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# EDITED TRANSCRIPT

ES - Q2 2016 Eversource Energy Earnings Call

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

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**Travis Miller** *Morningstar - Analyst*

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## PRESENTATION

### Operator

Welcome to the Eversource Energy second-quarter earnings conference call. My name is Ellen, and I will be your operator for today's call. At this time, all participants are in a listen-only mode. Later we will conduct a question-and-answer session. Please note that this conference is being recorded. I will now turn the call over to Jeff Kotkin with Eversource Energy. Mr. Kotkin, you may begin.

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### Jeff Kotkin - Eversource Energy - VP of IR

Thank you, Ellen. Good morning, and thank you for joining us. I'm Jeff Kotkin, Eversource Energy's Vice President for Investor Relations. In addition to the news release, we posted slides on our website last night, and will be referring to those slides during our remarks today.

As you can see on slide one, some of the statements made during this investor call may be forward-looking, as defined within the meaning of the Safe Harbor provisions of the US Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on Management's current expectations, and are subject to risks and uncertainty, which may cause the actual results to differ materially from forecasts and projections. Some of these factors are set forth in the news release.

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, 2015, and our Form 10-Q for the three months ended March 31, 2016.

Additionally, our explanation of how and why we use certain non-GAAP measures is contained within our news release and on the slides, and on our most recent 10-K.

Turning to slide two, speaking today will be Phil Lembo, our CFO; and Lee Olivier, our Executive Vice President for Enterprise Energy Strategy and Business Development. Also joining us today are Jay Buth, our Vice President and Controller; and John Moreira, our Vice President of Financial Planning and Analysis. Now I will turn to Slide 3, and turn over the call to Phil.

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### **Phil Lembo** - Eversource Energy - CFO and Treasurer

Thank you, Jeff, and thank you all for joining us this morning. Today I'll cover our second-quarter and first-half financial results, recent legislative and regulatory developments in our three states, an update on certain transmission projects, and a review of recent financing and rating agency activity.

Let's start with the quarter, and that's on Slide 4. We earned \$203.6 million, or \$0.64 per share, in the second quarter of 2016, compared with earnings of \$207.5 million, or \$0.65 per share, in the second quarter of 2015. Our transmission segment earned \$0.29 per share in the second quarter of 2016, compared with \$0.25 per share in the second quarter of 2015. The primary factor driving the earnings growth was higher transmission rate base, which is due to our continued investment in the reliability of New England power grid. I'll summarize some of the key reliability-driven transmission projects in a moment.

On the electric distribution and generation side, we earned \$0.32 per share in the second quarter of 2016, compared with earnings of \$0.38 per share in the second quarter of 2015. The primary factors driving this decrease were higher depreciation and property taxes, higher interest expense, and the absence this year of a regulatory true-up that CL&P recorded in the second quarter of 2015, as a result of the final Connecticut PURA regulatory decision involving deferred taxes.

Additionally, O&M was somewhat higher during the second quarter of 2016, compared to the second quarter of last year, but that was primarily due to timing issues attributable to last year's weather impacts.

On the natural gas side, we earned \$0.03 per share in the second quarter of 2016, compared with \$0.02 per share in the second quarter of 2015. The primary drivers were higher revenues that resulted from the NSTAR Gas rate increase that took effect January 1, 2016, and cooler early spring weather in 2016, compared with 2015, which increased sales.

Turning from the second quarter to the year-to-date results, we earned \$447.8 million, or \$1.41 per share, in the first half of 2016, compared with earnings of \$460.8 million, or \$1.45 per share in the first half of 2015. Transmission earnings totaled \$0.56 per share, compared with earnings of \$0.46 per share in the first half of 2015. In addition to a larger rate base, the 2016 period benefited from the absence of a \$0.04 charge we recorded in the first quarter of 2015 related to the FERC decision on the first complaint against the returns on equity earned by New England transmission owners.

Our electric distribution and generation segment earned \$0.66 per share in the first half of 2016, compared with earnings of \$0.80 per share in the first half of 2015. The decline was primarily due to the absence of a \$0.09 per share benefit we recognized in the first quarter of 2015 as a result of resolving multiple regulatory proceedings involving NSTAR Electric. Additionally, higher depreciation and property taxes resulting from our ongoing investment in our distribution systems reduced year-to-date earnings by \$0.04 per share.

Our natural gas distribution segment earned \$0.19 per share in the first half of 2016, unchanged from the first half of 2015. The mild first-quarter weather, which significantly reduced natural gas sales, was essentially offset by a rate increase at NSTAR Gas and continued customer growth. We added nearly 4,700 space heating customers in the first six months of 2016, and continue to target 12,500 new heating customers this year. Conversion activity generally picks up in September, and we expect to see the same trend this year.

