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PRESENTATION

Operator

Welcome to the Eversource Energy earnings conference call. My name is Christine and I will be the operator for today's call.

(Operator Instructions)

Please note that this conference is being recorded. I will now turn the call over to Mr. Jeffrey Kotkin. You may begin.

Jeffrey Kotkin - Eversource Energy - VP of IR

Thank you, Christine. Good morning and thank you for joining us. I'm Jeff Kotkin, Eversource Energy's Vice President for Investor Relations.

Some of the statements made during this investor call may be forward-looking as defined within the meaning of the Safe Harbor provisions of the US Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on Management's current expectations and are subject to risk and uncertainty which may cause the actual results to differ materially from forecasts and projections. Some of these factors are set forth in the news release issued yesterday. 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 31, 2014. Additionally, our explanation of how and why we use certain non-GAAP measures is contained within our news release and in our most recent 10-K.

Speaking today will be Jim Judge, our Executive Vice President and CFO; and Lee Olivier, our Executive Vice President for Enterprise Energy Strategy and Business Development. Also joining us today are Phil Lembo, our Vice President and Treasurer, Jay Buth, our Vice President and Controller, and John Moreira, our new Vice President of Financial Planning and Analysis.

Now, I will turn over the call to Jim.

Jim Judge - Eversource Energy - EVP & CFO



Thank you, Jeff, and thank you all for joining us this morning. Today, I will cover our first-quarter financial results, which were strong and in line with our guidance range for the full year. Our strong operating performance results for the quarter I'll cover as well; an update on several regulatory dockets, which are either pending or recently concluded; and I'll close with an update on certain transmission projects.

Before I begin, I want to thank our shareholders who, at our annual meeting yesterday, overwhelmingly approved our legal name change from Northeast Utilities to Eversource Energy.

We began trading under the ticker symbol ES on February 19, but our legal name change required the approval of holders of two-thirds of our shares, which we did receive yesterday. Eversource Energy is not only the legal name of our parent company, it is also the brand we are using with customers in each of the three states where we provide service.

It will not be the legal name of our six regulated utility companies, so their debt and preferred stock will continue to be issued and trade under the names Connecticut Light and Power, NSTAR Electric, and our other four subsidiaries.

Now, turning to our financial results, excluding merger-related charges, we earned \$257.3 million, or \$0.81 per share, in the first quarter of 2015, compared with earnings of \$241.8 million, or \$0.76 per share, in the first quarter of 2014. Overall, these results represent a strong start to the year and reinforce our confidence in our full-year earnings projection of \$2.75 to \$2.90 per share, as well as our long-term earnings growth rate of 6% to 8%.

Key items affecting earnings include the various impacts of the severe winter we had in New England this year, as well as a number of regulatory developments, particularly in Massachusetts and Washington. It's important to note that the net earnings impact of these regulatory orders was right in line with our expectations, so were included in our guidance.

I'll start with the weather impacts. Heating degree days in the Boston area were 22% above normal in the first quarter of 2015 and nearly 10% above last year. As a result, our first-quarter firm natural gas sales rose 8%, compared to 2014's elevated levels, and provide a benefit of \$0.02 per share for the quarter.

On the electric side, the cold weather did not have a significant impact as weather variations are becoming less of an earnings driver due to decoupling in some jurisdictions. At CL&P, we benefited from higher distribution revenues resulting from new rates that became effective December 1, 2014. This was the primary factor for the higher electric distribution revenues which increased earnings by \$0.07 per share for the quarter. A regulatory settlement in Massachusetts resolving several open dockets added another \$0.04 per share to electric revenues. I'll discuss this item in more detail shortly.

Weather also had an impact on our operations and maintenance expense. Because of the frigid weather and heavy snow, particularly in eastern Massachusetts, we needed to defer some of our distribution construction activities until later this year. As a result, more of our employees' time was spent on maintenance and restoration and less on capital projects.

This caused non-tracked O&M to rise and resulted in a \$0.03 per share year-over-year reduction to earnings. This is really just a timing issue, and over the course of the year we expect O&M to be more favorable as we catch up on our capital work. The impact of another regulatory order in Massachusetts related to energy supply bad-debt recovery more than offset all of that increased O&M in the quarter and added \$0.05 per share to our results. Thus, on a net basis, O&M was a pickup of \$0.02 per share.

Transmission earnings were \$0.03 lower in the current quarter, compared to last year, as a result of a regulatory order from FERC that I'll discuss in more detail in a moment. Other factors that reduced earnings, as we had projected, were higher depreciation and property tax expenses, and increased amortization associated with storm costs, which together lowered first-quarter 2015 earnings by \$0.06 per share compared with the first quarter of a year ago. The most significant year-over-year change was the commencement of Connecticut Light and Power's amortization of 2011 and 2012 storm costs, which will average approximately \$50 million a year through 2020. Lastly, all other operating items reduced earnings by \$0.01 per share. This concludes my reconciliation of our first-quarter results.

We have had an active regulatory calendar during the first four months of 2015, and some of those developments impacted our earnings in the first quarter. In early March, the Massachusetts DPU approved a settlement that resulted in a number of outstanding issues related primarily to NSTAR Electric's reliability program spending as well as lost base revenues associated with energy efficiency programs.

Under the settlement, NSTAR Electric and NSTAR Gas will refund \$45 million to customers and, as noted earlier, had a positive impact on earnings for the quarter versus last year. Also in the first quarter, the DPU approved our recovery of approximately \$24 million of energy-related bad-debt costs from the period 2007 through 2014 that we had previously expensed. That lowered our bad-debt expense in the quarter and, as I mentioned earlier, benefited us by \$0.05 per share versus last year.



The other significant regulatory order that had an impact on the quarter's earnings was the FERC's order on rehearing related to the ROE complaints against the New England Transmission Owners.

This latest order had a number of good aspects. Despite complaints from certain parties that the approved rate was high, FERC commissioners unanimously affirmed the methodology it used to establish our base ROE of 10.57% and affirmed the high end of the zone of reasonableness at 11.74%. FERC also agreed to an October 2014 effective date of that order, rather than a date much earlier in the year.

