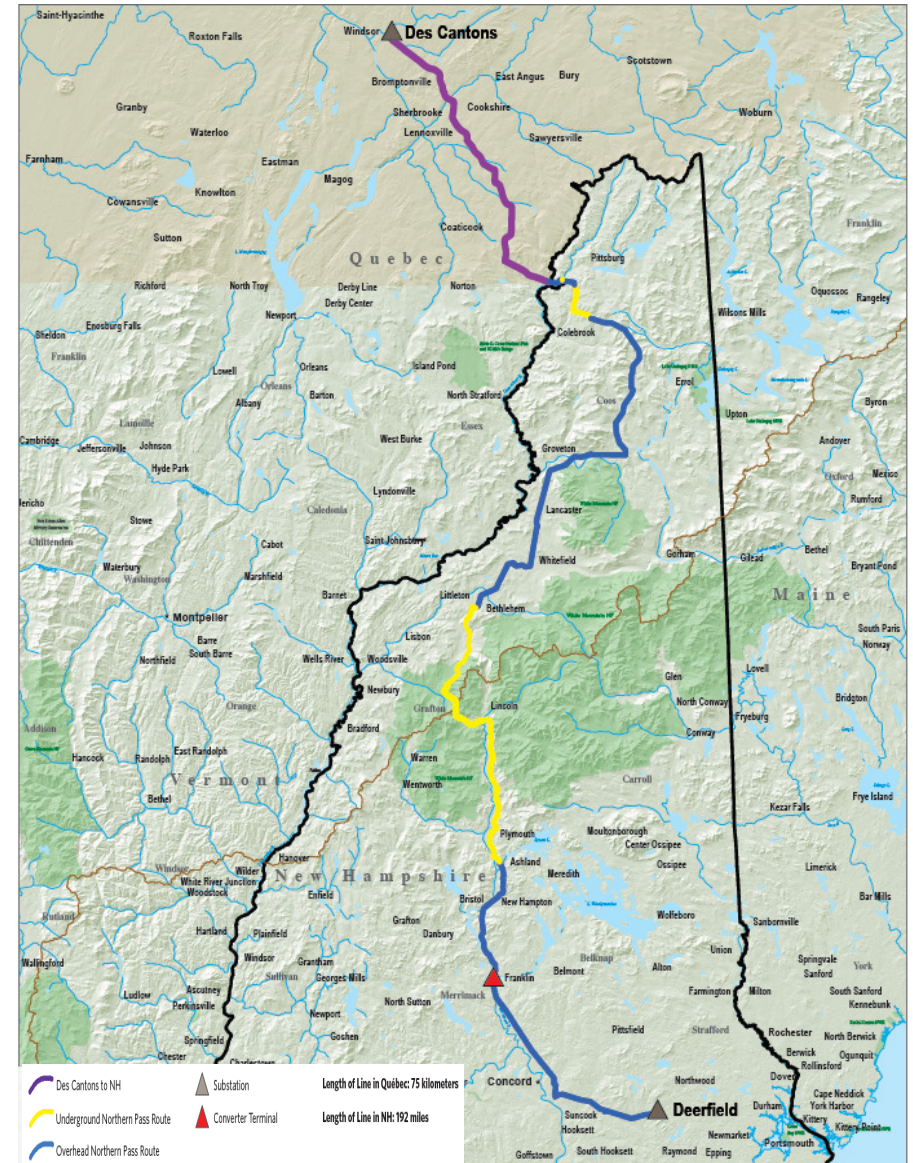
## Key Elements of New Massachusetts Energy Legislation – H 4568 – An Act to Promote Energy Diversity

- Signed by Governor Baker on 8/8/16
- Authorizes long-term contracting for 1,600 MW of off-shore wind
  - First solicitation for at least 400 MW commencing on or before 6/30/17 with full obligation completed by 6/30/27
- Authorizes long-term contracting for 9,450 Gwh of annual clean energy generation, including large-scale hydropower
  - First solicitation commencing on or before 4/1/17 with full obligation completed by 12/31/22
- Authorizes remuneration of up to 2.75 percent allowed for distribution companies to compensate for financial obligation of long-term contracts
- All contracts require DPU approval