O&M continues to be a very good story this year. Our employees continue to provide excellent reliability for our customers, while at the same time reducing costs. We are very proud of our service reliability here at Eversource. In 2015, we had the best reliability in the company's history, and performed in the top quartile of the industry. That same high reliability continues in 2016.

Turning back to O&M, you may recall that last year our first-quarter O&M was \$0.05 per share lower, due to the resolution of a bad debt dispute we had in Massachusetts. If we exclude that impact, lower O&M has added \$0.04 per share to mid-year results in 2016, compared to the same period of 2015. We expect lower O&M to continue to benefit to results in the second half of the year.



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In June, we moved away from two legacy payroll and benefits systems into one common platform. This was the latest in a number of system conversions and process improvements that we've completed to make ourselves more efficient, and better able to provide great service to our 3.6 million customers.

With a good six months behind us, we feel very good about where we are this year. We've affirmed our full-year guidance of \$2.90 to \$3.05, as well as our long-term earnings-per-share growth in the 5% to 7% range.

Turning from our financial results to operations, our transmission investments totaled \$360 million in the first half of 2016. We continue to target transmission and capital investments of about \$910 million for the full year.

As you can see on slide 5, we continue to move ahead on our major transmission reliability projects across the system. We are making solid progress on our two large families of reliability projects, the Greater Boston Reliability Solutions, and the Greater Hartford Central Connecticut solutions.

In the second quarter, we received Connecticut Siting Council approval for a new \$50 million transmission line west of Hartford, and a series of improvements in the Bloomfield Windsor area north of Hartford. Both of these projects are part of the Greater Hartford Central Connecticut project, and construction is expected to begin next quarter. To date we've invested \$80 million in Greater Hartford projects, and continue to expect to invest \$350 million by the time they are completed in late 2018.

On Greater Boston, you may have seen a news release earlier this month concerning the New Hampshire Site Evaluation Committee's approval of the Merrimack Valley Reliability Project, which we and National Grid are building in Massachusetts and New Hampshire. Our share of that project is \$37 million, and we expect to begin construction this fall.

I should also note that the estimated total cost for the Greater Boston suite of projects has increased modestly from \$544 million to \$565 million. We continue to expect completing them by the end of 2019. We've invested approximately \$78 million on these projects to date.

The New Hampshire Site Evaluation Committee has another large project before it, in addition to Northern Pass and Merrimack Valley. In June, the committee accepted as complete our application to build the \$77 million Seacoast Reliability Project in southeastern New Hampshire. We expect the Site Evaluation Committee decision on this application by mid-2017, and to complete the Seacoast project by the end of 2018. We have invested nearly \$10 million in this project to date.

Now I'll turn to Slide 6 and recent developments involving legislative and regulatory bodies in Massachusetts and New Hampshire. In April, Massachusetts amended its laws to encourage continued expansion of solar generation in the state. In addition to raising solar net metering caps, the new law allows Massachusetts electric utilities to file with the DPU to construct up to 35 megawatts of solar generation.

On June 30, NSTAR Electric filed an application with the Department of Public Utilities to build 35 megawatts of solar generation facilities. Western Mass Electric Company, which already has 8 megawatts of solar generation, applied to develop an additional 27 megawatts of solar generation. Together, we would expect to invest approximately \$200 million in these new facilities.

The statute requires the DPU to issue a decision on our applications by the year end 2016, and for us to complete construction by the end of 2017. We would expect a return that is consistent with our allowed distribution ROEs. These expenditures are incremental to the capital investment plan that we presented in February.

Also in Massachusetts, there's new legislation before the Senate and the House that would help the state move its clean energy goals. The House and Senate have approved different versions of the legislation over the last several weeks, and now have a conference committee working to iron out a compromised version. Both versions call for contracting significant quantities of clean power from facilities such as offshore wind, and other sources, such as hydroelectric plants. The current session ends on Sunday, so by Monday, we should know the final outcome of this bill.

Turning from Massachusetts to New Hampshire, on July 1 the New Hampshire PUC approved our comprehensive settlement with numerous state officials and other parties to divest PSNH's generating assets. To remind you, Public Service of New Hampshire's generating rate base included

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un-depreciated plant, fuel, and inventory totals of approximately \$700 million. Any investment we have in our generation business that is not recovered through the plant sale process would be recovered through securitization.

The next step of this process is for the New Hampshire PUC to select an auction advisor to assist in the sale of the plants. We expect that selection to be finalized during the first half of September, and we anticipate that the entire sale and securitization process would be completed in the second half of 2017.

