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EDITED TRANSCRIPT

ES.N - Q1 2021 Eversource Energy Earnings Call

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OVERVIEW:

Co. reported 1Q21 EPS of \$1.06. Expects 2021 EPS towards lower end of \$3.81-3.93 range, including \$0.07 per share impacts of credits.

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PRESENTATION

Operator

Good morning, and welcome to the Eversource Energy First Quarter 2021 Results Conference Call. My name is Brandon, and I'll be your operator for today. (Operator Instructions) Please note, this conference is being recorded.

And I will now turn it over to Jeffrey Kotkin. You may begin, sir.

Jeffrey R. Kotkin - Eversource Energy - VP of IR

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

During this call, we'll be referencing slides that we posted this morning on our website. And as you can see on Slide 1, 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 U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on management's current expectations and are subject to risks and uncertainty, which may cause the actual results to differ materially from forecasts and projections. These factors are set forth in the news release issued this morning.

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, 2020. Additionally, our explanation of how and why we use certain non-GAAP measures and how those measures reconcile to GAAP results is contained within our news release and the slides we posted this morning and in our most recent 10-K.

Speaking today will be Joe Nolan, our new President and Chief Executive Officer; and Phil Lembo, our Executive Vice President and CFO. Also joining us today are: John Moreira, our Treasurer and Senior VP for Finance and Regulatory; and Jay Buth, our VP and Controller.

Now I will turn to Slide 2 and turn over the call to Joe.

Joseph R. Nolan - *Eversource Energy - President, CEO & Trustee*

Thank you, Jeff. We hope that all on the phone remain healthy and that your families are safe and well.

Over the past couple of years, I've spoken to many of the investors who are on this call when I've joined Jim, Phil and Jeff, at various industry conferences, including the last couple of EEI finance conferences. I'm looking forward to meeting many more of you over the coming years and sharing my optimism and enthusiasm for Eversource's future and excellent investment thesis.

I'm grateful to the Eversource Board of Trustees and to Jim for allowing me to lead an incredibly dedicated and high-performing organization. I'm also thankful that Jim will remain a full-time employee of Eversource as Executive Chairman. In approving these executive level changes, the Eversource Board is signaling its confidence in our long-term strategy that focuses on our core regulated business with an exciting investment in offshore wind.

We are in a world where customer service, safety and reliability have never been more important. We will never forget that we would not be in the business without our 4.3 million customers. They are our top priority. Customers pay the bills, and they deserve the reliable and safe utility service that we must provide.

Over the coming decades, the tens of billions of dollars we will invest in our energy and water delivery systems will be critical in helping New England prepare for a clean energy future, and we expect to be a central catalyst for that clean energy transition.

This morning, I want to cover a couple of topics associated with Eversource's energy initiatives and then turn over the call to Phil. But first, I need to address our company's relationship with Connecticut. We have thousands of employees in Connecticut who work hard each day to provide our 1.7 million natural gas, water and electric customers with the most reliable and responsive service possible.

During emergency situations, which we have had far too often over the past year due to the historic storm levels, they are working up to 16 hours a day for as many days as it takes to ensure that our customers have their service restored promptly and safely, even in a pandemic. So, I cannot tell you how painful it was for me to read certain elements of the Tropical Storm Isaias decision that was released on April 28. It did not reflect the hard work of our dedicated employees in the company I've been chosen to lead.

Our customers, PURA and our company all want the same thing, great service each and every day of the year. And when there is a storm event, power restoration as safely and quickly as possible. The women and men of Eversource work hard each and every day to meet these expectations.

The PURA order on storm response clearly identified areas for improvement. We know we have to work to do not only our response plan, but also on our relationship with PURA. This was apparent from the April 28 decision and a subsequent notice of violation. I can assure you that we hear this loud and clear and already doing all we can to improve on both counts.

Turning to our clean energy initiatives. You are probably aware of the climate legislation that Massachusetts Governor Baker signed into law earlier this spring. Among many elements, the law will allow each of the state's utilities to build up to 280 megawatts of solar generation. NSTAR Electric will be able to increase its level of solar generation in rate base from 70 megawatts to 350 megawatts. As Phil mentioned during our year-end earnings call, we have budgeted approximately \$500 million for this initiative from 2022 to 2025.

The other item with direct impact on us is a 2,400-megawatt expansion of Massachusetts offshore wind authorization from 3,200 megawatts to 5,600 megawatts. This expansion will help keep the state at the forefront of offshore wind development in the United States.

As you can see on Slide 2, there are now more than 10,000 megawatts of unawarded offshore wind authorizations in Southern New England and New York with Massachusetts set to award up to 1,600 megawatts later this year. In fact, a Massachusetts RFP was just issued on Friday of last week.

Our offshore wind partnership with Ørsted is very and dear to my heart since I have overseen that relationship and worked closely with our partner in recent years. It is an important element of our clean energy growth strategy, and we have had a number of positive offshore wind developments already this year.

Starting with Slide 3, in early January, the Bureau of Ocean [Energy] (added by company after the call) Management, or BOEM, released its draft environmental impact statement on the South Fork project. Comments were received by late February, and we expect to see a final EIS late this summer. BOEM is scheduled to rule on our final federal permits for that project in January of 2022.

