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ES - Q4 2018 Eversource Energy Earnings Call

EVENT DATE/TIME: FEBRUARY 21, 2019 / 2:00PM GMT

OVERVIEW:

Co. reported 2018 EPS of $3.25 and 4Q18 EPS of $0.73. Expects 2019 EPS to be $3.40-3.50.

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PRESENTATION

Operator

Good morning and welcome to the Eversource Energy Fourth Quarter and Year-End 2018 Results. 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 -- Investor Relations*

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 last night 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 risk 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 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, 2017, and on Form 10-Q for the 3 months ended September 30, 2018.

Additionally, our explanation of how and why we use certain non-GAAP measures is contained within our news release and the slides we posted last night and in our most recent 10-K. As you can see on Slide 2, speaking today will be Jim Judge, our Chairman, President and CEO; and Phil Lembo, our Executive Vice President and CFO. Also joining us today are Lee Olivier, our Executive Vice President for Enterprise Energy Strategy and Business Development; John Moreira, our Treasurer and Senior VP for Finance and Regulatory; and Jay Buth, our VP and Controller.

Now I will turn to Slide 4 and turn over the call to Jim.

James J. Judge - *Eversource Energy - Chairman, President & CEO*

Thank you, Jeff, and thank everyone for joining us this morning. I'm very pleased to discuss our successful performance in 2018 and the very strong future we see for Eversource. Our 8,000 talented, dedicated employees undertake their work every day to improve the experiences of our customers, support our approximately 500 communities and execute the forward-looking clean energy policies of our states. In doing so, we have created a solid, very long track record of delivering significant value to our shareholders and doing so in a way that effectively manages the risks of our business.

A regulated business cannot be successful without positive relationships with its regulators. We firmly believe that our success in achieving top tier reliability and safety performance, when combined with our success in reducing our O&M costs by more than 20% since 2012 enables us to create constructive regulatory frameworks that are fair to both customers and investors.

As you can see on Slide 4, we've settled two major distribution rate cases in Connecticut in 2018: one for our electric business, and one of our natural gas business. The Connecticut Light & Power settlement was the first electric rate case settlement in Connecticut since 1986 and underscores the level of trust and transparency that we've developed with other parties. Less than 7 months after the three-year CL&P settlement went into effect, we implemented a separate three-year rate settlement for Yankee Gas. Both CL&P and Yankee Gas settlements provide us with forward-looking rate mechanisms that allow us to step up our investments in our infrastructure to better serve our customers without suffering the earnings consequences of rate lag.

In 2018, we also moved ahead with some of our strategic initiatives to support New England's focus on sustainability and greenhouse gas reduction. In addition to the divestiture of our fossil units, we successfully completed the buildout of 62 megawatts of solar in Massachusetts. The solar investment totals approximately $170 million.

In addition, we also began implementing separate initiatives in Massachusetts to invest a total of $233 million in battery storage, electric vehicle infrastructure and other grid modernization projects. They all support Massachusetts' state energy policy, and by the middle of next year, we're due to file a new plan for the next three-year cycle beginning with 2021.

Our progress in these areas is being recognized. Various ESG rating firms consistently rank Eversource near the very top of their rating scales, and we now have more than 130 separate socially responsible funds that have invested in our company.

We also have achieved strong returns for our shareholders while managing our risk profile. Across the board, our credit ratings remain very strong, among the highest in the industry.

And turning to Slide 5. You can see that our total return continues to outperform both the utility index and the broad market on a short-term and long-term basis. While past performance is certainly no guarantee of future returns, it can be a good indicator as past performance does validate our contention that the company that excels in its service to customers can also excel in delivering value to shareholders.

Turning to Slide 6. You can see that dividend growth remains the central feature of our total return profile. On February 6, our Board of Trustees approved a $0.12 annualized increase in our common dividend. The 6% increase is consistent with the midpoint of our 5% to 7% long-term growth rate and exceeds the average dividend growth in our industry.

And as you can see on Slide 7, we continue to forecast growth of 5% to 7% long term, a continuation of what we have delivered since our merger closed in 2012. The forecast that Phil will discuss with you shortly extends 5 years or through the year 2023. That's a two-year extension to our prior guidance that went through 2021. As you expect, we continue to plan even longer term for our growth.

As you can see on Slide 8, we made an announcement earlier this month that we believe will have a very positive impact on our results well through the next decade. On February 8, we announced the purchase of a 50% share of some of the projects in off-shore wind energy leases that Ørsted acquired when it bought Deepwater Wind late last year. Our latest transaction builds upon the partnership we first developed with Ørsted in 2016, when we acquired a 50% interest in Bay State Wind. This month's announcement relates to leases for more than 250 square miles of ocean off the Massachusetts coast that are adjacent to the 300 square mile Bay State lease that we jointly own. These lease areas are among the best sites for off-shore wind in the entire United States and are in the prime location to meet the growing appetite for off-shore wind in New England and New York. Together, the Bay State Wind and Deepwater Wind sites could host at least 4,000 megawatts. And we share the partnership 50-50 with Ørsted, the world's largest, most successful and most experienced developer of off-shore wind.

The Deepwater portfolio, in which we now have a 50% share, includes contracts for about 830 megawatts of off shore wind that will be sold to utilities in Connecticut, Rhode Island and New York. The 830 megawatts represent the largest concentration of off-shore wind contracts currently awarded in North America. These projects still must go through the signing process and have very limited impact on our earnings growth through 2023.

But beginning in 2024, we expect our investment to be a significant source of earnings for Eversource. And those 830 megawatts are likely just the beginning. Last week, we bid into a New York offshore RFP that is expected to be awarded this spring. And later this year, we expect to bid into the second Massachusetts off-shore wind RFP where the state seeks another 400 to 800 megawatts of clean generation. All told, New England and New York have announced targets or adopted legislation that could result in the development of up to 15,000 megawatts of off-shore wind by the year 2035. Phil will have more to say about the expected financial impact of this announcement, however, I want to underscore how pleased we are with this transaction, how pleased we are with our partner, Ørsted, and the opportunity to bring a significant source of locally-produced Clean Energy to our region.

The major factor in our decision to expand our relationship with Ørsted is our partner's unequaled global experience and track record of delivering off-shore wind projects on time and on budget. Ørsted has more than a 25% worldwide market share, much larger than its nearest competitor. Of the 7 projects Ørsted recently completed, 6 were delivered below the budget that was set when the final investment decision was made. This factor, combined with Ørsted's record of completing projects on schedule, has allowed the company to consistently deliver on its return expectations. Ørsted also shares our philosophy about being a disciplined bidder who will not sacrifice returns to win business. So while we don't expect to win every off-shore wind RFP, we fully expect that our successful bids will achieve a level of profitability commensurate with the project risk.