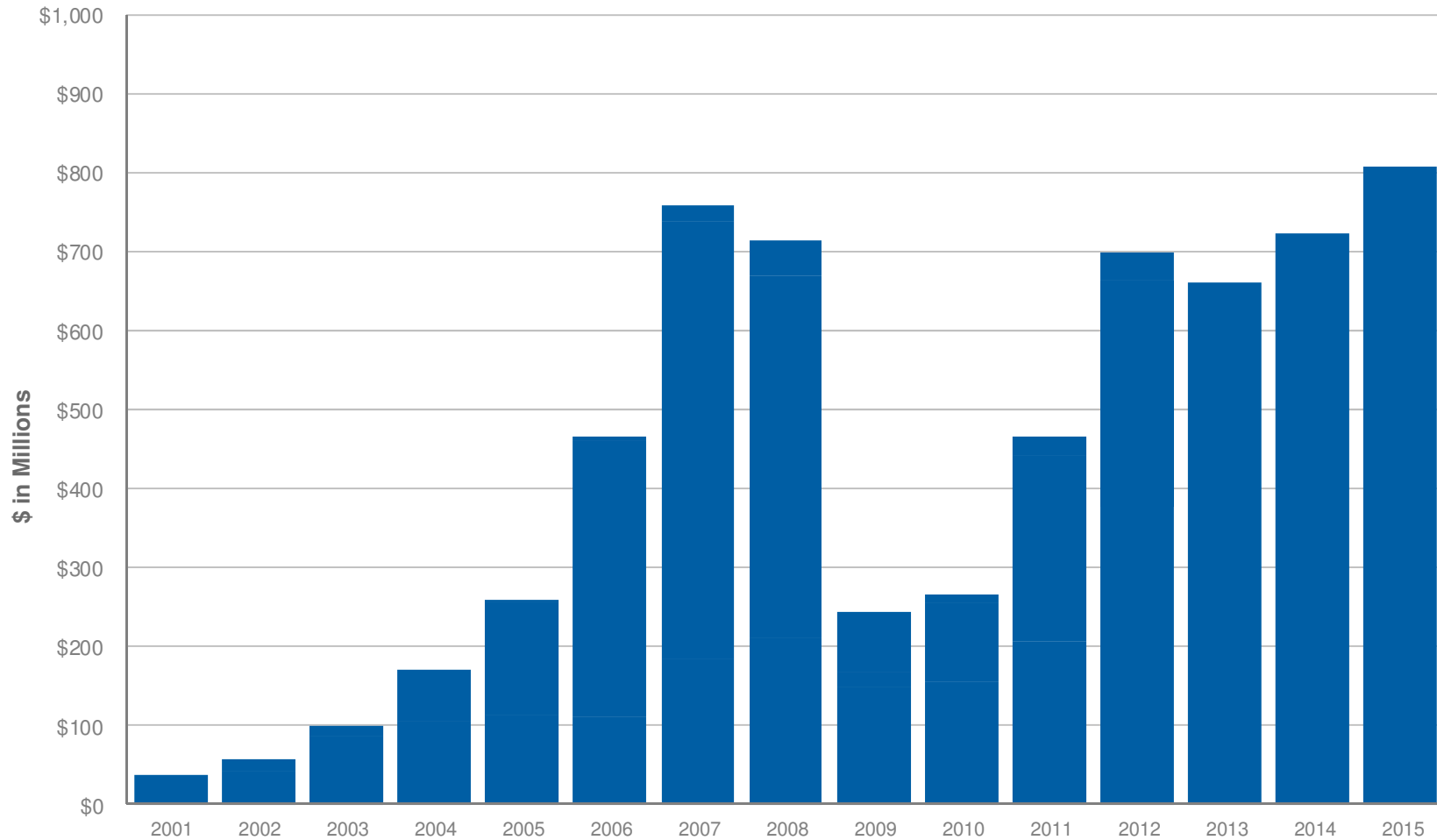
# Transmission – Northern Pass Update

- 1,090 MW of clean energy
- \$1.6 billion HVDC line, terminal and AC facilities
- Approximately 192 miles of new transmission using HVDC technology with AC/DC converters in Quebec and NH
- DOE draft Environmental Impact Statement issued 7/21/15
- Revised route announced 8/18/15. Underground section increased from 8 miles to 60 miles
- Application filed with New Hampshire siting regulators on 10/19/15.
  - NHSEC accepted application as complete on 12/18/15
  - NHSEC voted on 5/19/16 to issue a decision no later than 9/30/17
  - NHSEC technical sessions largely completed on 10/28/16
- 100-MW PPA between Hydro-Quebec and PSNH filed with NHPUC on 6/28/16
- Expected to provide significant benefits to the region:
  1. Billions of dollars in total energy and capacity value through reduced wholesale market prices
  2. Annual reduction of approximately 3 million tons of CO<sub>2</sub>
  3. Economic value through jobs and new tax base
  4. Reduces growing dependence on natural gas generation