The disappointing element of the order, though, was that FERC capped the ROE incentives on transmission investments so that no single project could earn more than 11.74%, even if the project had been previously granted higher incentives. Because that decision to cap incentives dates back to October of 2011, we recognized an after-tax charge of \$12.4 million, or \$0.04 per share, in the quarter. That charge was the primary reason our transmission earnings declined by \$8.3 million in the quarter, or \$0.03 per share.

I should note that, although FERC issued a decision on rehearing in the first complaint last month, it still has two other complaints pending over New England transmission returns. Those two complaints, which were filed 19 months apart -- in late 2012 and mid-2014 -- have been combined for processing before an administrative law judge. Hearings are scheduled for June, and an initial decision from the ALJ is due by the end of the year. We would expect an order from the FERC commissioners in the second half of 2016.

Regarding our operations, despite the harsh and long winter, our electricity and natural gas delivery systems performed very well in the first quarter. In fact, our restoration metric is tracking favorably through the first quarter, compared to a best-ever performance last year. For example, the average time to restore service to customers following a power outage has declined to 95.8 minutes this year versus 96.8 minutes last year.

In addition to the regulatory developments at the Massachusetts DPU and FERC that affected our first-quarter financial results, there were several other developments on the regulatory front during the quarter. In March, we announced that we had agreed on a process to begin the divestiture of Public Service of New Hampshire's 1,200 megawatts of generation. The agreement, in principle, was reflected in a term sheet that I signed, along with the President of PSNH, two leading state senators, two senior staff members of the New Hampshire PUC, the head of the Governor's energy office, and the state consumer advocate.

We are now formalizing a formal settlement agreement authorizing the sale of the generation and assets that we expect will be filed with the New Hampshire PUC next month. We expect to conduct the sales process throughout 2016. Our generation net plant currently totals about \$650 million. Per the deal terms, any shortfall between the purchase price of the units and our total investment in them would be securitized.

Securitization would dramatically reduce the carrying costs on any regulatory assets and provide significant savings for customers. We would expect that the sale of securitization debt will occur once the sale process is complete, in either late 2016 or early 2017. The securitization statute in New Hampshire needs to be amended to allow costs associated with the divestiture to be securitized. The New Hampshire Senate already approved the necessary changes -- necessary changes in late March, and the House of Representatives held a hearing on the Senate Bill earlier this week.

The settlement includes a number of items in addition to the generation divestiture. PSNH agrees to forego a general distribution rate case until mid-2017. PSNH would forego \$25 million of the equity return not yet recognized on our Merrimack scrubber since October of 2011. PSNH would fund \$5 million of clean-energy initiatives for New Hampshire. And we would be allowed full recovery of our scrubber investment beginning with a return effective January 1, 2016, then via securitization and a stranded cost post-divestiture.

There were also regulatory developments for Yankee Gas. Yesterday, Connecticut regulators approved a settlement of two overearnings dockets. As a result of the settlement, Yankee Gas will freeze natural gas distribution rates for at least one year and will establish an earnings sharing mechanism that will split Yankee Gas earnings above 9.5% equally between customers and shareholders going forward.

The settlement also provides firm customers with a rate credit totaling \$1.5 million next winter. We have recognized that credit in our first-quarter results. The settlement also meets the requirements of the Connecticut statute that requires distribution rates to be reviewed every four years. That means that our next Yankee Gas rate review will be required by 2019 as we focus our intention on improving service, reducing cost, and expanding the Yankee system to more customers.

I should note that the rate freeze does not impact additional revenues we will receive by expanding service to new neighborhoods and implementing the state's comprehensive energy strategy. Yesterday, we received the final decision from PURA approving the settlement, with no exceptions.

In other positive news, last week Standard and Poor's rating agency upgraded Eversource Energy and our subsidiaries' corporate credit rating to A. With this A rating and stable outlook, S&P now rates Eversource Energy at the very top of its list of utility holding companies that comprise the EEI index. S&P also upgraded the commercial paper rating on Eversource to A1.



Now, I'll provide a brief update on some significant transmission projects. Our share of the Interstate Reliability Project, which we are building in northeastern Connecticut, is about 90% complete as of March 31, and we expect it to enter service late this year. Also, over the past two months, we have filed the first two of what will be several siting applications for our \$350-million suite of Greater Hartford projects. The first of those two projects was approved two weeks ago, and we expect to begin work on that project this summer.

Further north, ISO New England selected a new overhead transmission project between Londonderry, New Hampshire, and Tewksbury, Massachusetts, as a means to reinforce the grid in the greater Boston area that we will jointly build with National Grid. ISO New England selected our project rather than an alternative undersea project from Seabrook, New Hampshire, into Boston. Later this year, we will file for New Hampshire siting approval for this project that was assumed in our forecast.

That concludes my formal remarks. Now, I'll turn over the call to Lee.

Lee Olivier - Eversource Energy - EVP Enterprise Energy Strategy and Business Development

Thank you, Jim. I will provide you with a brief update on our major capital initiatives and then turn the call back over to Jeff for Q&A. Let's start with what we saw in the New England power markets this winter.

Even though spot market wholesale energy prices were lower this past winter than they were in the first quarter of 2014, retail energy prices increased 40% to 50%. This increase was driven by the volatility of last winter and markets pushing wintertime supply risk onto residential and business consumers.

Even with lower wholesale electricity prices this past winter, we don't expect that risk premium to go away. First, you have to look at the reasons behind this winter's decline, which start with lower worldwide oil prices; lower oil prices reduce the cost of buying fuel for the region's oil fire generation; lower worldwide oil prices also caused liquefied natural gas to become cheaper and more plentiful in New England.

But all of the structural problems remain in New England -- despite the higher LNG imports, reliance on our older coal and oil units increased over the course of this winter. During peak days in February, these older coal and oil units supplied more than 40% of New England's power needs. During the evening peak on February 15, oil alone accounted for 30% of New England's generation mix, while natural gas only accounted for 17%.

Last summer, by contrast, natural gas accounted for more than 50% of New England's generation mix. This factor caused New England wholesale electricity prices to average \$126.70 per megawatt hour in February -- the third-highest cost on record, behind only January and February of last year.