We are New England's largest energy company and the largest developer of energy infrastructure in our region. Collectively, New England has very ambitious greenhouse gas reduction targets, seeking to reduce emissions by 80% by the year 2050. New York has established aggressive renewable targets as well. Off-shore wind will be central to meeting this region's carbon reduction and renewable development goals. And through this partnership, we're quite pleased to play a leading role in executing the region's energy policies. We are also pleased with the long-term earnings growth opportunities these investments will provide to our shareholders.

Now I'll turn the call over to Phil.

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

Thank you, Jim, and today, my part of the call will cover the 2018 results, an update on our key regulatory dockets, a look at 2019 guidance, our new 5-year financial forecast and a discussion of our financing plans during that forecast period.

As Jim said, we had a strong 2018 from both an earnings and operational perspective. Beginning with Slide 10, we earned $3.25 per share for the full year compared with $3.11 in 2017. A year ago, we had projected earnings of between $3.20 per share and $3.30 per share, so we're right in line with that projection.

Our electric distribution segment earned $1.44 per share in 2018 compared with earnings of $1.57 in 2017. The decrease was primarily due to lower generation earnings as a result of the divestiture of our New Hampshire generating unit assets. Also offsetting the higher revenues were increases in depreciation, interest and property tax expense.

Our electric transmission segment earned $1.34 per share in 2018 compared with $1.23 in 2017. Improved results primarily reflect our increased investment in our business.

Our natural gas distribution business earned $0.29 per share in 2018 compared with $0.23 in 2017. The increase was due primarily to higher revenues at Yankee Gas Connecticut property, which were not decoupled until late in the year as well as the outcome of a Yankee Gas's rate review and the increased revenues related to our capital investment tracker mechanisms.

On the water distribution segment, we earned $0.10 per share in 2018, and we acquired Aquarion in December, so no 2017 results to report there.

Eversource Parent and Other earned $0.08 per share in 2018, including two non-recurring items that we discussed in the third quarter, the $0.08 per share write off of our investment in Access Northeast and the $0.06 gain from various tax reform items. I know that a number of analysts may or may not have adjusted their estimates accordingly for these events.

Fourth quarter 2018 earnings totaled $0.73 per share compared with $0.75 in the fourth quarter of '17. Transmission earnings were down $0.01 compared with the fourth quarter of '17, primarily due to a higher effective tax rate in that business in 2018, which cost us about $0.03 per share. Electric distribution was off by $0.09 per share in the fourth quarter, due in part to the actions of the generation earnings due to the divestiture as well as higher depreciation and interest in storm damage restoration costs.

Conversely, our natural gas distribution segment earnings were up by $0.06 per share in the quarter, benefiting from capital tracker mechanisms, colder weather and some increased revenues stemming from the Yankee Gas rate decision.

We also had $0.01 per share in the fourth quarter 2018 from our water business.

Slide 11 summarizes the constructive resolution of our three distribution rate reviews in 2018, for Connecticut Light & Power, Yankee Gas and Aquarion in Massachusetts. We expect far less state rate activity in 2019, though for the first time in nearly a decade, we expect to file a general rate review in New Hampshire. Public Service of New Hampshire is underearning on its allowed ROE of 9.67%, despite significant cost management success across that business since 2012.

In New Hampshire, rate reviews take about one year to complete, but utilities have the opportunity to request interim rate increases, subject to refund if they expect to underearn their previously authorized ROEs while the rate review is pending. As a result, we are planning to file for interim rate relief in New Hampshire in April and a full rate review in May of this year.

The next area to cover is FERC. This past fall, I'm sure you know, FERC issued a proposed new methodology for determining whether it should initiate new proceedings concerning transmission ROEs and if so, what methodology should be used to decide on them.

As you can see on Slide 12, there are still four complaints pending against the ROEs earned by the New England electric transmission owners, of which we are the largest. Initial briefs on the FERC methodology were filed in January with reply briefs due in a couple of weeks.

We're hopeful that in 2019, this long-running dispute will be resolved by FERC and that FERC endorses a standard that in the future will make this type of serial complaints we've had in New England highly unlikely.

I'd like to turn to Slide 13 and discuss our 2019 guidance. We expect to earn between $3.40 and $3.50 per share in 2019. As you can see on the slide, we expect to benefit from our multi-year rate review outcomes in 2018 from our Massachusetts electric jurisdictions and our Connecticut electric and natural gas utilities. NSTAR Electric implemented roughly a $32 million increase in base distribution rates on January 1, 2019 as part of its five-year performance-based rate plan approved by the Massachusetts DPU in November of '17. This increase will help fund reliability enhancement and customer service initiatives.

At CL&P, base distribution rates will rise by an incremental $31.1 million on May 1 of 2019. Here again, this increase provides us timely recovery for our system improvements.

Yankee Gas implemented a $1.4 million rate increase on November 15, 2018. The increase was the first of three approved in a multiyear agreement by Connecticut's PURA, with the second increase effective beginning in 2020.

Yankee Gas also received approval for a tracking mechanism for cast iron and unprotected steel pipe replacements.

Finally, Aquarion in Massachusetts implemented a $2 million rate increase just before the end of last year.

In the transmission business, we expect to benefit from our continued investment in our FERC-regulated facilities. We invested just shy of $1 billion in the transmission facilities at CL&P, NSTAR Electric and Public Service of New Hampshire in the year 2018. And transmission investments in '19 are expected to be at a similar level at $990 million, as we complete some of our major transmission projects in Connecticut, New Hampshire and continue to address our overhead and underground maintenance activities.

In terms of O&M, although overall O&M is expected to increase in 2019 in areas of spending where we have regulatory commitment and recoveries in place, the O&M that affects earnings is expected to decline by about 1% to 2% in 2019.

Our growth will also be as a result of distribution capital tracking mechanisms in the areas such as replacement of older cast iron and unprotected steel pipes in our natural gas business, and older water mains at Aquarion. Somewhat offsetting the additional revenues associated with these investments are higher depreciation, interest expense and property taxes.

So turning from the recent investments to future capital expenditures, I'll move onto Slide 14. Overall, we expect to invest nearly $13 billion in our core electric natural gas and water delivery systems from 2019 through 2023. We expect to invest nearly $8 billion over the next three years, so $8 billion out of the $13 billion over the next three years. This represents a significant increase from the $6.5 billion forecast we provided to you last year from our core business for those same years. It's a key contributor to continuing our outstanding service reliability to our customers and to the extension of our 5% to 7% growth rate through 2023.