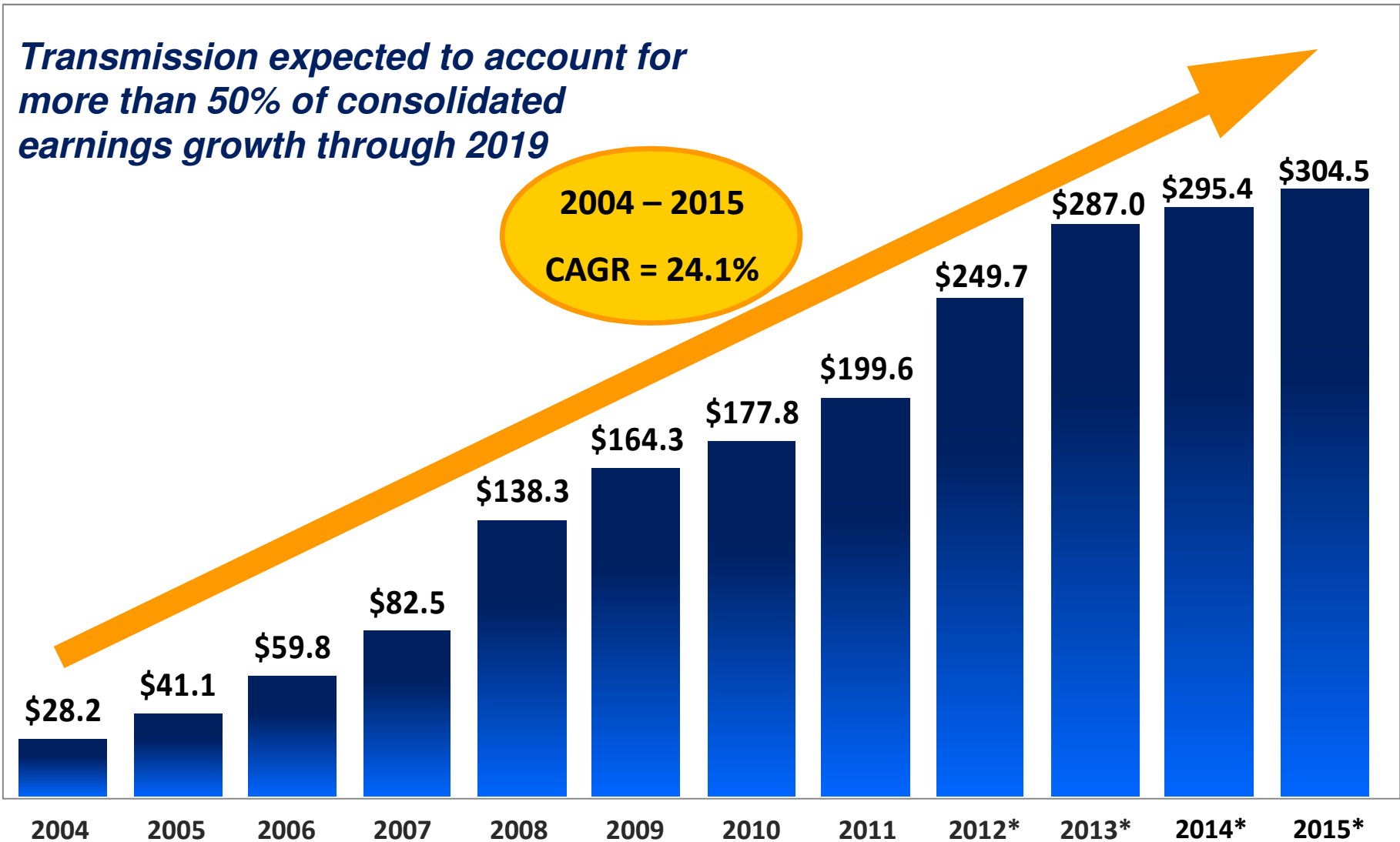


# Electric Transmission Infrastructure Development

## Transmission Invested \$6.4 Billion From 2001-2015

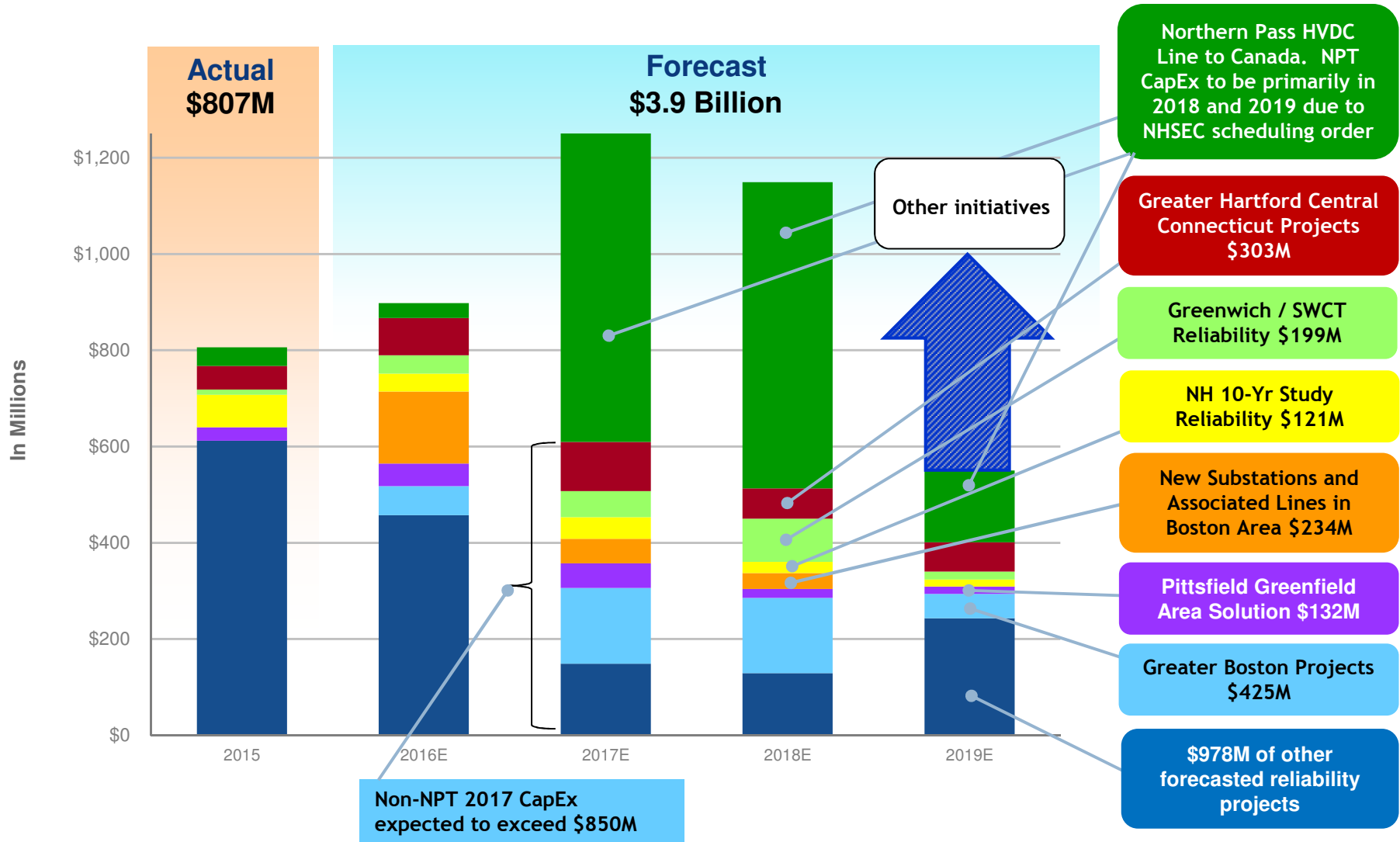


## Transmission Earnings Grew Dramatically Over Past Decade



\*Includes NSTAR Electric transmission earnings for last 9 months of 2012 and full years 2013, 2014 and 2015.