Assuming that the January date is met, we expect to begin construction early next year and complete the project in late 2023. Additionally, in late March, the New York Public Service Commission approved the necessary New York State siting permit for the project while the local town and trustees of East Hampton approved the local real estate rights required for the project.

Turning to Revolution Wind. Late last month, BOEM released its schedule for reviewing the 704-megawatt project. The schedule calls for a final environmental impact statement to be issued in March of 2023, and for a final decision on a construction and operating plan by the end of July 2023. The release of that schedule represents a significant step forward for this project.

Revolution Wind and South Fork are two of only three projects in the Northeast that have achieved that milestone. Over the coming months, we and Ørsted will be reviewing the BOEM and state of Rhode Island permitting process to develop a projection for the Revolution Wind construction schedule. Finally, we expect to receive a BOEM review schedule for our 924-megawatt Sunrise Wind project later this year.

We continue to make significant progress in preparing for the commencement of construction. Over the past couple of months, we have announced agreements with two critical ports that will serve as staging grounds for construction. New London, Connecticut will serve as a hub for turbine construction and Providence, Rhode Island will be the center for foundation construction. Enormous economic benefits will accrue to these communities as a result of their role in our construction activities, including hundreds of direct jobs.

We are also very encouraged by the extremely positive signs we see from Washington. President Biden has underscored his support for offshore wind construction along the Atlantic seaboard and has marshaled multiple members of his cabinet to support it. The goal is to have about 30,000 megawatts of offshore wind turbines operating in the U.S. by 2030. We expect to be a significant contributor to that output through our partnership with Ørsted. Already, more than 1,750 megawatts are under contract to serve load in Connecticut, New York and Rhode Island.

Again, I look forward to speaking with many of you at the AGA virtual conference later this month. Now I will turn over the call to Phil.

Philip J. Lembo - Eversource Energy - Executive VP & CFO

Thanks, Joe. This morning, I'll cover a couple of topics. I'll review the results of our first quarter 2021 and add to some of the regulatory developments in Connecticut and at FERC.

So, I'll start with Slide #4 and noting that earnings were \$1.06 per share in the first quarter compared with earnings of \$1.01 per share in the first quarter of 2020. Results for both years included after tax costs associated with our recent acquisition of the assets of Columbia Gas of Massachusetts, and that's \$0.02 per share this year and \$0.01 per share in 2020.

Results for our electric distribution and natural gas distribution segments showed the most significant changes year-to-year. Electric distribution earned \$0.27 per share in the first quarter of this year compared with earnings of \$0.39 per share in the first quarter of 2020. Lower results were driven by a couple of principal factors. The first is that we recorded a charge of \$30 million or \$0.07 per share, primarily to reflect customer credits of \$28.4 million and an additional penalty of \$1.6 million to be paid to the State of Connecticut. These credits relate to a notice of violation that Connecticut regulators announced last week as a result of our performance in restoring power following the catastrophic impact of Tropical Storm Isaias last August. The docket established by PURA to review the penalty is scheduled to run through mid-July of this year.

Additionally, electric distribution results were negatively affected by approximately \$20 million of higher storm-related expenses in the first quarter of 2021, and that's compared to a pretty quiet and warm first quarter in 2020. And in fact, in this quarter, we experienced 31 separate storm events across our 3 states versus fairly limited activity in Q1 of 2020.

So, by contrast, our natural gas distribution segment showed a sharp increase in earnings because it's now about 50% larger than it was a year ago. It earned \$0.43 per share in the first quarter of 2021 compared with earnings of \$0.26 per share in the first quarter of 2020, improved results were due primarily to the addition of Eversource Gas of Massachusetts, which earned \$0.14 per share in the quarter.

In addition, we had higher revenues at NSTAR Gas and Yankee Gas, and these were partially offset by higher O&M and depreciation expense. I should note that the transition process for Eversource Gas of Massachusetts continues to progress extremely well as we continue to migrate off of NiSource business systems and onto Eversource platforms, reducing costs and improving service. To date, more than 80% of the business processes have been transferred to Eversource from NiSource. Great progress has been made. Eversource ownership of the distribution system is being well received by customers, communities and employees. And we continue to meet or exceed the financial and operational targets we've set for ourselves.

On the electric transmission segment, we earned \$0.39 per share in the first quarter of 2021 compared with \$0.38 per share in the first quarter of 2020. Improved results were driven by a higher level of investment in transmission facilities, and this was partially offset by dilution of additional shares issued.

Our water distribution segment earned \$3.6 million in the first quarter of 2021 compared with earnings of \$2.1 million in the first quarter of last year. Improved results were due largely to lower interest expense and a lower effective tax rate.

As you may have noticed, last month, Aquarion announced an agreement to purchase a small investor-owned water system that is based in Connecticut, but also serves portions of Massachusetts and New Hampshire. New England Service Company, as it's called, serves about 10,000 customers in the 3 states and has a rate base of about \$25 million. This acquisition is consistent with the growth strategy we've discussed for our water delivery business. And assuming timely regulatory approvals, we expect to close the transaction by the end of this year and for it to be accretive right away in 2022.