As you can see on Slide 15, every segment of the business is forecasting higher expenditures, with the electric transmission and distribution business showing the greatest growth.

As shown on Slide 16, we expect these increases to move our regulated rate base from $16.6 billion at the end of 2017 to $24.5 billion by the end of 2023. That's a 6.7% compound annual growth rate that is expected to maintain our safe, secure and reliable delivery systems and drive our 5% to 7% EPS growth over that period. This is the basis of why we believe we can grow earnings around the midpoint of our range on average over the next five years, confident in that ability.

On the transmission side, the increase in investment aligns with our asset investment oversight process and anticipates completion of our larger projects in Greater Boston, our New Hampshire Seacoast and our Greater Hartford suite of projects. It also includes significant regional projects, such as substation investments in Greenwich, Connecticut and in Cambridge, Massachusetts, as well as a number of smaller projects to improve the resilience and security of the transmission system. These include replacing overhead structures and upgrading some of our underground infrastructure due to age and asset condition.

Turning to Slide 17, you see that many of the larger projects we have spoken about to you over recent years are moving ahead towards final completion. The Greater Hartford Central Connecticut Reliability family of projects should be completed by the end of this year. We received a written order on January 31 of this year from the New Hampshire Site Evaluation Committee approving the Seacoast Reliability Project, and that is expected to be completed by the end of this year.

The Greater Boston Reliability Project continues to progress. This is a joint solution with National Grid. We're responsible for 28 of these projects, of which 25 should be completed by the end of this year.

In the electric distribution segment, we forecast capital expenditures of nearly $3.5 billion from '19 through 2021, compared with last February's forecast of $2.9 billion for these same years. We also expect to invest another $2.25 billion over the course of the years 2022 and 2023 in electric distribution.

There were a number of factors driving the increase. As we've discussed previously, we've identified many additional automation and storm hardening opportunities, following the rash of nor'easters and tornadoes that struck our overhead electric system last March and May. We also are seeing faster customer growth in certain areas of Greater Boston, including the Seaport area and cities of Somerville and Cambridge, where we'll be making incremental substation investments. These investments are being made to meet the growing demand of customers in these areas.

In the natural gas business, we now forecast $2.33 billion of capital expenditures over the next 5 years, with about $1.4 billion occurring in the next three. These expenditures include an acceleration of pipe replacement in both Connecticut and Massachusetts. In the recent Yankee Gas rate case, the Connecticut PURA shortened the period for replacing the older cast-iron and unprotected natural gas distribution pipes from 13 years to 11 years. Our new forecast also reflects a more rapid replacement of cast-iron and unprotected steel pipe in our larger Massachusetts system.

We're also making additional plant and system investments in our Hopkinton LNG facility that we're doing in parallel with our current liquefier and major systems upgrade.

On Slide 18, you can see our forecasted pipe replacement capital budget for the next five years. You may recall that as a result of the Yankee Gas rate settlement, we now have fully reconciling pipe replacement and tracking mechanisms in place in both states. In addition to pipe replacement, we continue to see some growth from new construction, new customers, additional fuel-cell application and the installation of new combined heat and power systems in customer facilities fueled by natural gas. This growth requires additional investments in our natural gas infrastructure, which drives the distribution rate base growth by an average annual average of more than 12% through 2023, far faster than any of our other regulated segments. Rate base is expected to exceed $3.5 billion a year by the end of 2023.

Turning to Slide 19 and our water segment. We invested about $102 million in Aquarion systems in 2018, about 50% more than Aquarion's prior owners were investing each year. We expect to invest nearly $625 million in Aquarion systems over the next five years or about $125 million per year. As you can see on the slide, we're projecting rate base reaching approximately $1.2 billion by the end of 2023.

Turning to Slide 20. You can see about a third of that investment is designed to improve Aquarion's ability to meet the water supply needs of Southwestern Fairfield County in Connecticut. We now have reconciling mechanisms to recover pipe replacement investment in each state Aquarion serves. In addition to growing Aquarion through investments in our existing service territories, we continue to seek out opportunities to acquire smaller existing systems, particularly in Connecticut. About three weeks ago, state regulators approved Aquarion's purchase of assets of two small water companies in Southeast Connecticut. Four other small acquisitions are now before regulators for approval.

I mentioned the number of items that are included in our five-year, nearly $13 billion capital forecast. On Slide 21, we list some potentially significant items that are not in our core business cap ex forecast and may come to fruition during the forecast period. In the cap ex forecast, we've been conservative, I'd say, in terms of what may come out of the grid modernization dockets in the states we serve. In Connecticut, we await the release of a Connecticut PURA report on a year-long review of distribution company's long-range planning, which there was considerable discussion about Advanced Metering Infrastructure or AMI, also discussion of energy storage, increased real-time monitoring of line and substation conditions and other topics. Because the review has extended longer than we had anticipated, we opted not to include any AMI or basic incremental grid modernization spending at CL&P in this forecast. We also did not include any basic grid mod in New Hampshire in this forecast, but expect to make some proposals in New Hampshire's upcoming general rate review or in a separate filing following the New Hampshire PUC's issuance of a final decision in their ongoing grid modernization proceedings.

In Massachusetts, you can see on Slide 22, we are currently implementing $233 million of the approved investments in core grid modernization, storage and electric vehicle infrastructure. Beyond these programs, the DPU has asked the state electric utilities to propose next year a new three-year grid modernization program for the period of 2021 through 2023. Our forecast includes spending on incremental core grid mod programs through 2023.

Like Connecticut, we expect Massachusetts to also consider the rollout of AMI, but we've not reflected any rollout of AMI in this forecast. Separately, we have not included any investments in Northern Pass in this forecast.

In terms of O&M, we expect O&M to remain relatively flat during years two through five of our five-year forecast after the decline of 1% to 2% for '19 that I mentioned earlier.

Turning to our financing plan, as illustrated at the end of the appendix, we have modest level maturities that will need to be refinanced this year and next year. However, we do have a significant core business capital program that I described earlier. In addition, we have approximately $100 million of excess deferred income taxes that will be refunded to customers over the next few decades and the cash flow benefits of bonus depreciation, as everybody knows, has ended. These factors are positive for customers and positive for long-term growth.

Over the past four years, we've invested nearly $10 billion in our infrastructure to maintain great performance for our customers. Annual capital expenditures grew from about $1.9 billion in 2015 to more than $2.8 billion in 2018, which contributed to our top quartile reliability and service response for customers. We also entered the water business by acquiring New England's largest investor owned water company back in December of 2017. We continue to evolve our business to meet the growing needs of our customers as well as the clean energy mandates of our region. In order to finance this growth, this five-year forecast period does include the issuance of both new debt and equity to finance our investments in a balanced way, as you can see on Slide 23.