# Expected Changes in Next Transmission CapEx Projection in February 2017



# Natural Gas Development Initiatives

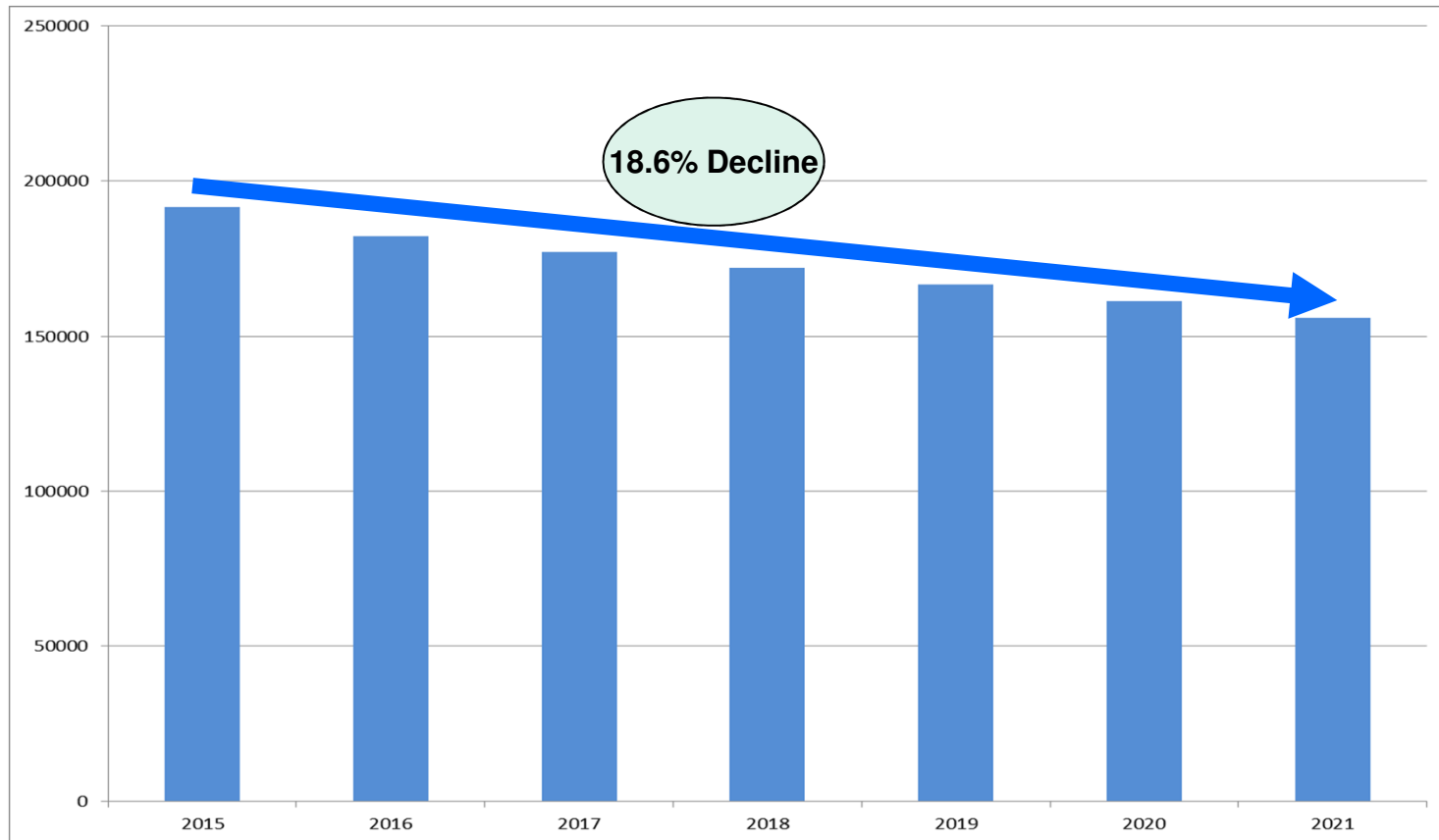
## Eversource's Natural Gas Initiatives Will Reduce New England's Dependence on Imported, Higher Emission Oil

- Natural gas emits about 27% less carbon than #2 oil when used for space heating
  - Programs in place to help customers pay for furnaces up to 97% efficient and water heaters up to 95% efficient
- New natural gas generators 30-40% more efficient than older coal units and emit about 50% less carbon/BTU
  - \$3 billion Access Northeast initiative with Spectra Energy and National Grid to improve New England's access to cheap natural gas