And some of the oil and coal units on which we depended upon this winter will soon be retired. Approximately 1,800 megawatts of coal and oil generation at Brayton Point, in Massachusetts, and Bridgeport Harbor, in Connecticut, are scheduled to retire in about two years. This is in addition to the 1,400 megawatts of coal, oil, and nuclear generation that retired last year. That generation will likely be replaced by gas-fired generation, but we still don't have an approved plan to add significant new gas transmission infrastructure to the region. As demand for natural gas for heating continues to rise, less will be available for generators during the winter season.

Come late spring and summer, most fixed-energy rates will drop significantly, since heating loads will disappear. But electricity prices will rise again next winter as a result of our risk premium that is built into the New England's wintertime electricity prices and the reliance on imported LNG.

This seesawing of generation rates is frustrating consumers, since we are so close to abundant and low-cost natural gas in the Marcellus Shale region. But the problem is not supply of natural gas -- it is not having sufficient pipeline capacity to transport that gas into New England during the winter months.

Fortunately, we believe that the region's policymakers understand that New England needs more low-cost Marcellus gas to ensure reliability, wintertime price stability, and the region's competitiveness. The New England governors and top energy policy makers met in Hartford last week to continue to plan a coordinated effort to resolve our infrastructure challenges and to lower cost for our customers.

In Massachusetts, earlier this month, Governor Baker's Department of Energy Resources requested that the DPU open a docket on the means by which electric distribution companies can contract for pipeline capacity for the benefit of electric customers. The DPU subsequently opened a docket to address that issue.

In Connecticut, the Legislature's Energy and Technology Committee considered and forwarded for action Senate Bill 1078. This bill contains the priorities of the Connecticut Department of Energy and Environmental Protection. It seeks to provide the agency with regulatory tools to procure affordable and reliable electricity for the expansion of natural gas capacity, and procurement of additional and renewable sources of energy on behalf of the state. A component of that legislation clarifies the ability of electric distribution companies to seek recovery of costs through an electric tariff that is related to purchasing new gas pipeline infrastructure.



In New Hampshire, the Public Utility Commission wrote to FERC in March stating that New England continues to have a high winter electricity price problem that can be addressed economically only through the addition of new gas pipeline capacity. The NHPUC subsequently opened its own docket into approaches to ameliorate adverse effects of the wholesale electric market conditions. This docket will examine the gas resource constraints affecting New Hampshire electric distribution companies and electricity consumers. The NHPUC staff will provide a report to the commission by September 15 of this year.

It is not only government energy agencies that are raising an alarm. On April 1, the Associated Industries of Massachusetts, the Connecticut Business and Industry Association, the Business and Industry Association of New Hampshire, and the Maine State Chamber of Commerce jointly wrote a letter to their four respective governors urging them to take steps to reduce the cost of electricity and energy in the region.

They wrote, and I quote, "New England policymakers, led by its governors, need to cooperate during this crisis and allow for development of energy infrastructure projects as expeditiously as possible while working through local concerns." All of these actions point to the need to construct additional pipeline capacity into New England that not only satisfies the increased use of natural gas as a heating source, but also as a power-generation fuel.

As we have said previously, we believe that our \$3 billion Access Northeast project we are developing jointly with Spectra and National Grid would be ideal to address our natural gas infrastructure challenges, since it would involve upgrading Spectra's existing pipelines in New England. Our project is uniquely situated to deliver increased quantities of natural gas, the region's newest and cleanest fossil generators, since the Spectra pipelines, in alliance with Iroquois pipeline, connect to more than 70% of the region's gas-fired units.

To remind you, Spectra and Eversource would each own 40% of the Project, and National Grid would own 20%. The open season for the project ends tomorrow, and once we see which parties bid for the project's capacity, we will move to signing binding contracts and then bring those contracts before state regulators. We expect to file our preliminary application with FERC later this year and our formal siting application with FERC in 2016. The schedule would allow for the pipeline to be approved in 2017 and constructed in time for the winter of 2018/2019, assuming the approvals are moved expeditiously.

Turning to Northern Pass, the U.S. Department of Energy indicates it will release its draft Environmental Impact Statement in the June/July timeframe. Once that draft is released, the DOE will solicit both written and oral comments on its findings before the report is finalized. Assuming the draft is issued in the June or July timeframe, we expect to file our state application with the New Hampshire Site Evaluation Committee late this summer. The committee will have up to two months to determine that the application is complete, and then up to 12 months to rule on it.

We continue to engage various constituencies in New Hampshire, including the neighbors of the proposed 187-mile road, to understand their concerns and try to address them. These conversations have been constructive, and we continue to believe that our application to the Site Evaluation Committee will be viewed favorably by a range of stakeholders. We are encouraged to see that the business leaders in New Hampshire are calling for solutions to the region's significant energy challenges, and believe there is a growing momentum around the Northern Pass project. In the New Hampshire legislature, there were two bills proposed that would have hurt the project, but neither one moved forward. One was retained in committee and won't be acted on this year; the other was soundly defeated outright.

Moreover, we have expanded the benefits that Northern Pass will provide to New Hampshire. In March, we announced a new conservation partnership with the National Fish and Wildlife Foundation dedicated to restoring and sustaining healthy forests and rivers in New Hampshire. Northern Pass has committed \$3 million over the next two years to this effort, and this amount will typically be doubled by working with the Foundation to leverage additional federal and private funding. In the North Country of New Hampshire, we have provided funding for a new broadband and cell service initiative, and provided the initial seed money for a job-creation fund, which is part of our overall \$7.5 million commitment in this particular area.

We expect to receive both state and federal approvals in 2016, commence construction in the second half of 2016, and have the project substantially complete on both sides of the border by the end of 2018, with testing and entry into full commercial operation in the first half of 2019. We have moved the in-service date into 2019 because of the later date for receipt of the draft EIS and the need to perform final testing on the line during lower load months of the year. Because of high loads in both Quebec and New England from December through early March, we anticipate all testing to be complete and full operation taking place in the April/May timeframe. From an earnings standpoint though, I would emphasize that we will continue to earn AFUDC on our equity investment in Northern Pass during this period of the contractual ROE prior to the in-service date.