We expect to issue approximately $2 billion of new equity over the next five years. This equity will help fund the nearly $13 billion of core business and capital investments we expect to make through 2023 and also our 50% of the capital requirements associated with the construction of the off-shore wind facilities to which we and Ørsted have secured PPAs, as Jim talked about earlier. We'll also use treasury shares to satisfy our dividend reinvestment program needs.

Our expectation to grow earnings per share around the midpoint of the 5% to 7% range through 2023 anticipates the issuance of this equity over the five years. I'll repeat that. We expect to grow earnings per share around the middle of our 5% to 7% growth rate through 2023, even while issuing approximately $2 billion of equity through new common share issuance and with the Eversource shares coming out of treasury for our dividend reinvestment program.

We'll be opportunistic about the equity issuance, and we'll time them accordingly over the next several years. The PPAs we have for off-shore wind do not produce revenues or earnings until the targets begin producing energy. Construction costs including interest on debt will be capitalized into the cost of the projects, but there will be no earnings on the equity investment until the turbines are operating.

By 2024, we expect all 830 megawatts of off-shore wind to be fully operational, being additive to our earnings growth trajectory in a meaningful way going forward. Cash flow is also expected to rise significantly once the off-shore wind turbines are fully operational.

On the fixed income side, we continue to carry very strong credit ratings for all agencies. We've always maintained a balanced approach here, achieving above average strong earnings and dividend growth and also strong credit ratings. We've prided ourselves on delivering strong financial performance and a strong financial condition. This plan accomplishes both in a balanced way, delivering 5% to 7% EPS growth and maintaining the strong financial conditions and metrics that we currently have.

To summarize, on Slide 24, as Jim said earlier, 2018 was a very strong year for us. Our reliability and safety metrics remain in the upper tier of the industry. Our customer service metrics continue to improve, and we are introducing innovative technology to improve the customer experience in many ways, including more mobile access. We continue to play a vital role in implementing our states' clean energy initiatives. We continue to provide our investors with strong earnings and dividend growth and have provided an attractive future growth opportunity.

Going forward, our core business continues to be the engine for our 5% to 7% EPS growth outlook through 2023, our underlying rate base growth is 6.7%, and we continue with our strong focus on our O&M cost. And we see off-shore wind as being additive to our earnings growth in a meaningful way beyond 2023.

We look forward to seeing many of you at the Equity and Fixed Income Conference that's coming up in Boston and New York over the next weeks. And I'll turn the call back to Jeff for Q&A.

Jeffrey R. Kotkin - *Eversource Energy - VP -- Investor Relations*

Thank you, Phil. I'm going to return the call to Brandon to remind you how to enter your question.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Jeffrey R. Kotkin - *Eversource Energy - VP -- Investor Relations*

First question this morning is from Mike Weinstein from Credit Suisse.

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

A question on the equity coming out. Can you give us -- I mean I know that you said it's going to be opportunistic, but can you give us a sense of whether some of it is back-end loaded for the wind project? I think you said that you wouldn't be investing in the wind projects until they come online, right, so that'd be pretty far out. I mean if that was -- the Ørsted deal was only $225 million, so it wouldn't be that much of the $2 billion equity to account for that. Maybe you can give us a sense of what that equity is for. Like why do you need equity now? I mean I understand that with bonus depreciation rolling off, you're a cash taxpayer at some point in this plan, so that would be a contributor. Can you just tell us like what's driving the $2 billion of equity? And when you'll need most of it, is it back-end loaded or front-end loaded?

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

Sure. So Mike, let me just add something that you mentioned or clarify a few things. The capital program of $13 billion and the construction of the 830 megawatts is included over the next 5 years, not just that initial payment that you referenced to the partnership with Ørsted. So it's the construction of the 830 megawatts worth of turbine and our cap ex program. So as I said, we'll be opportunistic and assess what our needs are over that time period. No rush to need to do anything, but we'll take our time to look at what our construction program looks like over that time period and make some determination over the course of that period. So I wouldn't say that any of it is front-end or back-end loaded. I'd just say we'd opportunistic of how we're going to approach it going forward.

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

How much of it is driven by the fact that you are becoming a cash taxpayer again? Because just a few years ago we were talking about the possibility of stock buybacks, right. So this is the flip of that. I'm just wondering what's the driver of the $2 billion?

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

Yes, we've been a cash taxpayer actually. We were a cash taxpayer this year, and we expect to be a cash taxpayer next year. We had about $160 million of cash taxes in '18, and we'll probably be in the $130 million to $150 million range in 2019 in terms of cash payment. And just to clarify we have not really discussed share buyback. I know that we get the question a lot, but I always and we've always said that our focus is on investing in the infrastructure of the business and we didn't see that we would be in that mode of buying shares back, that we would be continuing to invest in the business. And as I said, we've had significant capital program over many years and the next five years is even larger, as I've described, going forward.

James J. Judge - *Eversource Energy - Chairman, President & CEO*

Mike, this is Jim. Just to add to the point that Phil made earlier in his comments. I think it's important to recognize that we're guiding towards 6%, the midpoint of the range through 2023. And in the process, we're not only funding the core business cap ex, but we're funding the buildout of the off-shore wind as well, with virtually no earnings contribution from that business until 2024 when Revolution Wind comes online. So we're basically guiding to 6% even with the drag associated with the off-shore wind investment.

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

Got you. And that off-shore wind investment is just the Ørsted for now, just the 50% investment for now, right?

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

That is our partnership with Ørsted, 50%.

Jeffrey R. Kotkin - *Eversource Energy - VP -- Investor Relations*

Thanks, Mike. Next question is Insoo Kim from Goldman.

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

Maybe to ask the timing of the equity in a different way. Phil, I think you have mentioned in the past that you wanted to keep the current Moody's credit rating intact. Do you have any sense of, does that imply target FFO to debt of, let's say 14% to 15%? And if so, what time period do you look to, I guess achieve or at least maintain that level?

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

Well, certainly, we like where our Moody's credit rating is and you're right that we would target to maintain that credit rating. And you're also right that, that would indicate FFO to debt at those levels, which would imply we would be targeting that to maintain those ratings. So there's really no change there. And I think that as we get into kind of our spring forecast period with the rating agencies, we obviously have discussed any press release that comes out, and we'll provide an updated forecast as we go forward.

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

Understood. And then regarding the 5% to 7% EPS CAGR through this time period, do you expect that to be a little bit lumpy given a lot of the regulated, the bulk of the increase of the regulated investments are in the next 3 years? And then you have a lot of the wind construction financing without the earnings benefits coming in the latter half of that period. I'm just trying to gauge whether there -- it's more stable or whether we can expect some lumpiness.