Continuing into financing, NSTAR Electric issued \$250 million of 10-year unsecured debentures in May. Proceeds were primarily used to refinance a \$200 million debt maturity. Also in June, Western Mass Electric closed on the sale of \$50 million of 10-year unsecured notes.

Turning to Slide 7, we've also had some positive news about our credit ratings and outlooks. Moody's upgraded both Public Service of New Hampshire and Western Mass, and Fitch upgraded CL&P, as well as Public Service of New Hampshire and Western Mass Electric. Meanwhile, Standard & Poor's moved all of our outlooks to positive. These outlooks are a great testament to the Company's strong financial position. With that, I'll turn the call over to Lee.

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

Okay, thanks Phil. I'll provide you with a brief update on our major investment initiatives, and then turn the call back to Jeff for Q&As. Let's start with Northern Pass on Slide 9. There have been a number of developments involving NPT since our most recent earnings call in early May.

On June 23, the New Hampshire Site Evaluation Committee, or SEC, approved a detailed schedule for its review of Northern Pass. Among the key dates, the schedule calls for intervenor testimony by November 15, supplemental testimony by March 15 of 2017, and a final pre-hearing conference by the end of March 2017. This schedule supports a final decision no later than September 2017.

We are very encouraged by a series of other developments that have occurred with Northern Pass since our last earnings call, developments that underscore the benefits that the project will bring to New Hampshire in the coming decades. First, Public Service -- PSNH last month filed with the PUC a 20-year power purchase agreement with a Hydro-Quebec affiliate that will guarantee its customers with up to 100 megawatts of favorably priced clean, on-peak power.

Second, in May, in litigation brought by certain project opponents, the New Hampshire Superior Court granted a summary judgment in favor of Northern Pass. The court determined that the State Department of Transportation, not project opponents, had exclusive authority to allow the project to be buried in the public right of way in a small section of state highway in northern New Hampshire. Those project opponents have appealed that decision to the New Hampshire Supreme Court, but the lower court's reasoning was well supported by the facts and decades of New Hampshire law. We fully expect the decision will be upheld.

Third, we reached a settlement agreement with New Hampshire Public Utilities Commission staff that if approved by the commission, will affirm that the designation of Northern Pass Transmission as a state utility, a required step in the overall project approval process. That designation is predicated on finding a public good, and will allow Northern Pass to operate transmission facilities in the state of New Hampshire.

As part of the agreement, Northern Pass committed that the Forward New Hampshire plan will provide \$20 million, or \$2 million a year for 10 years, for programs or initiatives approved by the New Hampshire Public Utilities Commission that advance energy efficiency, clean energy innovation, community betterment, and economic development in New Hampshire.

Fourth, in June our partner, Hydro-Quebec, received approval for its portion of the project on the Canadian side from Quebec's energy board. While a couple of additional approvals are necessary north of the border -- one from the province and another from Canada's National Energy Board -- this progress is consistent with our timetable for the United States portion of the project.

Fifth, and most recently, on July 19 ISO New England issued its I.3.9 approval for Northern Pass, finding that the project as now proposed will not have a significant adverse effect on the reliability of the regions grid. If the New Hampshire SEC issues a written order approving the 192-mile New



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Hampshire section in September 2017, we would be in a position to receive our US Department of Energy approval that fall, and commence construction by the end of 2017. Based upon that schedule, we should be in a position to complete the project in 2018 and 2019, and as you can see on slide 10, bring it into service by the end of 2019.

From Northern Pass, let's turn to Access Northeast, and slide 11. Our share of Access Northeast is 40%, or \$1.2 billion. Access Northeast builds off the existing Algonquin footprint, which already touches 60% of the power generation in New England. That percentage will grow as plants that have cleared the New England capacity process add nearly another 2,600 megawatts of natural gas generation that would be connected to the project. Access Northeast allows firm deliveries directly to power plants to ensure that they can operate when they are needed most.

Turning to slide 12, Access Northeast is designed to address a critical problem we have in New England in the winter months, the lack of access to enough natural gas to both heat our homes and businesses, and run our power plants.

Slide 12 looks at New England and MISO power prices in the summer of 2015, and compares them to the winter of 2014-15. You can see that in the summer, our wholesale electricity prices are actually a bit lower than MISO's, but during the cold winter they can be three times higher than MISO's. Access Northeast will address that challenge by providing 900 million cubic feet a day of additional natural gas supplies to serve the region's power generators during cold winter periods.