We continue to estimate the cost of approximately \$1.4 billion for Northern Pass. And that could change, depending on conditions related to the regulatory approvals. This project continues to offer enormous benefits to the state of New Hampshire and to the region as a whole.

New England continues to focus on its need for new clean-energy sources and power to replace the older coal, oil, and nuclear generation units that continue to retire. In late February, the States of Massachusetts, Connecticut, and Rhode Island jointly unveiled a draft for solicitation for clean-power sources that would likely need new transmission to be connected to the grid. They include cost of RFPs for our power purchase agreements as well as for the construction of transmission that would tap



into clean energy. The schedule remains in draft, but we believe that the final RFP will be issued late in the second quarter, with responses due late in the third quarter. That would allow contracts to be signed by year end, and subject to regulatory reviews next year.

We believe we will be well positioned in an RFP process to build transmission that connects significant clean-energy sources to the region. We do have other potential projects besides Northern Pass that we may fit into the RFP as well, and we will make those public at an appropriate time.

Now, I would like to turn the call back over to Jeff.

Jeffrey Kotkin - Eversource Energy - VP of IR

Thank you, Lee. I'm going to return the call to Christine just to remind you how to enter questions. Christine?

QUESTION AND ANSWER

Operator

Thank you.

(Operator Instructions)

Jeffrey Kotkin - Eversource Energy - VP of IR

Thank you, Christine. Our first question this morning is from Julien Dumoulin-Smith from UBS. Good morning, Julien.

Julien Dumoulin-Smith - UBS - Analyst

Good morning. A first quick question, and taking off on the last comment you all made there, if I can ask, can you elaborate a little bit about other potential projects? I know you said specifically you would provide some more information later.

But is the prospect of this being an alternative to Northern Pass? Or how do you think about that as a parallel or alternative to Northern Pass as you see this RFP process moving forward?

Lee Olivier - Eversource Energy - EVP Enterprise Energy Strategy and Business Development

This is Lee Olivier. I don't see them being an alternative for Northern Pass chiefly because of the fact that Northern Pass is essentially hydro power. It's firm, it's fixed, it's large, it has a very high capacity factor. HVAC lines usually operate in the high 90%.

I don't see these other sources as an alternative to it because those other sources would be a combination of wind and in some cases wind with a mixture of run-of-the-river hydro. So, they wouldn't have the capacity factor. They wouldn't have kind of the certainty that you would have with Northern Pass.

However, by their nature, the wind certainly is Class I renewables, highly desirable, and there is an opportunity to tap into wind resources in Northern New England and in New York, as well, and potentially over time in the Maritime Provinces. So there is a lot of potential, but all of that or most of that wind would require additional transmission to interconnect into it, but I don't see it as a substitute for Northern Pass.

Julien Dumoulin-Smith - UBS - Analyst

Excellent. And so to that extent do you have any sense, at least under the RFP terms, what the timeline would be? And ultimately, any sense of magnitude of potential spend on that front? I know obviously it's very early days, but perhaps I can continue to harp on that.



Lee Olivier - Eversource Energy - EVP Enterprise Energy Strategy and Business Development

Yes. Right now we would expect to have the draft out by the end of the second quarter for the RFP, and we could expect it's due sometime probably I'm guessing around the late August/September timeframe, and contracts awarded by the end of this year, early next year in approval sometime in 2016. And in terms of the total cost that the states are willing to spend on either power purchase agreements for clean energy or infrastructure, that's really not been determined yet.

And I think what will happen there is that the states will put the RFP out. They will get bids in. They will evaluate the bids, and they will evaluate them from a number of standpoints. Obviously cost, sitability, the amount of Class I energy that they can bring, the amount of firm, fixed energy, the times of the day, and then they'll make a decision, they'll get there on how much money they want to spend at that period of time.

Julien Dumoulin-Smith - UBS - Analyst

But you ultimately see your involvement in bringing some of that Class I wind down into your respective service territories? Is that kind of ballpark?

Lee Olivier - Eversource Energy - EVP Enterprise Energy Strategy and Business Development

We do. We do. We see that in fact as a big part of our future.

And even once you achieve the common goals of approximately 20% renewable portfolio in the region, as everyone knows the carbon reductions go down to 80% reduction and the renewables continue to go up over a period of time. So we see more Class I renewables, wind, and other interconnections to either Northern New England or Canada.

Julien Dumoulin-Smith - UBS - Analyst

And sorry. The first question was kind of a focus on the last comment you made. Bigger picture question here. In terms of the open season, can you comment on the progress and the interest across the variety of parties you are talking to just as?

Lee Olivier - Eversource Energy - EVP Enterprise Energy Strategy and Business Development

I think -- yes, this is Access Northeast you mean?

Julien Dumoulin-Smith - UBS - Analyst

Yes, exactly.

Lee Olivier - Eversource Energy - EVP Enterprise Energy Strategy and Business Development

Yes. I would say the interest has been very, very high. And as you know between Eversource and National Grid there is approximately 70% of the EDC customers in the region that have agreed to go forward with the project.

And then there is a number of other EDCs that we are having conversations with now. EDCs, in some cases LDCs. We are having a conversation with some generators with expressions of interest around the line to interconnect into the line. So I would say that the open season has gone very, very well for us.

Julien Dumoulin-Smith - UBS - Analyst

Well, congratulations. Thank you for the time.

Lee Olivier - Eversource Energy - EVP Enterprise Energy Strategy and Business Development

Thank you.

Jeffrey Kotkin - Eversource Energy - VP of IR

Thank you, Julien. Next question is from Dan Eggers from Credit Suisse. Good morning, Dan.

Dan Eggers - Credit Suisse - Analyst

Good morning. Lee, just on Julien's line of questioning on the New England transmission and clean energy projects, are they targeting a certain number of megawatts or are thinking about firm capacity, trying to set the boundaries for the threshold, or is it an option where they're going to take all bids that could qualify and then decide some balance of size and cost as they deem prudent?

Lee Olivier - Eversource Energy - EVP Enterprise Energy Strategy and Business Development

I really think it's more of the latter. I mean, each of these states has quantities for Class I renewable, and Connecticut can go up to approximately 200-250 megawatts of hydro. That's built into their statute.