Rounding out the reconciliation, Eversource parent lost \$0.02 per share in the first quarter of 2021, and that's excluding the Eversource Gas of Massachusetts transition cost, the same as during the first quarter of last year. So, \$0.02 in each year.

As you probably noted in our news release and you can see on Slide 5, we are reaffirming our long-term earnings per share growth rate in the upper half of the 5% to 7% range. However, we modified our current year 2021 earnings guidance to reflect the customer credits I mentioned earlier. We now project EPS toward the lower end of the \$3.81 to \$3.93 range, and this includes the \$0.07 per share impact of the credits.

On the regulatory side, while our primary operating companies don't have any base rate reviews pending, we have several regulatory dockets open in Connecticut, and I'll summarize the status of a few of them.

In addition to the penalty I described previously, PURA also identified a 90-basis-point reduction in our authorized distribution ROE. This is likely to be addressed in the current CL&P interim rate decrease proceeding. Given the revised schedule that PURA released last week, we believe any ROE reduction would not take place until October 1 of this year. To help you size that impact, currently, CL&P's authorized ROE is 9.25%, and we have approximately \$5 billion of rate base at CL&P.

Also on April 28, PURA finalized an interim decision on the recovery of certain tracked costs by CL&P. This decision would result in a number of changes to those tracked costs that would be implemented on June 1 with other modifications deferred until October 1. The interim decision implemented a number of positive modifications to an earlier draft, and we appreciate PURA making those changes in its decision.

PURA also continues to review several other dockets, including potential for grid modernization initiatives, including AMI, electric vehicle programs and storage. And the status of the major open PURA docket is listed in an appendix to our slides.

Turning from Connecticut to Washington. We were disappointed last month in the developments around the ongoing notice of proposed rulemaking concerning incentives that FERC has granted for many years to utilities that participate in regional transmission organizations, or RTOs. FERC will be taking comments and replies on the proposed changes over the next several weeks before deciding on a final order. I would expect that the New England transmission owners and others will file comments opposing the change which some see as being inconsistent with the Energy Policy Act of 2005 and with President Biden's focus on building out the nation's electrical infrastructure to bring more clean energy resources to market.

As a helpful rule of thumb, a 10-basis-point reduction in our transmission ROE affects consolidated earnings by about \$0.01 per share.

In terms of financings, we completed \$450 million of debt issuances so far this year, primarily to pay off maturities at Eversource parent and at the Aquarion company in Connecticut. We've not issued any additional equity this year, other than through our ongoing dividend reinvestment and employee incentive programs. However, as you know, and we've stated in the past, we continue to expect to issue approximately \$700 million of new equity through some sort of at-the-market program, and that would occur at various points in time over our forecast period.

In terms of our operations, we've gotten off to a very strong start this year. Electric reliability continues to be in the top quartile of the industry versus our peers. Through March, our above-average safety record improved even further with fewer employee injuries than we experienced in the first quarter of 2020. All three of our natural gas utilities are outperforming on their emergency response requirements, and Aquarion's water quality is solidly exceeding its target.

So, thank you for joining us this morning. I'll turn the call back to Jeff for Q&A.

Jeffrey R. Kotkin - Eversource Energy - VP of IR

Thank you, Phil. And I'm going to turn the call over to Brandon, just to remind you how to enter questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Jeffrey R. Kotkin - Eversource Energy - VP of IR

Thank you, Brandon. Our first question this morning is from Angie Storzynski from Seaport Global.

Angie Storzynski - Seaport Global Securities LLC, Research Division - Research Analyst

So my first question, you maintained the growth projections beyond '21 off of '20. So, what is the offset to the lower earnings in Connecticut related to the 90 bps ROE reduction?

Philip J. Lembo - Eversource Energy - Executive VP & CFO

Thanks, Angie. Thanks for your call. And as you can imagine in our any forecast, it incorporates our best results on a lot of key assumptions. So, rates and ROEs, interest rates, CapEx forecasts, what we're looking forward in terms of O&M, et cetera. So, incorporating each of those elements into the forecast, we're comfortable in that upper half of the 5% to 7% range going forward.

Angie Storzynski - Seaport Global Securities LLC, Research Division - Research Analyst

Okay. And then this incremental CapEx that you guys had proposed AMI, et cetera, in Connecticut, in light of this reduced ROE, should we expect that you will potentially shift some of the regulated spending on the regulated electric side away from Connecticut? I mean, if you could comment on your projections for CapEx in Connecticut.

Philip J. Lembo - Eversource Energy - Executive VP & CFO

Sure. Our goal is to provide safe and reliable service and outstanding customer service to all our customers, whether they be electric or gas or water, whether they be in Connecticut, Massachusetts or New Hampshire. So, our investment profile is geared to ensuring that those high standards can be met. We're very proud of the results we've been able to put up year after year in terms of where our reliability ranks. And then usually, it's in the top decile versus our peers.

So, we're continuing to focus on our vegetation management and making investments there to ensure that we have a reliable system. So that's the primary focus of how we determine the investments as to how it impacts in a positive way, our customer service.