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

I'd say it's more stable, yes. I mean certainly, any particular quarter could have particular things in it. But I'd say you should expect us to be in a stable growth environment.

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

Understood. And just one more, if I could. What's the total potential opportunity set for AMI, at least over this five-year period that could add to the rate base growth?

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

Well, in our -- when you look at it, I'll say first, nothing's been approved, right. So if you did a full rollout in Connecticut and Massachusetts, you might be at $1 billion for full rollout anywhere for AMI. To proceed with the program like that, it would be over a multiple of years to get that installed. So that's the sizing that you should be thinking about there.

Jeffrey R. Kotkin - *Eversource Energy - VP -- Investor Relations*

Great, thanks, Insoo. Next question is from Julien Dumoulin-Smith from Bank of America.

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

Perhaps just to kick off on the offshore side, if I can. Can you elaborate a little bit on how you think about the size of the equity check now? I mean I know you've put down something of a down payment with the $225 million. I know that you are targeting regulated-like returns on this investment, but what is the equity check that you're going to need just to kind of backdoor, if you will, into the 2024-ish earnings profile that we're talking about here?

James J. Judge - *Eversource Energy - Chairman, President & CEO*

Yes, Julien, this is Jim. I don't know -- you mentioned regulated returns. Ørsted has identified high single digit IRRs as an appropriate return target and importantly, it's a limit on that. So that translates more to mid-teens ROE for us. We would expect the off-shore wind to be our highest earning business segment.

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

Sorry, but, okay, to reconcile with that, mid-teen returns on what kind of equity check? And should we include the $225 million that you paid as part of that equity -- as part of the denominator in that ROE?

James J. Judge - *Eversource Energy - Chairman, President & CEO*

Yes. I mean certainly, the $225 million is part of the total cost of the project. There'll be construction costs that go in there. But you can imagine that given the competitive nature of this business, that discussing specific construction costs or other assumptions would be sort of, I think is letting a bit too much out of the bag in terms of competitors. So I'd say we'll try to be transparent. I think you probably have an assessment of your own as to what one megawatt costs to build or something like that. But the $225 million is part of just getting started, and there'll be construction costs that get added to that as we go forward.

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

Or sorry, maybe this might be a little more palatable way to ask it. What about like an equity contribution as a like a percentage of the capitalization? I know that you have ITCs in the capitalization. But are we thinking 50-50, 30-70, kind of high conceptually?

James J. Judge - *Eversource Energy - Chairman, President & CEO*

Yes, Julien, I'll try it another way. We're not going to disclose the financing construct of our bids. But we are saying that the dramatic increase in our core business cap ex, coupled with the cost estimates that we have to build out the off-shore wind, suggest that we want to do about a $2 billion equity issue during this 5-year window to continue to maintain the track record that we have, and that track record is one that's worth noting in terms of credibility and consistency. I mean if you look at the Slide 5, we have had a remarkable run, whether you look at 1, 3, 5, 10-year performance of outperforming the index and outperforming the S&P 500. And I will go back to, if you look at 20 years, I was CFO of NSTAR 20 years ago, I think the results, the performance results are even more dramatic. So there's consistency, and I believe credibility given the track record. And while the financial performance has been top tier, for the majority of that window of time, we've also been the top tier in terms of financial conditions. So we've put together a financing plan here that is going to allow us to again be a top-tier financial performer, at the same time of having a top-tier credit rating. So the financings are fungible, right, in terms of we have cash needs, whether it's core business or whether it's off-shore wind. And what we've sized here, I think is one that's going to allow us to continue the wonderful track record that we've had. And we've got commitment and conviction to deliver on that 5% to 7% earnings growth and dividend growth that we've had going through so many years.

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

If I could just jump in real quickly on the 5% to 7%, obviously you're rebasing off the $3.25. How are you thinking about the -- sort of the shape of that to get to the midpoint? I mean you just raised CapEx, at the same time raising equity. Seems like it's about a $0.05 decline versus the prior baseline for '20, '21. But I'm sort of curious as you see this play out through '23, are you still saying at midpoint of that 5% to 7% versus the prior baseline?

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

Yes. Yes, we are. Absolutely. And again, just to -- just in terms of the re-baselining comment, traditionally, our track record has been that each year we would move into the new year and then we add another year. And this year, we're adding 2 more years into that. So it's very traditional as to how we've addressed giving you the long-term guidance. But certainly conviction in a stable way with being at the middle of that range is clearly what we're confident in delivering.

Jeffrey R. Kotkin - *Eversource Energy - VP -- Investor Relations*

Thank you, Julien. Next question is from Stephen Byrd from Morgan Stanley.

Stephen Byrd - *Morgan Stanley, Research Division - MD and Head of North American Research for the Power & Utilities and Clean Energy*

I wanted to talk about off-shore wind as well. And just conceptually, with your partnership with Ørsted, obviously Ørsted is a very accomplished off-shore wind developer. At a high level, how have you all determined the allocation of risk? Is it sort of essentially a true partnership where all risks are shared equally between the partners? Or is there a bit of a different delineation in terms of responsibility and risk between the two partners?

James J. Judge - *Eversource Energy - Chairman, President & CEO*

It's a shared risk 50-50. We collaborate on various bids into the RFP, the basis for it, the returns that we expect from those bids. So it's a true 50-50 partnership from a risk perspective.

Stephen Byrd - *Morgan Stanley, Research Division - MD and Head of North American Research for the Power & Utilities and Clean Energy*

Understood. And then when I think about the permitting process, I'm just not familiar with everything that would be involved or sort of other approval elements. And just thinking through permitting risks and other risks here, at a high-level again, don't need to go through every permit, but how do you think about execution risk for these projects? You obviously have PPAs in place, which is a huge element in here. But how do we think about the potential risks of execution here?

James J. Judge - *Eversource Energy - Chairman, President & CEO*

It's about 24-month permitting and siting calendar, and site assessment work that has to go on into the U.S. BOEM is the key agency. And then you get state and local permitting as well. Construction then is another 24 months. So right now, where we are in the cycle is we expect South Fork site to be finished by the end of 2022 on that calendar. And the Revolution Wind, which is the larger one, 700 megawatts of PPAs to be done by the end of 2023.

Stephen Byrd - *Morgan Stanley, Research Division - MD and Head of North American Research for the Power & Utilities and Clean Energy*

Okay, understood. And then just one last question just on Northern Pass. You highlighted on the slide, which is really helpful, all the permits. And I guess the 2 next steps that I'm thinking about are the Hampshire Supreme Court review and the Army Corps of Engineers process. Would you mind just talking a little bit further about next steps there and sort of how we think about those 2 pending processes?