But I think more what they are likely to do is they want to get the bids in. And they go through a comprehensive analysis of really the value of the bids. In other words, can these projects get built?

Is there a counterparty on the other end of the transmission line? What are the capacity factors? What is the total contribution to RPS portfolio? The total contribution to carbon reduction? Are these resources available during the most challenging periods of the year, which in the case of New England are the four winter months? And they are going to evaluate those against those and other criteria that are very similar and then they are going to look at where do they want to put their money.

Dan Eggers - Credit Suisse - Analyst

Okay. Got it. And then I guess just on the kind of FERC decision to allow generators to procure your subsidized fuel purchases in advance in this interim period, is there a limit in the region where you run into environmental compliance or performance standards at the state or federal level as oil takes presumably more share?

Lee Olivier - Eversource Energy - EVP Enterprise Energy Strategy and Business Development

Yes. There are limits on all of these old units that burn oil. They are limited to either so many tons or so many days of operation. Each state is a little bit different.

Now, obviously, if it ran up against whether you keep the lights on or off, I am sure each of the operators, including ourselves, would seek relief on that. But there are limits to how much carbon that you can put, but it's different by state.

Dan Eggers - Credit Suisse - Analyst

So is carbon the limitation, or is it kind of like a NOx, SOx, particulate issue?

Lee Olivier - Eversource Energy - EVP Enterprise Energy Strategy and Business Development

Well, it's more NOx, SOx but as you know it directly leads to carbon as well. The direction of the region is to move to clean energy sources.

As you heard by my comments, during peak days in February 40% of all of the energy we were producing was either from coal or oil. So, clearly the policymakers want to move in the opposite direction.

Dan Eggers - Credit Suisse - Analyst

Okay. And then I guess just if I'm trying to balance out for the quarter how much weather help versus normally you guys had, obviously continued decoupling like CL&P's reduced that amount of exposure, but is the total balance just going to be the \$0.02 you guys saw on the gas utility side and then some savings in O&M? Where should we calibrate like a proper weather normalized number?

Jim Judge - Eversource Energy - EVP & CFO

I think the answer, Dan, is probably about \$0.03. We did have sort of a significant increase in gas sales for the quarter and 20% higher heating degree days really drove that. So, approximately \$0.03 versus normal.

Dan Eggers - Credit Suisse - Analyst

Okay. So, even adjusting for the O&M and kind of the rebalancing of more O&M this quarter because you couldn't do capital, the \$0.03 is the good starting point?

Jim Judge - Eversource Energy - EVP & CFO

It is.

Dan Eggers - Credit Suisse - Analyst

Very good. Thank you, guys.

Jeffrey Kotkin - Eversource Energy - VP of IR

Thanks, Dan. Next question is from Greg Gordon from Evercore. Good morning, Greg.

Greg Gordon - Evercore ISI - Analyst

Good morning, guys. Most of my questions have been answered. Can you go through what you think the base case is for the timing of divestiture fully through the New Hampshire process, when you will have sort of the capital returned to you from the sale of that asset when you get the securitization bonds, and then what the use of proceeds would most likely be and over what timeframe?

Jim Judge - Eversource Energy - EVP & CFO

Sure. Hi, Greg. This is Jim. We will be filing the settlement, comprehensive settlement. We have an agreement in principle with those state parties that I mentioned. We will be filing it in May, hopefully by mid-May. We expect most of 2015 to be spent at the PUC up there reviewing the settlement.

We do have a broad-based coalition in support of it. So we are optimistic the settlement will be approved. Also, this year the securitization legislation is progressing, and we expect that to be approved by the House and then signed by the Governor in the summer.

So that puts us into 2016. I think 2016 will be the period where we will actually execute the divestiture and anticipate the awarding of the winning bids in late 2016. We will then securitize whatever is not recovered in that transaction, and the use of those proceeds will be applied to future transmission projects to the extent that they appear.

We could use the cash to support that. Or it would be a return of capital and we would also consider a potential not only buydown of debt, but share buybacks, as well, if there wasn't a better use of those proceeds.

Greg Gordon - Evercore ISI - Analyst

Great. So the earnings power of those assets really runs through, for all intents and purposes, the end of FY16?

Jim Judge - *Eversource Energy - EVP & CFO*

It does. In fact there is an increase because January of 2016 the full scrubber will be in rates whereas right now only about two-thirds of the scrubber is in rates.

Greg Gordon - *Evercore ISI - Analyst*

Great. And then you get that capital returned to you sort of on or around year end 2016, first quarter 2017, and then redeploy that capital accordingly?

Jim Judge - *Eversource Energy - EVP & CFO*

That's correct.

Greg Gordon - *Evercore ISI - Analyst*

Thanks. Take care.

Jeffrey Kotkin - *Eversource Energy - VP of IR*

Next question is from Travis Miller from Morningstar. Good morning, Travis.

Travis Miller - *Morningstar - Analyst*

Good morning. Thank you. I was wondering now that oil prices we've had down low for quite a while, even to the extent that a lot of people are forecasting low forever, what has that done to your switching estimates in terms of customers switching from fuel oil to natural gas?

Are those -- have you revised any of those? Are you seeing any kind of change there in terms of willingness and economics to switch?

Jim Judge - *Eversource Energy - EVP & CFO*

Well, there's no question that sort of the reduction in oil prices reduces the benefit of the conversions, but what I can tell you is that the target that we had in 2013 was about 9,000 customers and we got 10,000.

I think we had a target last year of 10,000. We got about 10,600. So we've been exceeding targets.

And we're pleasantly surprised to see that our target for the first quarter of this year that we had budgeted about 1,800 conversions and we actually finished the quarter at 2,050.

No question the economics are impacted. Previously, it was a four-year payback for a residence to recover the cost of the furnace conversion, and now maybe it's increased by a year or two in terms of the payback. But thus far we've been pleasantly surprised at the volume of conversions we have been able to achieve.

Travis Miller - *Morningstar - Analyst*

That's great. And then the political support continues to be behind the conversions as well?