Angie Storzynski - Seaport Global Securities LLC, Research Division - Research Analyst

Great. And just a last question about the Electric Transmission ROE. So, I understand the RTO adder is still up for debate. Now how about the resets of the base ROEs for New England in light of this proposed removal of the RTO adder? Do you expect now that the base ROE will also fall?

Philip J. Lembo - Eversource Energy - Executive VP & CFO

Well, Angie, that's a question that I've been asked for, I'd say, many years and many quarters now. And as you know, we have four open cases at the FERC that really go back a decade, our oldest one in terms of open dockets there. So, it's hard to predict the timing or the outcome of what those cases will show. So, I'm not sure how exactly the FERC will look at the interplay between the incentive docket versus the base case docket. But certainly, I think the thing that folks should keep in mind is something I said in my comments, which is very public policy desires by the Biden Administration to electrification and to connect clean energy resources. And there's no region of the U.S. that's connecting more clean energy resources than New England. And obviously, we serve the primary load centers in New England and can help deliver that clean energy, both from an offshore wind perspective, but also from a transmission perspective.

So, we'll have to wait and see the timing and how those play out, but I wish I had a crystal ball that could predict an answer at this stage, but I don't.

Jeffrey R. Kotkin - Eversource Energy - VP of IR

Next question this morning is from Steve Fleishman from Wolfe.

Steven Fleishman - Wolfe Research, LLC - MD & Senior Analyst

So just to clarify for 2021 guidance, Phil, are you incorporating the 90 bps reduction starting October 1 then in that guidance, the low end?

Philip J. Lembo - Eversource Energy - Executive VP & CFO

Yes. That proceeding is underway now. And certainly, we would incorporate that outcome into the guidance. So, there's only -- if it was a quarter, if you say, it's October, that might be a \$0.01 impact for the year, Steve.

Steven Fleishman - *Wolfe Research, LLC - MD & Senior Analyst*

Yes. Okay. Good. And then, Joe or Phil, you made -- Joe, you made the comment about kind of areas to improve on your response plan and improving the relationship with PURA. Could you just give a little more color on kind of how you're going to do that or just strategies there? And just you had Avangrid, obviously, settle a lot of issues with pretty much all parties in your kind of profession. So how do you go about that?

Joseph R. Nolan - *Eversource Energy - President, CEO & Trustee*

Yes, sure. Thanks, Steve. I've spent a lot of time down in Connecticut. I spent a couple of days there last week. We're engaged with all of the communities that we serve. We're really focusing in on their priorities, PURA's priorities. We obviously took that order to heart. It's a complex 150-page order. There's areas that we know that we could use some improvement on, and that's what we're focused on.

But I also did remind folks that the storm that equals an Isaias, we've never assembled that many crews, 2,550 crews, during a pandemic. It required double of everything, 6,000 hotel rooms, 14,000 meals a day, double the number of trucks. So, it was quite a unique situation.

And I think that we can always improve, and we will continue to work at that. And we want to win the hearts and minds of our customers back in Connecticut. And obviously, we're sorry if we let them down during that storm.

Jeffrey R. Kotkin - *Eversource Energy - VP of IR*

Next question is from Julien Dumoulin-Smith from Bank of America.

Julien Dumoulin-Smith - *BofA Securities, Research Division - Director and Head of the US Power, Utilities & Alternative Energy Equity Research*

Maybe if I can throw the first question your way. Pivoting off of Steve's framework, how do you think about performance-based rates here as an avenue to demonstrate change? And what's the timeline for implementation there? Do you see that it's part of the next Connecticut case here? Just curious as to how you end this 90-basis-point impact, if you will.

Philip J. Lembo - *Eversource Energy - Executive VP & CFO*

Thanks, Julien. It's Phil. In terms of just the mechanics, the performance-based rate docket is to be opened by June of this year. So, right now, there's no docket number, but the expectation is that that would be opened by June of 2021.

So, we thrive on performance measures. I mean, I think one of the keys to our success over many years is we have a very aggressive performance management system. We measure and monitor all of our key performance metrics, whether they be reliability, how frequently a customer has an outage, how long the outage takes to restore, what's the safety performance of our employees, what's the diversity of our workforce. So, we measure many, many different metrics. And we perform well on them, whether you look at comparison to historical performance or where we fall relative to peer groups. So, performance is part of our DNA, and I think we've delivered that. We have elements of performance-based rates in other jurisdictions. In Massachusetts for many years, they've had these SQI, or Service Quality Index measures, where we've had to perform against and we've been very, very successful there.

So, the design of those measures is important, and we would hope to work in a collaborative and constructive way with PURA and other intervenors during that process. But the idea of performance-based measures is something that we live with every day and the docket for that is starting middle of this year.

Julien Dumoulin-Smith - *BofA Securities, Research Division - Director and Head of the US Power, Utilities & Alternative Energy Equity Research*

Got it. And maybe to dovetail with that, just precisely, what is the expectation on when this 90-basis-point impact would roll off, if you will? I presume in tandem with the rate review or PBR or whatever it is, but back to you on that.