## EPA Methane Challenge: Founding Member

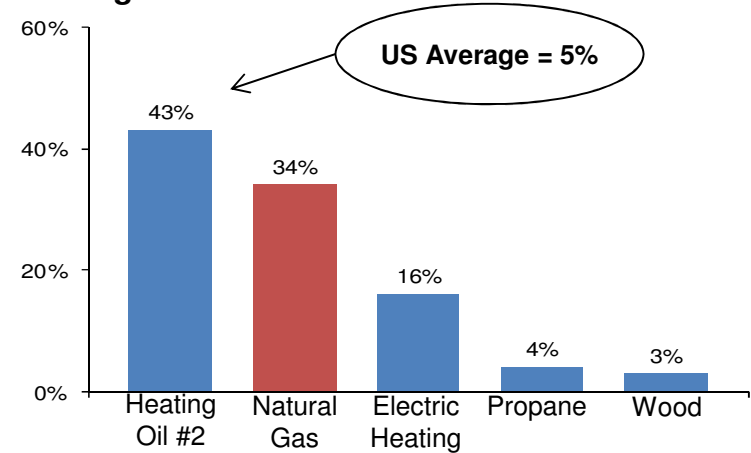
Committed to replace unprotected steel and cast iron mains...initiative is expected to lead to a nearly 20 percent reduction in methane emissions by 2021



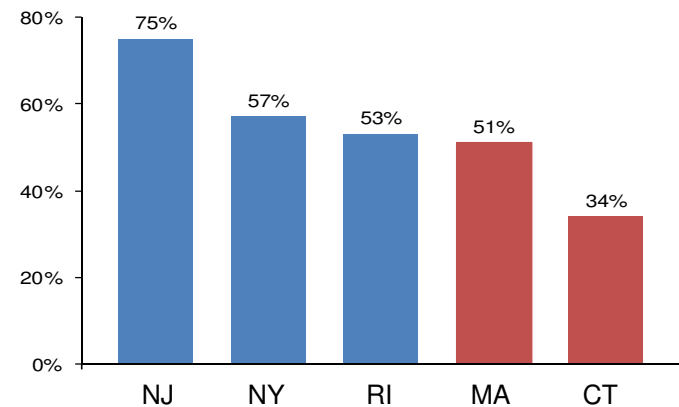
## Eversource Natural Gas LDCs: Significant Expansion Ahead

- 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

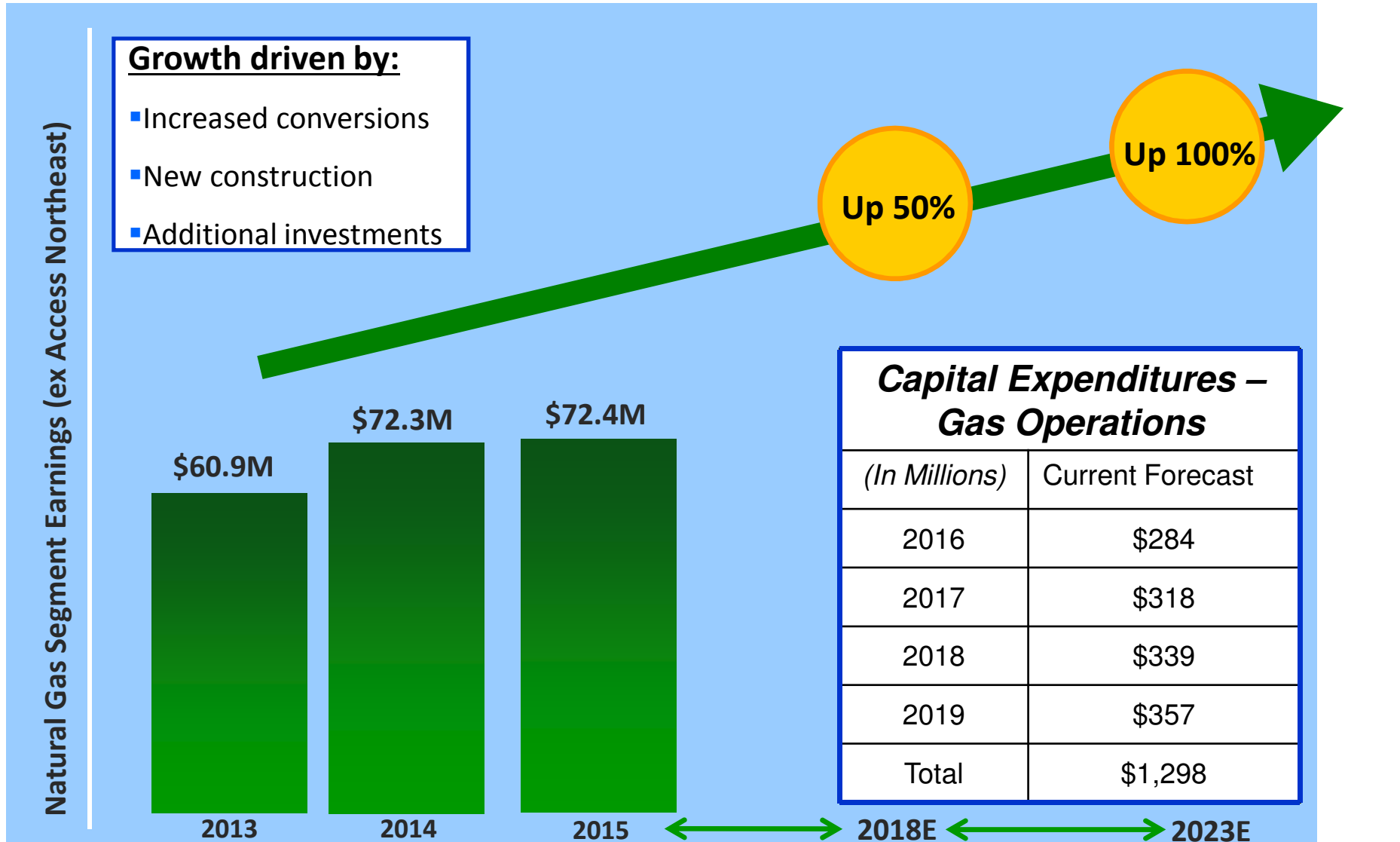
**CT Residential Market Penetration by Heating Source**