That will allow up to 5,000 additional megawatts of the region's most efficient low-cost units to remain on line, and when winter temperatures drop. Improved reliability of fuel supply will save New England customers approximately \$1.5 billion to \$2 billion in a typical winter, and approximately \$3 billion in an extreme winter such as the winter of 2013-14 period.

On slide 13, you can see how our region's fuel mix shifts from natural gas to oil and coal when temperatures fall. December 2014 was a warm month, and as a result very little coal or oil was burned. January and February of 2015 were quite cold, so less natural gas was available to generators, and much more coal and oil were burned. This not only increased the region's prices, it increased the region's greenhouse gas emissions, which all New England states are committed to reduce significantly over the course of the next three decades.

Slide 14 illustrates the beneficial environment it impact Access Northeast can have on our region. By burning natural gas in new efficient plants rather than coal and oil in much older, high-heat rate plants, we can avoid the emissions of 3.4 million tons of CO<sub>2</sub> each winter, which is the equivalent of taking about 650,000 cars off the road each year.

As you can see in Slide 15, providing adequate year-round natural gas supplies is also critical to increasing the region's use of intermittent renewable energy sources, such as wind and solar. The slide illustrates how much we expect renewable sources to grow in New England. Natural gas generation, much more so than older nuclear and coal and oil units, can provide a rapid response to changing grid demand and weather conditions. This is critical to operating a reliable grid.

On the siting level, we continue to move through the FERC pre-application process, and expect to be in a position to make our formal application in the fourth quarter of this year.

On the state regulatory level, we had a number of developments over the past few months, as you can see on Slide 16. In Maine, the Public Utility Commission voted on July 19 to endorse a contract with Access Northeast, assuming the states of Massachusetts, Connecticut, New Hampshire, and Rhode Island move ahead, as well. We view this as a positive development for the project, because the state commission concluded after a lengthy independent review that customers would benefit from Access Northeast. Further, the commission approved the business model of the electric utilities entering into a pipeline capacity contract.

In Massachusetts, the Department of Public Utilities will commence hearings next week on a 20-year natural gas capacity contracts that Access Northeast has signed with Eversource and National Grid electric utilities in Massachusetts. Hearings are due to conclude in mid-August, and we expect approvals this fall.



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You may recall that the DPU ruled that it had authority under existing state statute to approve such contracts. A couple of project opponents appealed the DPU's order to the state Supreme Judicial Court, claiming the commission lacks such authority. That case is pending, and we expect a decision later this summer.

In Connecticut, the state Department of Energy and Environmental Protection, or DEEP, issued an RFP for natural gas capacity at the beginning of June, with bids due on June with bids due on 29. The department received seven bids, which it is now evaluating, and is expected to announce the winner or winners by the end of August, with filings at PURA by the end of October. Once contracts are filed, PURA has up to 90 days to rule on them.

In New Hampshire, the Public Utilities Commission is now evaluating a gas supply contract with Access Northeast and Public Service of New Hampshire, which was filed earlier this year. The PUC's review is in two parts. The first is to determine whether the PUC's staff was correct last year when they determined that the commission has the authority to approve such contracts. The second part requires the commission to determine whether the contract is in the customer's best interest. We are now awaiting a ruling on the first phase of that docket.

In Rhode Island, National Grid filed with state regulators a long-term contract for Access Northeast capacity on June 30. A decision is due before the end of October of this year.

The bottom line is that Access Northeast continues to make significant progress on multiple fronts. I don't have to remind you what is at stake here in New England. Brayton Point, with more than 1,500 megawatts of generation that can burn coal or oil, will shut down in 10 months. The Pilgrim nuclear power facility, with nearly 700 megawatts, will retire in two years.

The issue in New England is not only the additional \$1.5 billion to \$2 billion that customers pay each winter for their power; it's whether even with high prices we have enough fuel during the coldest winter evenings to keep the customers' lights on. We expect to begin construction of Access Northeast by mid-2018. We have said before, certain elements of the pipeline should enter into service in 2018, with additional pipeline segments and 6.8 billion cubic feet of LNG storage entering service in subsequent years.

Now I'm going to turn the call back over to Jeff for Q&A.

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**Jeff Kotkin** - Eversource Energy - VP of IR

Thank you, Lee, and I will return the call to Ellen just to remind you how to enter questions. Ellen?

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## QUESTIONS AND ANSWERS

### Operator

Thank you. We will now begin the question-and-answer session.

(Operator Instructions)

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**Jeff Kotkin** - Eversource Energy - VP of IR

Thank you, Ellen. Our first question this morning is from Jonathan Arnold from Deutsche Bank. Good morning, Jonathan. Jonathan? No, must be on the other call. All right, let's switch -- we'll switch over to Mike Weinstein from Credit Suisse. Good morning, Mike.