Philip J. Lembo - *Eversource Energy - Executive VP & CFO*

Yes. Back to me. The decision itself said indefinite. So, that's the only direction at this point, Julien, is that that wording in the order said that the 90 basis points will be indefinite.

Jeffrey R. Kotkin - *Eversource Energy - VP of IR*

Our next question this morning is from Durgesh Chopra from Evercore.

Durgesh Chopra - *Evercore ISI Institutional Equities, Research Division - Associate*

I just had two Connecticut-related questions, really quick for your clarifications more than questions. Just, Phil, there's a mixed bag in terms of the pass-through charges, some sort of going through or will be effective June 1 and October -- and the other is October 1. Just high level, the impact or the cash impact of that delay is a pretty miniscule. Am I thinking about that right?

Philip J. Lembo - *Eversource Energy - Executive VP & CFO*

Yes. I wouldn't say it's minuscule. I mean it's probably \$150 million that would be spread out into the future. So, it's not insignificant, but it's not larger than that.

Durgesh Chopra - *Evercore ISI Institutional Equities, Research Division - Associate*

Got it, \$150 million. And then just quickly, the -- roughly, I think the number is close to \$270 million in deferred costs, the Storm Isaias cost, when do we get a final ruling on that -- the recovery of that?

Philip J. Lembo - *Eversource Energy - Executive VP & CFO*

So, there're many states that have some costs that are deferred. With that, the largest is in Connecticut. It's about \$230 million of deferred storm costs related to Isaias. There were storm costs in Massachusetts and New Hampshire also, but at a smaller level. So, each state has their own protocol for timing of when you go in and file for that. So, we haven't developed that filing. We certainly have provided some information on our costs during the previous docket. PURA had asked that we get the best estimate of what we had seen to date. But unfortunately, we have some invoices that come in over time. And we have to gather them all, make sure they're all accurate. We don't pay anything unless we've reviewed it three times and -- I guess it's four ways from Sunday is the expression, but -- so we don't pay for things that are inappropriate and we kick those back.

So, after we go through that process, then we do a filing. So, that filing could come in a future proceeding. It could come in a base rate proceeding. It just depends on the various states. But I would expect that those filings would be done over the next one year or two in the various states.

Jeffrey R. Kotkin - *Eversource Energy - VP of IR*

Next question is from Insoo Kim from Goldman Sachs.

Insoo Kim - Goldman Sachs Group, Inc., Research Division - Equity Analyst

My first question is in -- going back to Connecticut, in the interim rate docket, there's been some testimony filed about the allowed ROE, but also the equity layer and some of the parties suggesting that the equity layer should be decreased meaningfully from the current 53%. Just curious on your thoughts there and whether there's a way for you to potentially adjust the balance sheet to address this?

Philip J. Lembo - Eversource Energy - Executive VP & CFO

Sure, Insoo. Thanks for your question. Certainly, in ROE capital structure, all the revenue requirement elements are part of any kind of analysis that you would do. So, capital structure is one part of it. And certainly, PURA has broad authority in a rate-setting process. So, that's the framework that we work within.

It hasn't been the practice in the past in Connecticut. It's been the practice to maintain the capital structure for each of the subsidiaries in a way that's appropriate for that subsidiary to finance its capital needs. We do that in a very disciplined manner. Obviously, we have rating agency considerations and any change in capital structure could have a positive or negative effect on ratings, just as regulatory rulings could have a positive or negative impact on ratings.

So, we'll work collaboratively, constructively with PURA over whatever docket, these issues come up in. But at this stage, the precedent has been that the operating companies would have their unique capital structures that reflect their unique characteristics.

Don't forget, too, that at a parent company, that there're things that have nothing to do with customer rate issues. There could be investments like nonregulated investments, that's where our offshore wind is financed. During construction, we financed that with debt. If you recall, sort of painfully, I know I recall that we had a write-off of our Northern Pass transmission project that doesn't impact customers, that goes right to the parent. So, there're things that the parent takes to protect the capital structure of the operating companies. But that would be something that would get reviewed in any kind of rate-setting process.

Insoo Kim - Goldman Sachs Group, Inc., Research Division - Equity Analyst

Right. Okay. My other question is on offshore wind. And with Ørsted recently discussing some of the structural improvements they need to make in some of the projects they have online, are there any read-throughs or implications on like cost or construction planning process for the planned projects in the U.S.?

Philip J. Lembo - Eversource Energy - Executive VP & CFO

Yes. No, We're good on that. I think that -- in a broader case, if you look at, we've been closely monitoring supply chain issues and you've got a pandemic. And our teams, both at our utility as well as on the project, this is priority #1 in terms of the supply chain. And this is where I think size really matters, having the buying power of an Ørsted or having the buying power of an Eversource, and then having the combined buying power really helps us to have relationships and schedules and multiyear supply chain agreements that put us in good shape. So, we haven't seen any significant impact at this stage.

Jeffrey R. Kotkin - Eversource Energy - VP of IR

Next question is from Sophie Karp from KeyBanc.