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



## Turning to Natural Gas Distribution - Segment Earnings Could Double by 2023



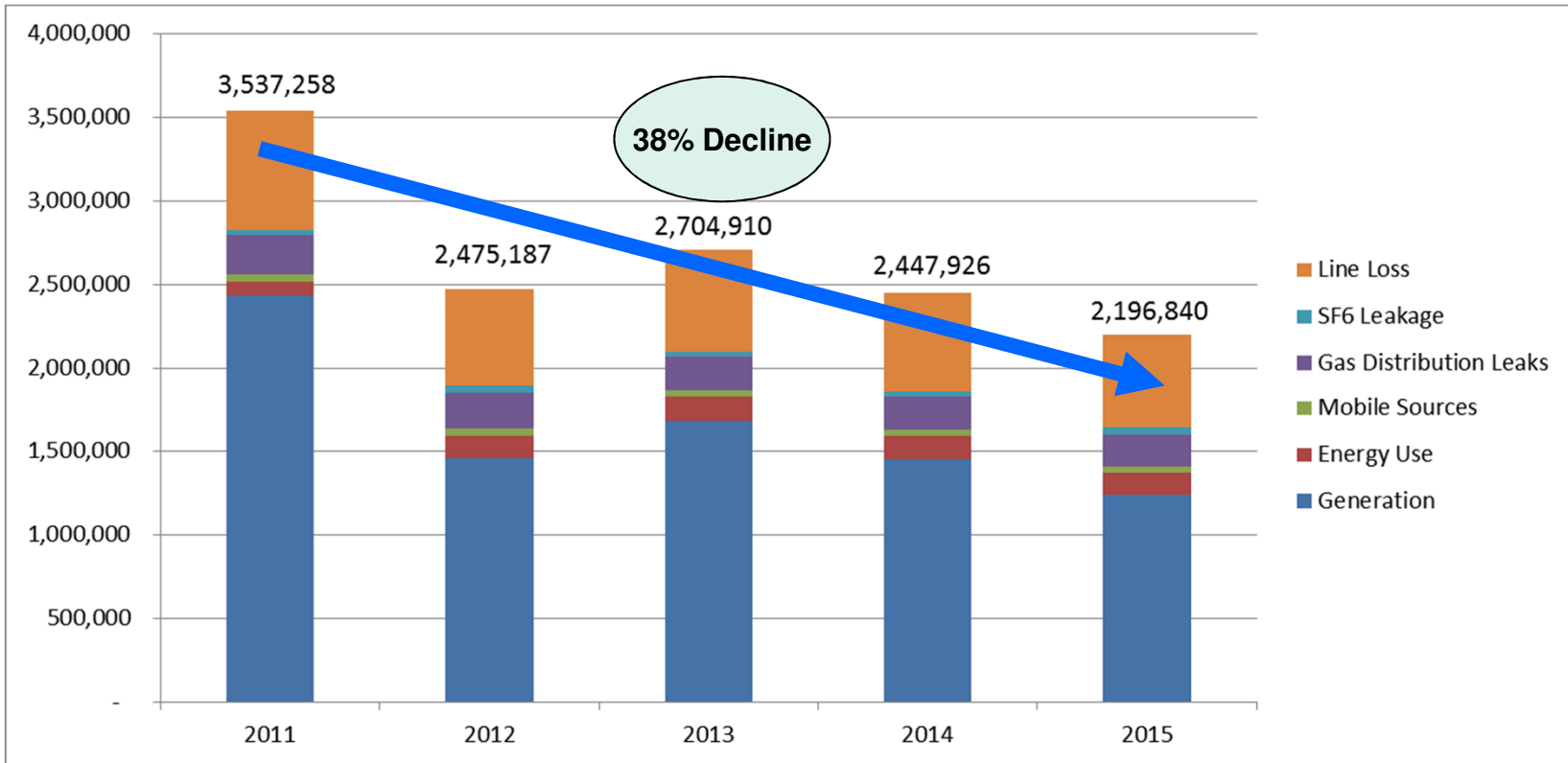
# Additional Initiatives

## New Hampshire Generation Divestiture

- Settlement approved by NH Public Utilities Commission on 7/1/16 involving nearly 1,200 MW of coal, oil, hydro and biomass units
- Parties to settlement agreement included Eversource, NHPUC staff, two state senators, Governor's Energy Office, Consumer Advocate
- Legislation to permit securitization of stranded costs signed on 7/9/15
- Eversource shareholders will contribute \$5 million to create clean energy fund
- Various conditions for plant sale:
  - Honor collective bargaining agreements
  - Property tax stabilization payments to host towns for up to 3 years
  - All plants in service for at least 18 months after sale
- Process expected to be complete in second half of 2017