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

Sure. So the process has kicked off at the New Hampshire Supreme Court. They agreed to hear our case, received briefs on the case. So we expect that oral arguments would soon be determined in New Hampshire, probably in the May timeframe. And then there really is no precise deadline or timeframe that's required for the court to decide, but we would expect some decision to be by the end of the year type of thing. So at the Army Corps, permit is really -- there's been a preliminary assessment of that. And really at this stage, once all of the other approvals are made, we don't see any issue in moving through that Army Corps permitting process.

Jeffrey R. Kotkin - *Eversource Energy - VP -- Investor Relations*

Great, thanks, Stephen. Next question is from Praful Mehta of Citi.

Praful Mehta - *Citigroup Inc, Research Division - Director*

So sorry, but I'm going to dig into a little bit of off-shore wind again. And I think the question from my side is more conceptual, as in you've really on this call, gone headlong into off shore wind, right. The focus on off-shore wind has increased difficulty, obviously the partnership with Ørsted. And I think the skeptics still -- there are plenty of skeptics on off-shore wind, more around the concerns on execution risk. Clearly, it's been done in Europe. But the risk around large projects, execution approvals, still seems to be pretty high among investors in the U.S. How would you -- how did you get comfortable with that risk? And do believe that there would be -- that this would be executed on time, on budget? Or do you see any big risks are out there that you worry about?

James J. Judge - *Eversource Energy - Chairman, President & CEO*

Yes, I think it's a good question. I do think it's important to note that while there's a lot of discussion of the off-shore wind, what's particularly notable is the dramatic increase in our core business cap ex. For the three years in particular, it's about a 25% increase for the next 3 years, and that's driving a lot of our growth prospects along with the rate platforms that we have in place. Ørsted has a long track record in many countries of going through the siting process of delivering on projects and actually coming in under budget and on schedule. I understand that it's a new process here in the U.S. and the sense that we get is that policymakers, in particular in the states in New England, have a very strong appetite for more off-shore wind. We've been through some of the site assessment plan already in 2017, has been actually completed already. So we're basically right where we thought we'd be from a siting and permitting perspective. And I think there's a lot of excitement around the demand and the interest of off-shore wind. We're making commitments in the various states in terms of economic development, et cetera. So I have reason to believe that the spending that we have in the plan of 2022 and '23 is likely to take place as we go through the permitting process and begin construction.

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

Just to add a couple things to that, the more information that you have and the more certainty you have going into a process certainly reduces the risk exposure. And we've been at this for multiple years, 3 years, basically to do site analysis, out to start the ball rolling in terms of permitting. So the lack of surprises there to somebody who maybe has just been aware of a lease, who has bid in but hasn't really been able to do multiple years of wind and seabed assessments and those types of things. So another comfort factor I'd add would be the amount of preliminary engineering and preliminary work that has identified and moved forward on a number of these items.

Praful Mehta - *Citigroup Inc, Research Division - Director*

Got you. That's super helpful color. And just in terms of returns, clearly the returns sound pretty good based on the current views and the forecast. Is there, in your assessment, given you've done so much analysis on it, where are the big levers that could drive returns downwards or upwards? Is it just construction or are there other factors that we should be thinking about as well?

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

Well, certainly construction is a big element in terms of -- and as Jim mentioned, our track record and for our projects being completed on time and on schedule and Ørsted's track record for completing projects on time and on schedule are pretty high up on the list. So construction costs could be.

James J. Judge - *Eversource Energy - Chairman, President & CEO*

It could. But we have a fair degree of confidence, did a lot of due diligence with our board in terms of entering into this Deepwater transaction. And I think what's important to recognize is now with Ørsted, we have the one and two closest leases to the mainland. That means that the construction cost, the water depths are appealing in terms of the buildout. It's worth noting that the Ørsted lease that we entered into in 2016 cost us $600,000. And again it's a lease that's very close to shore. Leases that are out another 20 or 25 miles in deepwater bore a transmission cost just sold a couple weeks ago for $135 million apiece. So I think that's a pretty good indication there's a lot of value here, that there's robust interest in off-shore wind build out. And we have some significant advantages in cost and construction because of the locations of our 2 appealing leases.

Jeffrey R. Kotkin - *Eversource Energy - VP -- Investor Relations*

Thank you, Praful. Next question is from Antoine Aurimond from Bank of America.

Antoine Aurimond - *BofA Merrill Lynch, Research Division - Associate*

I just wanted to get a quick sense of new debt financing needs this year beyond the maturities.

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

Typically we don't give a precise schedule of our debt financing needs throughout the course of the year or the exact timing of it, but I do expect that for the maturities that we have, we have $800 million of maturities that we would be financing, refinancing those. And depending on levels of short-term debt, we could be doing issuances that are incrementally higher than that. So most of those would be at various the operating entities who have needs because they have their own construction programs and they finance their construction with internal funds plus debt financing. So $800 million is what the maturities are, and I would expect we'll probably do something above that to keep our short-term debt levels down.

Antoine Aurimond - *BofA Merrill Lynch, Research Division - Associate*

Got it. And then over the 5-year period, so you have 12 75 of CapEx. You have this $2 billion of equity, $500 million combined of treasury shares, and then, I mean cash from ops, you're probably doing at least $2 billion a year. So if you add these all up, you have very limited incremental debt issuance over the period. Is that a right way to think about this?

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

Yes. And then we have, as we've mentioned a few times, additive to that $13 billion capital plan is the buildout of the off-shore wind that I didn't hear in that list of items.

Jeffrey R. Kotkin - *Eversource Energy - VP -- Investor Relations*

Thank you, Antoine. Next question is from Angie Storozynski from Macquarie.

Angie Storozynski - *Macquarie Research - Head of US Utilities and Alternative Energy*

No questions about off-shore wind for a change, but a different angle. So would you be interested in expanding your T&D businesses in New England if there were to be potential asset sales in New England?

James J. Judge - *Eversource Energy - Chairman, President & CEO*

Angie, this is Jim. We would be obviously interested at the right price in terms of expanding our T&D core business. We have a long, long track record of being a disciplined bidder. If you look at the transactions that we've done, 20 years ago a company that formed NSTAR was done and is seen as hugely positive from a shareholder perspective over that 20 year period. Seven years ago now, we did the deal that merged NU and NSTAR into what's now Eversource, again a deal that was widely recognized as being a big win for investors, as well as customers. And then we did the water acquisition deal that we did last year, which true to form was delivered on and was accretive to earnings in the first year, as we had indicated, earnings performance outperformed our budget, our expectations for that business. So whether it's T&D or the water business, we think our core platform is a successful one and we would be interested in expanding. But there have been dozens and dozens of transactions in this region that have taken place that we didn't win, because again we're a disciplined bidder. So it'll all come down to the value that we can bring to the transaction and what the asking price would be for the acquisition.