Sophie Karp - *KeyBanc Capital Markets Inc., Research Division - Director and Senior Analyst of Electric Utilities & Power*

I wanted to switch gears to New England gas and the results there. And I'm just curious if the first quarter results were influenced by any particular developments that are not typical of the usual seasonality to experience in the future. It seems like it's a very strong result. So, I was wondering if there was any one-offs or weather impacts there that we should consider going forward?

Philip J. Lembo - *Eversource Energy - Executive VP & CFO*

Thank you for your question, Sophie. And so, the subsidiary, when we purchased Columbia Gas of Massachusetts from NiSource, we rebranded, renamed that Eversource Gas of Massachusetts. So that Eversource Gas of Massachusetts is the former Columbia Gas subsidiary. NSTAR Gas remains in Massachusetts and Yankee Gas remains in Connecticut.

So I'll answer the question for Eversource Gas of Massachusetts. There's nothing particularly noteworthy. It's just the operational results of that franchise delivering the \$0.14 result. Just like our other gas franchises, you can expect that the first quarter is probably going to be the strongest quarter that you see out of -- because it's a heavy heating quarter. And the fourth quarter is a heating quarter, not as strong as the first quarter, but it's also a heating quarter.

Not a lot of heating going on in the second and third quarters in the gas business. So those tend to be none -- there's nothing either small or limited contributions or even negative contribution in those months. But the profile -- the earnings profile is very similar to NSTAR Gas and Yankee Gas, in terms of when the earnings come in, and it was just from regular ongoing operations in that business. Nothing unusual.

Jeffrey R. Kotkin - *Eversource Energy - VP of IR*

Next question this morning is from Jeremy Tonet from JPMorgan.

Jeremy Tonet - *JP Morgan Chase & Co, Research Division - Senior Analyst*

Just wanted to turn to offshore wind a little bit more if you might be able to provide a bit more commentary. It seemed under the prior administration things had slowed a bit as far as the process, and it seems like the opposite could be true with the new administration and things maybe moving a bit faster. So just curious for your thoughts on that, if you see kind of potential for the things to move more smoothly maybe than what the current outline is?

And then just with what you've received with Revolution Wind, and just any thoughts on when we might get more color on CapEx or other project details, I guess, down the line, just looking for color on those thoughts.

Joseph R. Nolan - *Eversource Energy - President, CEO & Trustee*

Yes. Thanks so much for the question. We've been -- obviously, it's been a breadth of fresh air, the Biden Administration. We have weekly meetings down there with various administration officials. The White House hosted a meeting with the offshore wind developers, probably about 1.5 months ago. They had five -- they had four cabinet secretaries and the two of the climate czars on that call. And the focus down there is what can we do to help move this agenda. We're already seeing decisions that are coming out of there at a much faster pace than we've seen in previous administrations.

It's really been a sea change for this business, and we're very, very optimistic that the process will move along much faster, and it will be much more orderly for all developers, not just for our projects. But yes, it's been a sea change.

Philip J. Lembo - Eversource Energy - Executive VP & CFO

In terms of the -- second part of the question in terms of construction investment, as you can imagine, and we've said before, working with our partners, sort of the construction strategy, the investment amount, your -- I don't want to say that -- I guess the part of the competitive bid process is the best way to say it, such that -- so we've been giving limited disclosure on the CapEx base. And there's an RFP coming up in Massachusetts. So obviously, we want to be able to look at that and put ourselves in the best available position.

So, I'd say that we have to get a little bit further down the road in terms of RFPs that are sort of in the wind column before we would give out too much information that we would consider to be kind of competitive interest in these bids.

Jeremy Tonet - JP Morgan Chase & Co, Research Division - Senior Analyst

Got it. That's helpful. And maybe just pivoting over to the water side. Curious, I guess, if you could refresh us, how deep do you see the opportunity set there? Is this type of a pickup we should expect every year, every other year? Or just looking for more, I guess, color on the strategy, how you see it coming together at this point?

Philip J. Lembo - Eversource Energy - Executive VP & CFO

Well, our strategy in the water business, we've been consistent, and we've outlined that for the last several years that we like the water business. We think that it fits very well with our clean energy story. It fits very well in terms of our regulated infrastructure skill set. So, we'd like to grow that business, and we can grow it in a couple of different -- two or three different ways. Organically, through looking at investments that we make in the system, we can accumulate small kind of roll-ups. We've done half a dozen or 10 or so of those over the last few years or you could do something that is larger in scale and scope, and not that this particular transaction is going to change the footprint so much of Aquarion, but it does add 10,000 customers into the Aquarion family. And we'll look for opportunities that can do that.

We think there are opportunities that are out there, and we are active in evaluating those and then we're active in searching out other opportunities. So, we think that there's plenty of opportunities to be had. It may not be just in the six-state New England region. There could be opportunities in adjacent states that would help increase that -- the number of customers for Aquarion.

But I can assure you that our goal is not to just add customers. Our goals are always to do: One, there has to be something in it for customers. We want to -- you don't want to get bigger just for the sake of being bigger. What do you bring that can make for better customer service that can kind of lower cost to customers over the long period of time and also be a deal that can be accretive on a financial side. So, we carefully -- we probably pass on more deals or lose out on more deals because of our discipline there, but we'll continue to maintain that discipline in any business opportunity that we look at. We don't want to get bigger just to get bigger.