## Since 2011, Eversource Has Reduced its Carbon Footprint by Cutting its Total Emissions by 1.3 million metric tonnes CO<sub>2</sub>e

Greenhouse Gas Emissions in metric tonnes CO<sub>2</sub>e



## Supporting Electric & Natural Gas Vehicles

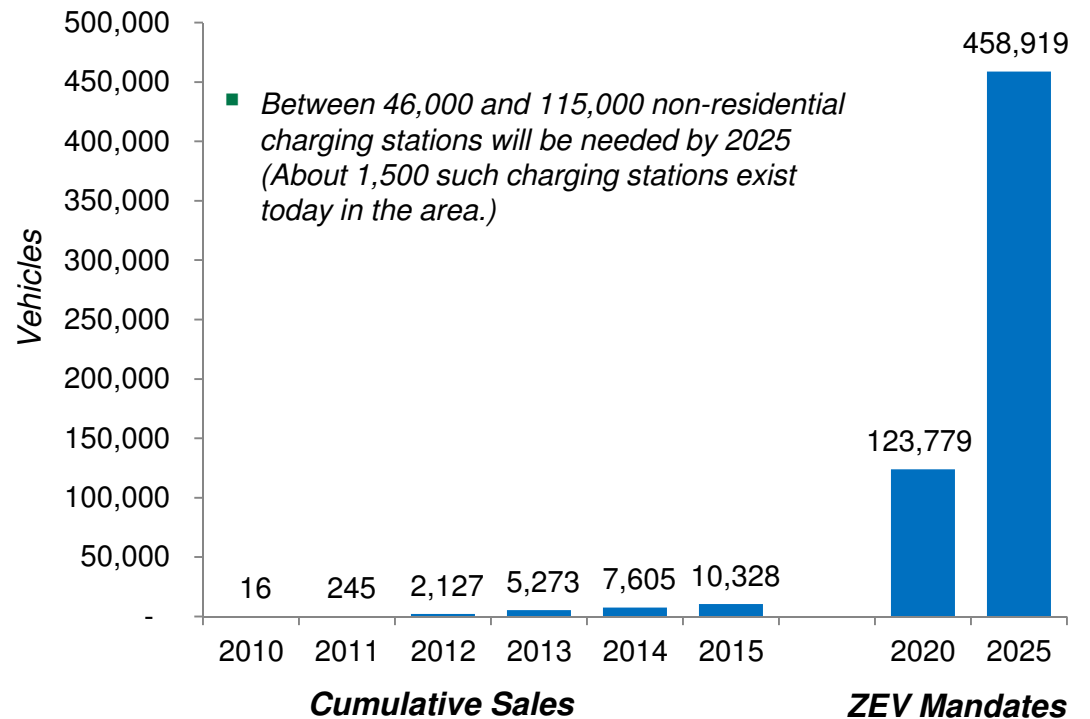
- Over 400 publicly accessible electric vehicle charging stations
- Over 5,600 plug-in vehicles operating in our service area
- Our "Plug My Ride" website resource provides customers with information about electric vehicles and charging technology
- Currently, 88 vehicles in our operations fleet are fueled by compressed natural gas



## Carbon Reduction Goals and Vehicle Emissions Standards Will Help Electrify Transportation Sector

- MA and CT have adopted federal ZEV rules, CA vehicle emissions standards
- Lack of available infrastructure is currently viewed as much of a barrier to adoption of EVs as incremental vehicle price
- EV charging infrastructure needs to be accessible, affordable, available and reliable
  - Eversource can provide the backbone for about 10,000 EV charging stations in New England
- An appropriate level of utility support can drive market transformation
- MA DPU 2014 order (13-182) permits utility ownership under specific criteria
- Updated CT Comprehensive Energy Strategy (draft expected shortly) and/or legislation could spur activity

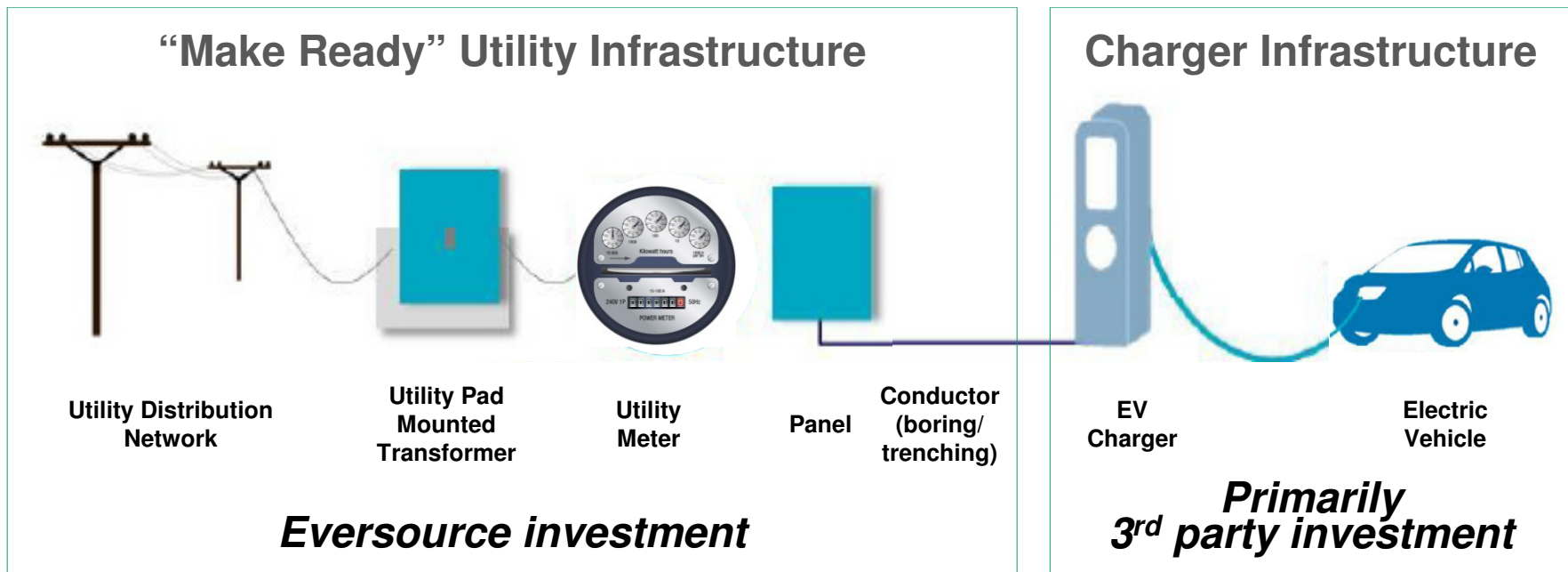
**Connecticut & Massachusetts: Plug-in Electric Vehicles Adoption Rates and Future Mandates**