Angie Storozynski - *Macquarie Research - Head of US Utilities and Alternative Energy*

But none of this is envisioned in or embedded in that $2 billion of equity issuances, right? That this is just to finance your current CapEx plans and then you're not trying to shore up your balance sheet for a potential M&A deal?

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

No. It's strictly for, as I mentioned, the capital plans we have and the investment activities are in the five-year horizon.

Jeffrey R. Kotkin - *Eversource Energy - VP -- Investor Relations*

Great, thanks, Angie. Next question is from Andrew Weisel from Scotia Howard Weil.

Andrew Weisel - *Scotia Howard Weil, Research Division - Analyst*

I know it was a long time to not talk about off-shore wind. Kidding, of course. But just 1 or 2 going back to that topic. Strategically, Ørsted obviously now owns Block Island and is interested in developing offshore in the Mid-Atlantic. Would you consider expanding beyond New England and New York? Or are you going to stick to your former corporate Northeast Utilities?

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

So well, Northeast Utilities is an old name there. But certainly, the assets that we acquired in the transaction with Ørsted were the Deepwater Northeast assets. There were other assets that were not part of the transaction. So we see our competency in this particular region, as opposed to across the U.S.

James J. Judge - *Eversource Energy - Chairman, President & CEO*

Proximity was a factor. There were other leases that Ørsted bought in the process that were further down the East Coast and mid-Atlantic area, and we didn't buy into those properties. So at this stage, we feel that the proximity is important. These two leases are right off the coast of Massachusetts and Rhode Island, close to our own core operations. So that was a factor in the decision at the point.

Andrew Weisel - *Scotia Howard Weil, Research Division - Analyst*

Okay. Then I know that you guys are very confident that the construction will be on time and on schedule. My question is mechanically or procedurally, what happens if you're not able to deliver on the obligations under the various PPAs? In other words, how do does each state treat that potential scenario where the turbines aren't spinning on time?

Leon J. Olivier - *Eversource Energy - EVP of Enterprise Energy Strategy & Business Development*

Yes, this is Lee, Andrew. The issue of the PPAs has certain provisions in them that would essentially require you to post more credit, letter of credit. But the penalties are, relatively speaking to the investment, are minimal if you don't meet the in-service dates.

Andrew Weisel - *Scotia Howard Weil, Research Division - Analyst*

Okay, very good. Then just quick one on the equity. If I heard correctly, Phil, I think you said that DRIP needs would come from the treasury stock for the bulk of the $2 billion number though. Should we expect block issuances as needed or it would be more like an equity forward deal?

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

There are many different ways of doing that, whether they be block trade or roadshows or forward, in terms of an ATM kind of program, so not really describing anything specifically the intent, all of those methods would be evaluated, and we would move forward again opportunistically in a manner that we felt was appropriate for the time.

Andrew Weisel - *Scotia Howard Weil, Research Division - Analyst*

Got it. And in the past few years, what have the DRP obligations been?

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

It's $90 million to $100 million annually.

Jeffrey R. Kotkin - *Eversource Energy - VP -- Investor Relations*

Great, thanks you, Andrew. Next question is from Paul Patterson from Glenrock.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Just a few quick ones. The ROE in New Hampshire, you guys said that you're under earning your [allowed]. I'm just wondering, could you tell us what it was for 2018?

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

We've just filed our final numbers, are in the process of doing it. I'd say it's just shy of 8%, it's below 8%.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Okay. And then with respect to -- I know that grid mod is not in Connecticut or New Hampshire in your forecast. But I also noticed that the grid mod docket has sort of been held in abeyance for some -- I'm not clear why. Could you sort of elaborate a little bit more what might be going on there?

James J. Judge - *Eversource Energy - Chairman, President & CEO*

Yes, I just commented, with the new governor coming in, there have been some changes. The former Chair of PURA has now taken a more significant job as the Commissioner of DEEP. So I think it's got to do with the changes organizationally that have happened with the -- when the new administration comes in, yes.

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

Yes, and in New Hampshire, they typically have a smaller staff than any of the other states. And in fact just recently, they started to move forward in a more active way in terms of draft position papers that would require more study. So it's moving along and there's no particular reason other than staffing at this stage.

Paul Patterson - *Glenrock Associates LLC - Analyst*

And then I think after this year, you're expecting O&M to be flat. Is that tied in any way to the cap ex that you guys have been investing? Or just is that just the savings that you guys are doing from just what you guys have often been doing in terms of cost containing?

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

Well, certainly I did highlight on the call that certainly the cap ex investment has driven improvements and high levels of reliability and safety and performance for our customers. But it also helps in terms of taking other costs out of the business. If you repair something that you don't have to go visit two or three times to repair, if you replace it, you'd have some O&M savings. So certainly the O&M gets reduced as a result of it. So being flat is really a challenge because you've got inflation, you've got negotiated wage increases. So really you're taking kind of 2% to 3% of costs out of the business just to stay flat.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Okay. And then just on the off-shore wind, are you guys thinking of doing firm EPCs or anything like that with respect to the execution of the actual buildout or how do you guys look at that? I know you mentioned this Ørsted and what have you has got a good track record. But other than that, I'm just wondering any idea about firm EPCs? Or how should we think of that?

Leon J. Olivier - *Eversource Energy - EVP of Enterprise Energy Strategy & Business Development*

Yes, Paul, this is Lee. I think the way to think of that is Ørsted brings all of the resident competencies that they need. They're just coming off building -- or in the process of building over 2,200 megawatts off of the U.K. alone. And again as Jim said, all on schedule, below budget, and so they're in very good shape. For them it's a core expertise, it's what they do, so it really wouldn't make any sense to bring in an EPC. There are other developers that clearly will have to bring in an EPC because they just don't have that core competency.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Okay. And then the capacity factor, can you just remind me what it is that you guys are expecting for wind, off-shore wind?

Leon J. Olivier - *Eversource Energy - EVP of Enterprise Energy Strategy & Business Development*

Sure. Capacity factors, they're on the range of 45% to 50% capacity factors on the wind. And it's higher in the winter, wind prices are the highest in the region, including New York. And so there's a great benefit in that winter period for reliability and price impression as well.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Okay. And then just finally, weather adjusted sales growth for 2018, did you tell us what that was?