Jeffrey R. Kotkin - Eversource Energy - VP of IR

Next question is from Paul Patterson from Glenrock.

Paul Patterson - Glenrock Associates LLC - Analyst

So can you hear me?

Philip J. Lembo - Eversource Energy - Executive VP & CFO

Yes, Paul.

Paul Patterson - *Glenrock Associates LLC - Analyst*

So just to sort of come back to Connecticut, reading all these and it's a myriad of filings and orders and what have you, I get the sense that there's sort of rate resistance there or concern about rates. And as you guys have a -- they also want good transformation, and they want a lot of investment. So at least that's how I'm seeing it, they want both these things. And I'm just wondering how you thread the needle here or how do you picture this if on the one hand, there's a demand for more investment. On the other hand, there seems to me at least to be whether it's what their comments on the Take Back the Grid Act, just panoply of stuff here that they basically are apprehensive about rate increases or want lower rates. How should we think about that? How do you think about it?

Joseph R. Nolan - *Eversource Energy - President, CEO & Trustee*

Yes. Thanks for the question, Paul. I think when we look at the price per kilowatt hour rates in Connecticut, I think it's important to highlight for folks just how clean and how carbon-free that power is that's delivered in Connecticut. And you need to really strip out what portion of it is kind of not green related, if you want to do a comparison across the country.

And I would say that the folks in Connecticut, really the folks in New England are getting a very clean, green kilowatt hour. And these are initiatives that administrations and regulators have taken upon themselves to bring to customers, and that's something that they need to balance. Obviously, there're other things that they want to do down there. And I think it would only be fair that you break out what really is the utilities and what is state mandates or regional mandates. And that's something I think we work every day at trying to tell that story. But we're certainly very proud of our initiatives as it relates to a carbon-free future.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Okay. But is there anything that we should think about in terms of potentially offsetting these rates or I mean is there any -- I mean, it's one thing for them to be wanting green energy and everything and another thing is actually wanting to pay for it. Is there any sense that we should get in terms of whether or not how that might fall out, I guess, the two competing interests, so to speak?

Joseph R. Nolan - *Eversource Energy - President, CEO & Trustee*

Sure. I mean, I think the biggest lever on that side would be energy efficiency. And as you know, we are #1 in the country as it relates to energy efficiency. And I think what we're doing is helping our customers use energy more wisely and reduce their consumption, which obviously will drive at that price issue. If you're paying a little bit more, but we're helping you use less at the end of the day, the end result is a net savings. And that's what I think we're very, very good at, and we've obviously been recognized nationally for that.

Phil, why don't you, if you want to add something, Phil?

Philip J. Lembo - *Eversource Energy - Executive VP & CFO*

Yes. Just one thing, Joe, on that, too, is our transmission investments are the investments we've made to -- for increased reliability on our transmission grid really helped to lower what congestion cost in the region. So those are direct savings to customers as it flows through the energy part of the customer's bill, forward capacity market is down, things like that.

So, those are the investments that we make in our transmission business are also helping customers. So that's another way that bills can go down. And certainly, we're out of the supply market. But certainly, as supply costs move down, that's a helpful benefit to customers.

Jeffrey R. Kotkin - Eversource Energy - VP of IR

Next question is from David Arcaro from Morgan Stanley.

David Arcaro - Morgan Stanley, Research Division - Research Associate

I was just wondering, could you run through your latest outlook for equity needs here in light of some of the moving pieces with earnings with ROE with tracked costs, et cetera?

Philip J. Lembo - Eversource Energy - Executive VP & CFO

Thanks, David. Our equity needs are the same as we've stated in the past, which is the total, let's call it, \$1.2 billion over 5 years. It's about \$100 million a year through our dividend reinvestment employee stock purchase type of issuances, that aspect is about \$100 million a year. So, if our forecast is 5 years, it's \$500 million. And as I said in my remarks and we've stated before, over the course of our forecast period, we're looking to do about \$700 million of new equity through maybe some sort of aftermarket type of program. So, those needs at this stage have not changed.

David Arcaro - Morgan Stanley, Research Division - Research Associate

Okay. Great. And I just wanted to double check, how much of the \$0.07 from this quarter is one time or is any of that recurring?

Philip J. Lembo - Eversource Energy - Executive VP & CFO

No, that's just that it's related to the \$30 million penalty, one time.

David Arcaro - Morgan Stanley, Research Division - Research Associate

Okay. Great. I wanted to confirm.

Jeffrey R. Kotkin - Eversource Energy - VP of IR

Next question is from Mike Weinstein at Crédit Suisse.

Michael Weinstein - Crédit Suisse AG, Research Division - United States Utilities Analyst

I just wanted to clarify, does any portion of the Isaias penalty flow through the decoupling mechanism to be deferred until the next base rate case? And what is the timing of the base rate case, next one, for CL&P?

Philip J. Lembo - Eversource Energy - Executive VP & CFO

So this is a direct credit to customers. There's no putting it back into the decoupling. This is a penalty charge that goes back to customers. So, this flows directly back to customers. The timing of the next proceeding would be when that PBR mechanism, kind of maybe that kicks it off. But by statute, so that we're ending a three-year rate settlement that we had in place, we're required to file every four years in Connecticut. So, the next filing that we would look to do is next year in 2022, in terms of our expectations of when we would file for new base rates in Connecticut.