Jim Judge - *Eversource Energy - EVP & CFO*



That's correct. Not only political support, but there's new cost recovery mechanisms in place in Connecticut, and in Massachusetts they are considering doing the same thing.

Travis Miller - Morningstar - Analyst

Great. Thanks a lot.

Jeffrey Kotkin - Eversource Energy - VP of IR

Thanks, Travis. Next question is from Andrew Weisel from Macquarie. Good morning, Andrew.

Andrew Weisel - Macquarie Research Equities - Analyst

Good morning, everyone. First question on Access Northeast. After the conference of governors last week, do you have a sense of how quickly politicians and regulators might actually tweak the rules, specifically in Connecticut and Massachusetts? Then the second part of that question is how likely is it that all six states will participate and does that even matter if Connecticut and Massachusetts are able to approve the project?

Lee Olivier - Eversource Energy - EVP Enterprise Energy Strategy and Business Development

Andrew, this is Lee. Your first question, was it the timing issue of how quickly will they move?

Andrew Weisel - Macquarie Research Equities - Analyst

Yes.

Lee Olivier - Eversource Energy - EVP Enterprise Energy Strategy and Business Development

I think they will move very quickly. As you know there are dockets open in New Hampshire and Massachusetts. And Connecticut is pushing this bill through.

So, they are doing this clearly with the intent of trying to head off the problems that we see in the rise of wind generation, with Brayton Point, as an example, and Bridgeport Harbor retirements. So there's a strong sense that we need to get a pipeline upgrade in service by the winter of 2018/2019.

So, I would see that there would be a very timely movement forward on this thing. I would say that the project, by the middle of this year, will have in front of the EDCs, and I would believe the EDCs will have Access Northeast in front of regulators by the middle of this year.

And assuming legislation passes in Connecticut, we don't need other legislation in the region, and the PUCs would be set up to make a decision by the end of this year on the project. In regards to all of the states, clearly, Maine is already out with a solicitation for 200,000 dekatherms.

I attended the Northeast Conference of Governors last week and Governor LePage co-hosted the meeting along with Governor Malloy, and he and his energy secretary are talking very aggressive around getting this to action. That's their statements. No more talk, we need action.

And I would say it's equally with the secretaries of energy in Massachusetts and in Connecticut. And certainly with the fact that New Hampshire has opened up its own docket investigating the wholesale supply issues in terms of pricing in New Hampshire, said that they are going to move very quickly.

And Rhode Island is already there. So it's likely it could be all six states, but it's more likely a five out of the six that will move forward in support of upgrades of gas infrastructure.

Andrew Weisel - Macquarie Research Equities - Analyst



Great. Very helpful. Then on Northern Pass, it looks like you filed an entry into the ISOs electric transmission upgrades queue for a 1,090-megawatt line. Could you talk about what that is, why you added it, and is that an alternative or a tweak to Northern Pass?

Lee Olivier - Eversource Energy - EVP Enterprise Energy Strategy and Business Development

It's really, what it does is provides us an option. Clearly, in the DOE/EIS study they are studying a number of ranges around the project modifications to the projects, different routes on the project, and potentially some additional undergrounding in the project.

Basically, this option to go with a 1,090 would suggest using a different technology. It's just an option.

Our preferred route, our stated route is this 1,200-megawatt 187-mile route as we've laid it out to the DOE. But we want to make sure that we have alternatives that could be approved through the ISO I-3.9 process that would support the DOE outcome, whatever that may be.

Andrew Weisel - Macquarie Research Equities - Analyst

Makes sense. Then lastly appreciate the clarity on the next rate cases for a bunch of your subsidiaries. Just to clarify, after the NSTAR gas case is done, when would be the next rate case that you'll file?

Jim Judge - Eversource Energy - EVP & CFO

Obviously, Andrew, we'll decide that going forward. We are not obligated to file any rate cases after this NSTAR gas one until 2017.

I think in 2017 Connecticut Light and Power is expected to file another case and NSTAR Electric would likely as well. But until then we are in control of our own destiny in terms of filing a case if we feel it's necessary and appropriate.

Andrew Weisel - Macquarie Research Equities - Analyst

Thank you very much.

Jeffrey Kotkin - Eversource Energy - VP of IR

Thank you, Andrew. Next question is from Shar Pourreza from Guggenheim. Good morning, Shar.

Shar Pourreza - Guggenheim Partners - Analyst

Good morning, everyone. Most of my questions were answered.

But just one on the PSNH generation sale, can you just remind us what you're under earning on those assets and whether we could see that capital deployed at a relatively quicker pace upon the sales? So some accretive opportunities?

Jim Judge - Eversource Energy - EVP & CFO

Sure. We've been earning approximately 8.5%. And the primary reason for that is that some of the scrubber costs have not been allowed into rates. The stipulated return on equity for generation is 9.81%.

So we expect to see earning more beginning in January of 2016 when the full scrubber is included in rates. And as I said the proceeds of the transaction late 2016, early 2017 in terms of the sale and the securitization of the balance. We will look at what our best investment opportunities are at that time.



And we do come up with projects periodically that, transmission projects or what have you, that could use that funding. Or, as I said, we would certainly entertain as an alternative paying down capital both in the form of debt capital as well as share buybacks. So, we will assess the best use of those proceeds a year and a half from now.

Shar Pourreza - Guggenheim Partners - Analyst

Got it. And then just on Access Northeast. Given Eversource and National Grid's obviously takeaway capacity as well as EDC and LDC interest, is there an opportunity given the stays that we're at now to look to upside that a little bit over a B a day?

Lee Olivier - Eversource Energy - EVP Enterprise Energy Strategy and Business Development

Yes. This is Lee Olivier. There is an opportunity. One of the aspects of our project is that it's, if you will, kind of like a just in time project.

It's scalable. We are talking about a BCF today and that's a combination of pipeline and energy storage, which will be crucial to the region. But both our pipeline, the Spectra pipeline, the Algonquin can be upgraded over time.

It can be scalable over time along with energy storage up to -- over two BCF. But the beauty of this project is you build for what you need versus building a large pipeline that for eight months out of the year has a very low utilization. We will have a very high utilization on this initiative.

Shar Pourreza - Guggenheim Partners - Analyst

Excellent. Thanks so much.