## “Make Ready” Approach

- *We are considering a “make ready” model that includes Level II Chargers and DC Fast Chargers*
- *Third-party covers cost of chargers*



## Policy Interest in Energy Storage Within the Region is Growing with Several Avenues for Cost Recovery

### ■ Massachusetts

- DOER / Clean Energy Center recommends Massachusetts develop policies for 600 MW of storage by 2025 in the “State of Charge: Massachusetts Energy Storage Initiative” report
- DOER two-step process. 1) Decide whether to set energy storage procurement targets for electric companies by 12/31/16. 2) If targets are to be set, establish them by 7/1/17

### ■ Connecticut

- In 2015, Legislature amended state budget provisions to require electric distribution companies to submit pilot proposals for grid-side system enhancements which could include energy storage. CL&P submitted \$15 million, 3-year proposal on 10/31/16
- In 2015, passed act permitting creation of storage RFPs through competitive bidding

### ■ New Hampshire

- PUC initiated an investigation into grid modernization following an order under the 10-Year State Energy Strategy

# Eversource is deploying a modern grid that will be more resilient, smart and integrated

### Resilient



- Asset hardening to protect against weather-related events, particularly flooding and severe winds
- Pro-active vegetation management and tree clearing
- Protected from physical and cyber threats

### Smart



- Self-healing, line and substation automation
- Situational awareness during outages and “blue sky” events
- Enterprise-wide outage management capabilities
- GIS asset and locational mapping; mobile workforce technology solutions

### Integrated



- Two-way power flows
- Distributed energy resources and micro-grids
- Enhanced metering capability
- Electric vehicles
- New products, services, market entrants

***Underlying goal of increasing system and capital investment efficiency***

# Corporate Governance

## Corporate Governance

- All Trustees are elected annually by a majority vote of shares issued and outstanding
- 11 of the 13 Trustees are independent
- Board is comprised of Trustees whose diversity in gender, ethnicity and backgrounds adds to the effectiveness of the Board
- Fully independent Audit, Compensation, Corporate Governance, and Finance Committees
- Board of Trustees: Ensures continuing compliance and attention to good governance practices as part of their oversight of management and in protecting shareholders' long term interests
- Compensation Committee: Oversees compensation programs for Trustees and executives; engages in succession planning process for the CEO and executives
- Corporate Governance Committee: Oversees governance guidelines, committee charters, and Board evaluation process; receives updates on corporate governance initiatives and internal and external governance developments
- Lead Trustee: Presides at executive sessions, facilitates communications between Board and CEO, participates in CEO evaluation and provides ongoing information to CEO regarding performance
- CEO: Leads management's governance initiatives; ensures Board's decisions on governance are implemented

## Compensation Governance

- Executive and Trustee share ownership (6x CEO) and holding guidelines emphasize Company share ownership
- 50% of Trustee Board retainer paid in ES shares
- Trustee stock compensation is 100% deferred and not distributed until retirement
- Compensation consultant is independent; performs no other consulting or other services for the Company and satisfies all SEC criteria
- Clawback policy requires executives to reimburse the Company for incentive compensation received if earnings were required to be restated as a result of noncompliance with accounting rules caused by fraud or misconduct
- Discontinued the use of gross-ups in all new or materially amended executive compensation agreements
- Policy prohibits all employees and trustees from entering into any hedging, pledging or derivative transactions with ES shares
- Employee agreements provide for double trigger change of control vesting for awards assumed by the surviving company
- 87% “Say on Pay” affirmative vote in 2016

## Interaction With Investment Community

- CFO, IR Team: Meets with buy-side and sell-side analysts (more than 300 meetings in 2015) and keeps Board and CEO apprised of their views; oversees communication of financial and strategic developments to investors
  - Monthly written update to trustees on investor trends and views
  - Quarterly meetings with Audit Committee around earnings releases, 10-Q, 10-K
  - VP/IR role has ranked #1 in sector since 2009 in annual Institutional Investor survey
- SVP/GC, Corporate Secretary & Team: Meet with governance representatives and keep CEO and Board apprised of shareholders' views; oversee communication of governance, compensation and other key developments; keep management and Board up to date on all current public company corporate governance issues