Michael Weinstein - *Crédit Suisse AG, Research Division - United States Utilities Analyst*

Got you. And a follow-up on Paul Patterson's line of thinking. I was thinking the same thing. I mean, does this provide -- do you think the storm provides a boost to grid modernization in Connecticut as the state continues to review that, maybe more of an opportunity for the utility going forward?

Joseph R. Nolan - *Eversource Energy - President, CEO & Trustee*

Yes, thanks so much for the question. So, it does. I mean, there's a lot of dialogue actually in both Massachusetts and Connecticut around grid mod, around AMI. We certainly have a seat at the table, and we are fully engaged. And I do think there's an opportunity to demonstrate some of the technologies that are available that would kind of: number one, empower our customers, but also enhance the grid to allow for greater reliability and cost savings for our customers. So, yes, I definitely agree that this should provide us the platform.

Michael Weinstein - *Crédit Suisse AG, Research Division - United States Utilities Analyst*

Got you. And can you remind us what you're assuming for FERC transmission ROE and the long-term guidance? I remember you're fairly conservative. I think you have the current -- what you're currently allowed, you're not going to have anything higher than that. Just curious what's in there.

Philip J. Lembo - *Eversource Energy - Executive VP & CFO*

Yes. That's correct. The current allowed 10.57 base rate.

Michael Weinstein - *Crédit Suisse AG, Research Division - United States Utilities Analyst*

Got you. I'd say it's striking just a year ago, right, the positive reaction from Massachusetts regulators, right, and the governor, right, towards the company when they wanted you to take control of Columbia Gas up there. And with what's happening in Connecticut, it's a striking difference across the company. Hopefully, you can figure out a way to, I guess, get the Connecticut regulators to see it the same way that they see you in Massachusetts.

Joseph R. Nolan - *Eversource Energy - President, CEO & Trustee*

Yes, we agree. We're always sought after during natural disasters and crises for our team to come in and take care of business for folks across the country. So, it obviously is disturbing when that takes place. But rest assured that we will win back the hearts and minds of folks in Connecticut. It was a very unique storm. And during a pandemic, folks had been kind of sheltering in place for many, many months. And obviously, the loss of electricity and connectivity poses great challenges for folks, and we recognize that. And we are going to do all we can to turn that situation around and have the same level of confidence that folks have here in Massachusetts, certainly, when we get called upon for the Columbia Gas situation. And I think that we can do that. I feel good about a path forward. So, thank you for that question.

Jeffrey R. Kotkin - *Eversource Energy - VP of IR*

Next question is from Travis Miller from Morningstar.

Travis Miller - *Morningstar Inc., Research Division - Director of Utilities Research and Strategist*

You answered very comprehensively, most of my questions, but two quick ones for me. One on Connecticut, does the PURA activity, both decisions and the ongoing stuff, does that take away any legislative actions that were out there? Are there still any proposals on the legislation side?

Joseph R. Nolan - Eversource Energy - President, CEO & Trustee

Yes. So yes, thanks, Travis, for the question. So, the legislature, during this session, has really allowed PURA to implement a lot of the stuff that they had done in the fall legislation. So, we're not seeing any activity. And right now, they are just trying to put the rules in place, and that's really what we're actively involved in. So, we have not seen any additional legislative activity other than some basic stuff around maybe solar or storage.

Travis Miller - Morningstar Inc., Research Division - Director of Utilities Research and Strategist

Yes. Okay. Great. And then a quick one on offshore wind. With the schedule that you now have, what's the flexibility in terms of technology? We're seeing technology develop almost daily in terms of offshore wind efficiency and turbine size and stuff. What kind of flexibility you have in the next two, three years before you start putting steel in the ground to change that?

Joseph R. Nolan - Eversource Energy - President, CEO & Trustee

Yes. So, another helpful question. It's interesting. When you think of delay, everyone always thinks cost increases. But I will tell you that in this business, the offshore wind business, it has been incredible the types of advancement in technology, turbine sizes. And I will tell you that our permits, all the permits that we have filed, have that level of flexibility to be able to upsize. So, I will tell you that delay in these circumstances has been a very positive thing for our business. And we're very, very optimistic.

Travis Miller - Morningstar Inc., Research Division - Director of Utilities Research and Strategist

Okay. So, the EIS doesn't lock you in to any kind of technology or anything?

Joseph R. Nolan - Eversource Energy - President, CEO & Trustee

No. But it has caps on size. We can take it up to maybe a 14-megawatt, but that's the level of flexibility up in that range.

Jeffrey R. Kotkin - Eversource Energy - VP of IR

I know a number of folks have already moved on to the 10:00 call. So, we'll end it here. Thank you very, very much for all your time today. If you have any additional questions, please let us know, give us a call or send us an e-mail. And we look forward to seeing you at the coming conferences.

Operator

Thank you. Ladies and gentlemen, this concludes today's conference. Thank you for joining. You may now disconnect.

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