Jeffrey Kotkin - Eversource Energy - VP of IR

Thanks a lot. Our next question is from Paul Patterson from Glenrock. Paul, good morning.

Paul Patterson - Glenrock Associates - Analyst

Good morning. Just to sort of follow up on Andrew's questions on this -- I just want to make sure I understand. With the Massachusetts DPU, this is with the Access Northeast, with the Massachusetts DPU and the Connecticut legislature, what is the timeframe they have to act, I guess, in these cases, or legislation in the case of Connecticut, vis-a-vis the FERC process if you follow me? Is there any sort of controlling factor here that we should be thinking about?

Lee Olivier - Eversource Energy - EVP Enterprise Energy Strategy and Business Development

I think realistically we need a decision in the fourth quarter this year from we'll say the PUCs on the selection of Access Northeast if indeed we want to have the pipeline portion of the project in service by the winter of 2018/2019. And the pipeline piece, you know, it's about one-half a BCF. So we need decisions approximately by the end of this year.

We will do a FERC pre-filing of the project either late in the third quarter, early in the fourth quarter, and then file the full filing in 2016, the middle of 2016. So the timing is that we'll work on getting the -- precedent agreements signed by the end of June. We will get those before the PUCs in the third quarter, and we need a decision in the fourth quarter because we really want to file our pre-filing with FERC like I said late in the third, early in the fourth quarter.

Paul Patterson - Glenrock Associates - Analyst

Okay. Great. And how much of this would you say of the open season is likely to go, just roughly speaking, to EDCs versus traditional, more traditional gas customers?

Lee Olivier - Eversource Energy - EVP Enterprise Energy Strategy and Business Development



I would think the majority of this will go to EDCs with a potential of, obviously, we will have some LDC load as well. And then there are some generators that we are in conversations with that we'd like to take gas from it.

They don't know if they want to do a long-term contract or do they just want to build a lateral into it. So, they build a lateral in, it's like a generator and a connection. They pay for that lateral.

But then they have X amount of output, some of which could be very large, that they would have available to their plants over the long term. They would buy off the market through that lateral off of Access Northeast.

Paul Patterson - Glenrock Associates - Analyst

Okay, great.

Lee Olivier - Eversource Energy - EVP Enterprise Energy Strategy and Business Development

That's probably more likely in that scenario.

Paul Patterson - Glenrock Associates - Analyst

Okay. Great. And then with Northern Pass, the -- I just wanted to sort of understand. You mentioned the testing and everything that might be happening.

When do you think Northern Pass capacity would be available? Do you think it could be available for the Forward Capacity Auction10? I am just wanting to make sure that I sort of -- when Northern Pass might actually be able to be actually entering into the capacity market in New England or --

Lee Olivier - Eversource Energy - EVP Enterprise Energy Strategy and Business Development

Yes. I think it's probably more in the 2020 timeframe.

Paul Patterson - Glenrock Associates - Analyst

Okay, great. Finally, you mentioned LePage and I have to -- he mentioned recently, and I know it's not your service territory, he's recently mentioned about utilities actually owning generation, and I was wondering if that's something that you are hearing among other states as well potentially, or is that just him?

Lee Olivier - Eversource Energy - EVP Enterprise Energy Strategy and Business Development

I have not heard that is a thing among any of the other states that we do business in.

Paul Patterson - Glenrock Associates - Analyst

Okay. Great. Thanks so much.

Jeffrey Kotkin - Eversource Energy - VP of IR

Thank you, Paul. Next question is from Michael Lapidès from Goldman Sachs. Good morning, Michael.

Michael Lapidès - Goldman Sachs - Analyst



Good morning, guys. Congrats on a good quarter. Jim, real quick question. The \$12.4 million after-tax charge related to the FERC/ROE decision, what line item does that impact? And you have left that and you have done this previously in historicals in ongoing earnings.

When should we start backing that out? Like will that be a non-recurring event beginning this quarter next year, or will it start earlier than that, sometime in the next couple of quarters?

Jim Judge - Eversource Energy - EVP & CFO

It's in the revenue line, Michael. It probably has about a \$0.01 drag on earnings going forward on an annual basis. We had several items, as I talked about, in this quarter.

The FERC/ROE final decision. We had the bad debt remand in Massachusetts as well as the comprehensive settlement of 11 dockets in Massachusetts that were open. The net of all of those was basically a push.

In other words we had planned on all three taking place. Some came in higher than we expected. Some came in lower than we expected.

But these are sort of -- this is our core bread and butter, right? We are probably among the most purist T&D regulated utilities. So when we get a rate order like this anymore than when we got the FERC order last year, we took it to recurring earnings.

That's the case here. We don't think anything here should be cut out as a one-time non-recurring item. It's traditional rate making, which is the business that we are in.

Michael Lapidès - Goldman Sachs - Analyst

Got it. But when I think about let's say the rest of this year, if you've already had a couple of quarters of taking some of the FERC/ROE charges that ramps down during the course of this year. I'm just trying to true things up to what a normalized would be after 2015.

Jim Judge - Eversource Energy - EVP & CFO

Yes. The 10.57% is what we're assuming going forward is the rate. We still do have two dockets open to complaints, as you know.

But we do anticipate that that's going to be expected to be within the range of reasonableness, and that would be the rate set going forward. This limitation or clarification that the FERC has made on the ROE cap is about a \$0.01 hit from what we had anticipated previously.

Michael Lapidès - Goldman Sachs - Analyst

Got it. And then the last question—is the discussion about potential legislation in Massachusetts similar to the one in Connecticut for conversions.

Do you just need legislation for that? Can that be accomplished via regulation without having to get the state assembly involved? And if so what's the timeline or kind of the process you think that takes?

Jim Judge - Eversource Energy - EVP & CFO

We already have the legislation in Massachusetts. It would be up to the PUC, the Department of Public Utilities in Massachusetts to pursue a similar program to what we're doing in Connecticut.

Michael Lapidès - Goldman Sachs - Analyst

Got it. They have the legislation. They just need to enact enabling regulation and put it into place?



Jim Judge - *Eversource Energy - EVP & CFO*

They do.