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

I didn't tell you what it was, but for electric, Paul -- and again, I'll preface my answer by saying as a result of our rate plans that we have in place, 90% of our revenues, all of Massachusetts, all of Connecticut, are decoupled. So really weather has no impact, only New Hampshire is the only jurisdiction that is still -- is not decoupled. But weather adjusted normalized for the year was down slightly, like 0.2%.

Jeffrey R. Kotkin - *Eversource Energy - VP -- Investor Relations*

Thank you, Paul. Next question is from Travis Miller from MorningStar.

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

I'll return to the off-shore wind, if you don't mind. The agreement with Ørsted outside of the projects in the works right now, when we're thinking about that, cap ex beyond and thinking out to the big potential, what type of obligation as part of that deal with Ørsted, the partnership with Ørsted, do you have an obligation there to invest if, say Ørsted were to make a decision to go forward?

James J. Judge - *Eversource Energy - Chairman, President & CEO*

No, with any opportunity, we'd have the right to participate or not. There's no commitment or obligation to fully build out the 4,000 megawatts. We'd have an option to proceed or not.

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

Okay. On your own, based on your own economics and decision? Okay. Okay. And then in terms of policy to -- again, apart from the PPAs in place, are there any policies that need to go into effect in any of those northeastern states to promote off-shore winds, such that you could make it easier to go forward? Or are you going to be competing with other renewable sources on some of those non-identified projects?

James J. Judge - *Eversource Energy - Chairman, President & CEO*

Well, there's been a mixture. There's clearly been off-shore wind specific RFPs. The state of Massachusetts was the first to legislate it. The 1,600 megawatts need to be bid, and it's specific to off-shore wind. They've completed 800 of that with the first solicitation, we expect the next one to occur first half of '19 here. Additional legislation in Massachusetts has asked the Department of Energy Resources to take a look at doubling that number to go to 3,200 megawatts. The state of New York has legislated that 2,400 megawatts and that they are going to do it through multiple solicitations. Connecticut and Rhode Island have been active as well. In New York, the governor has actually suggested that he thinks that the state should go to 9,000 megawatts, although only 2,400 has been legislated to date. So the policy is in the form of off-shore wind solicitations. One of the Connecticut solicitations that took place last year had off-shore wind among other Clean Energy resources. And in that instance, our Revolution Wind project won an additional 100 megawatts, but there were also solar and nuclear commitments in that process as well. So the majority of it are off-shore wind specific, but there were some clean energy RFPs that would invite all fuel sources.

Leon J. Olivier - *Eversource Energy - EVP of Enterprise Energy Strategy & Business Development*

Yes, I would just mention, Jim, that in Connecticut, the governor, Governor Lamont filed a bill yesterday, a Senate Bill that would add an additional 1,000 megawatts of off-shore wind. So that's firming up as well.

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

Okay, great. And that was 1,000 megawatts of pure off-shore wind?

James J. Judge - *Eversource Energy - Chairman, President & CEO*

Yes. Pure off-shore wind.

Jeffrey R. Kotkin - *Eversource Energy - VP -- Investor Relations*

All right, thanks, Travis. Next question is from Andy Levi from ExodusPoint.

Andrew Levi - *ExodusPoint Capital Management, LP - Portfolio Manager*

I apologize if this has been answered already, just been hopping around. So just back on the equity, how much of the $2 billion is allocated for the off-shore wind that's been announced?

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

All of those are in construction. Yes, there is no specific allocation, Andy, is the direct answer. We would look at our total portfolio of construction and investment means, which we've said is $13 billion over the next 5 years for our CapEx. And then add onto that the buildout of our share of the cost of the 830 megawatts of buildout of the off-shore wind. So they're looking at the total plot is where we would focus, not to specifically assign it to that area.

Andrew Levi - *ExodusPoint Capital Management, LP - Portfolio Manager*

No, no, I understand that. But if you didn't have the off-shore wind, how much equity would you be issuing?

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

Well, you're asking us the same way, only differently.

Andrew Levi - *ExodusPoint Capital Management, LP - Portfolio Manager*

You're good, Phil. You're good, Phil.

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

As I said, the $2 billion of equity supports kind of our total cap ex in off-shore wind for the next five years.

Andrew Levi - *ExodusPoint Capital Management, LP - Portfolio Manager*

Okay. So let me ask you a different way then. What's the proper capital structure for an off-shore wind project?

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

Yes. So that one you did miss, Andy, because we talked about that earlier.

Andrew Levi - *ExodusPoint Capital Management, LP - Portfolio Manager*

Okay, there you go. What's the bottom line on that?

James J. Judge - *Eversource Energy - Chairman, President & CEO*

It's a competitive process, obviously. We're not going to disclose the cap structure and all the capital costs.

Andrew Levi - *ExodusPoint Capital Management, LP - Portfolio Manager*

But I guess there, your return on investment or however you measure it must be based on kind of how you finance it, right?

James J. Judge - *Eversource Energy - Chairman, President & CEO*

Correct.

Andrew Levi - *ExodusPoint Capital Management, LP - Portfolio Manager*

Okay. That's something -- at some point, will you share that with us?

James J. Judge - *Eversource Energy - Chairman, President & CEO*

Yes, we've been saying based upon -- actually, Ørsted has disclosed an 8% unlevered IRR, which is going to give us a return that we think would be transmission-like or better, when you look at sort of the returns on equity that we would expect there.

Andrew Levi - *ExodusPoint Capital Management, LP - Portfolio Manager*

Okay. And that's assuming that everything goes as planned? Or do you have a contingency built into that?

James J. Judge - *Eversource Energy - Chairman, President & CEO*

We worked with Ørsted to build in appropriate contingencies, not only in terms of spending, but in terms of schedule.

Jeffrey R. Kotkin - *Eversource Energy - VP -- Investor Relations*

Thanks, Andy. Next question is from Mike Weinstein from Credit Suisse.

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

Just one quick follow-up. I just wanted to have you explicitly say that, just to confirm that you basically have off-shore wind -- additional off-shore wind in the equity number, but it's not in the cap ex plan, correct?

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

That is correct. It's not cap ex, it's equity investment.

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

Right. So there's a certain amount -- that's why they equity might look high to some people, because it's not in as part of that $12 billion to $13 billion cap ex plan?

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

That's exactly correct, Mike.

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

Okay. But you're not saying how much.

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

That's correct also.

Jeffrey R. Kotkin - *Eversource Energy - VP -- Investor Relations*

All right. Well, thank you very much for joining us today. If you have any follow-up questions, feel free to give us a call or send us an e-mail. We look forward to seeing you at the conferences in early March. Take care.

Operator

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