Michael Lapides - *Goldman Sachs - Analyst*

Thanks, guys. Much appreciated.

Jeffrey Kotkin - *Eversource Energy - VP of IR*

Thanks, Mike. Next question is from Stephen Byrd from Morgan Stanley. Good morning, Stephen.

Stephen Byrd - *Morgan Stanley - Analyst*

Good morning. Just had one question just on Access Northeast. There's a competitor project as well.

When you look out at total demand and think about the prospects, do you see the potential really for there being enough demand for both projects to move forward? How do you think about aggregate demand and how these projects would fit into that picture?

Lee Olivier - *Eversource Energy - EVP Enterprise Energy Strategy and Business Development*

I guess the way I look at that -- this is Lee Olivier, is that you've got a problem for like four months out of the year. And that problem will grow as these older oil- and coal-fired power plants shut down over time. So the winter problem will continue to grow.

And so you will continue to need more supply in that four-month period of time. So, essentially in the November through into March period of time. The remainder of the year there it would potentially -- the two major pipelines, there will be a glut of gas.

You are probably not going to have very good utilization in these assets. And so our view is you need assets that are scaled and designed around what the problem is, which is why we think this is a very good solution for New England. And even with our line, clearly the demand would be very, very high in the winter period of time.

But there would be lots of gas at very low prices, very low differential prices from the Marcellus area in the New England during the deep periods of the summer and also across the shoulder periods of spring and fall. So we think it's -- we can't think of a rationale to build two very, very large projects at this point in time.

Stephen Byrd - *Morgan Stanley - Analyst*

Understood. If I'm following that it's really the issue of major overcapacity during the non-peak demand periods that would cause utilization to kind of be an issue if you had both move forward?

Lee Olivier - *Eversource Energy - EVP Enterprise Energy Strategy and Business Development*

Yes. And do you want to pay for that? Do you want to pay for a lot of capacity that sits idle or partially idle for eight months out of the year?

Stephen Byrd - *Morgan Stanley - Analyst*

That's very helpful. Thank you very much.

Jeffrey Kotkin - *Eversource Energy - VP of IR*



Thanks, Stephen. Next question is from Caroline Bone from Deutsche Bank. Caroline?

Caroline Bone - Deutsche Bank - Analyst

Good morning, guys. I'd like to just follow up on an earlier question that I think it was Paul had asked on Access Northeast.

Lee, I think you said that you'd only expect to have one-half of B of capacity in service by 2018. Is that what you guys had originally contemplated, and would that one-half of B of capacity cost \$3 billion?

Lee Olivier - Eversource Energy - EVP Enterprise Energy Strategy and Business Development

No. What we contemplated in this project is having a BCF, approximately a BCF between 2018-2019 with 2018 pipelines coming in service and the 2019 LNG coming in service. And what we would do is we would look at bridging contracts in between those with existing LNG facilities.

But if you look at the \$3 billion contract, not the all of that was geared towards -- to the EDCs. There's approximately \$600 million to \$700 million that was geared towards interconnecting LDCs as well.

Caroline Bone - Deutsche Bank - Analyst

So that spending will take place, just not on the pipeline at the same time and parallel to the construction or the expansion of the pipeline?

Lee Olivier - Eversource Energy - EVP Enterprise Energy Strategy and Business Development

It will actually happen all in a similar timeline.

Caroline Bone - Deutsche Bank - Analyst

Okay. Great. And then just one follow-up on Northern Pass. Can you just help us better understand what the delay might mean for your capital plans? If anything really significant?

Jim Judge - Eversource Energy - EVP & CFO

There isn't really any major shift. The spending will be largely incurred through 2018 absent the fact that the testing is going to have to delay until we get through the winter period. But we provided CapEx guidance for our transmission projects, including Northern Pass.

When we look at the shifts there are some other shifts going the other way. In particular we have refined our estimates to the greater Hartford project and the greater Boston project as well, which actually advanced some spending from what we thought previously. So, the CapEx that we provided start of the year is still sort of valid from our perspective.

Caroline Bone - Deutsche Bank - Analyst

That's very helpful. Thanks.

Jeffrey Kotkin - Eversource Energy - VP of IR

Thanks, Caroline. Our next question is from Steve Fleishman from Wolfe. Good morning, Steve.

Steve Fleishman - Wolfe Research - Analyst

Hi. I may just more bluntly ask the same question. Just in terms of your targeted 6% to 8% growth rate, the move in Northern Pass, the potential shift of stuff, that growth rate is still good? No -- this doesn't affect that at all?

Jim Judge - Eversource Energy - EVP & CFO

Doesn't affect it at all. We're still comfortable with the long-range growth rate of 6% to 8% through 2018.

Steve Fleishman - Wolfe Research - Analyst

Is there a year-to-year issue?

Jim Judge - Eversource Energy - EVP & CFO

Pardon me?

Steve Fleishman - Wolfe Research - Analyst

Is there a year-to-year issue that comes up from that? Or are you thinking more back-ended than before?

Jim Judge - Eversource Energy - EVP & CFO

As I say, we've had some shifting in terms of Northern Pass cash flows. But there have been shifts forward of other projects as we refined our estimate. So we continue to be very comfortable.

We are more confident than ever I would say on the two projects, Northern Pass and Access Northeast, based upon the groundswell in support that we are getting not only from governors but energy policy makers throughout the region. When you have customers now seeing in Massachusetts energy service rates of \$0.15 a kilowatt hour, there is a lot of public reaction.

I think people realize that even if we move quickly here, these projects are not going to be solved next winter or the winter after that, or the winter after that. But if we move quick enough we can get resolution to these problems in the 2018-2019 winter.

I think there's more momentum for these projects than we've ever had. Who knows? There may be additional projects down the lines that may further enhance the 6% to 8% growth rate going forward.

Jeffrey Kotkin - Eversource Energy - VP of IR

Next question is from Greg Gordon from Evercore again. Greg? Okay. All right.

Well, it looks like we don't have any more folks in the queue. If there is any follow-up questions please give us a call. Thank you very much for joining us this morning.

Operator

Thank you. And thank you, ladies and gentlemen. This concludes today's conference. Thank you for participating. You may now disconnect.



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