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**Mike Weinstein** - *Credit Suisse - Analyst*

Hi, good morning. How are you doing?

**Jeff Kotkin** - *Eversource Energy - VP of IR*

All right, how are you?

**Mike Weinstein** - *Credit Suisse - Analyst*

All right, good. What would be the implication for Access Northeast if the Massachusetts Supreme Court ruled against the DPU authority? Is that the final word, or is there another legal or regulatory that could be taken? On the same token, if it's rejected in Massachusetts, does that mean that Maine falls off, too?

**Phil Lembo** - *Eversource Energy - CFO and Treasurer*

In terms of Massachusetts, Mike, we are -- as we said, we are waiting for the pending decision that's coming out in the summer from the Mass Supreme Court. There's also legislation that is making its way through the House and Senate right now to address issues regarding additional wind and additional hydro and gas capacity in the region. Certainly, the legislature would have authority to develop any final legislative requirements in this area, so it's not the end of the game, the end of the day.

You asked about Maine. I'm not sure how Maine would really fit into it. Certainly, the Maine PUC approval was contingent upon other states moving forward, except for the state of Vermont. We feel very confident that we're going to move forward in each of these states with the pipeline contracts.

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

This is Lee, Mike. I would just say that the legislators clearly understand the need for additional gas. Clearly, there has been a little bit of a hangover from the Kinder Morgan project which had great opposition against it, being a 400-plus-mile greenfield project. There's some emotion there, but in all of our discussions with key legislative leaders, they understand that there needs to be more gas. We expect to have a successful outcome here.

**Mike Weinstein** - *Credit Suisse - Analyst*

Right. On Northern Pass, I guess at this point, what things do you need to do before the September 30 -- or September 2017 deadline? Is there anything left? I there are DOE public meetings still happening? What else is going on?

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

Yes, it's really all of the -- for the most part, it's the SEC process. It is really answering the hundreds, if not thousands of intervenor questions associated with the project, preparing for the hearings on the projects in the spring period of time. This is a period we are really -- it's all about intervenors, and getting timely turnaround of answers for their questions. That's our main focus. As well, of course, we continue with our outreach in the communities in New Hampshire, and also continue with our outreach with key political leaders in the state, that by and large have been very supportive of the project.

**Mike Weinstein** - *Credit Suisse - Analyst*

The governor is still supportive?



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

The governor is still supportive. She believes that the project--there is a process there, and we need to follow the process through the SEC; but obviously that's independent of the governor's decision.

### **Mike Weinstein** - Credit Suisse - Analyst

Right. I'm going to ask one more question, only because I think other people not might not be on this call. I was going to ask you to discuss new opportunities that might come from the Massachusetts legislation, pending this weekend, not only from hydro but also from wind -- particularly in wind going forward, and where you see that going?

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

Clearly, if you have followed the European wind development, the technology there, they've installed about 10,000 megawatts of offshore wind. Costs have come down fairly dramatically -- 30% or 40% reduction, they predict, and other significant reductions.

We believe that offshore wind will be viable in the region. There are six tracts out there that have been leased by the federal government through the Bureau of Offshore Energy Management. We have to see what the final legislation says. Clearly, all of that offshore wind -- which could be sizable over a long period time -- will need transmission development to connect it into the grid in southeast Massachusetts. We think yes that will happen, and too, there is a potential business opportunity there for us.

### **Mike Weinstein** - Credit Suisse - Analyst

All right. Thanks a lot, guys.

### **Jeff Kotkin** - Eversource Energy - VP of IR

Thanks, Mike. Next question is from Jerimiah Booream from UBS. Good morning, Jerimiah.

### **Jerimiah Booream** - UBS - Analyst

Hi, good morning, guys. Thanks for taking the question here. First off on Northern Pass, since we've had a bit of a delay here. Is there any kind of impact you can speak to on your longer-term EPS CAGR?

### **Phil Lembo** - Eversource Energy - CFO and Treasurer

Yes, I can address that. This is Phil. No, there isn't. In fact, when you look at the schedule that is out for Northern Pass right now, we expect a net spending move of about \$500 million in terms of spending into other periods of time after 2017.

I'm very happy about where we are right now, to be able to, on an initial preliminary review, identify several projects that would be coming in 2017 to address that. One is what I spoke about during my opening remarks, which is about \$200 million of incremental spending on solar, and that's really in that 2017 time period to build additional capacity of solar in Massachusetts. Also identified approximately \$200 million of other transmission projects, either incremental projects or possibly move of some projects, but essentially incremental projects to fill in 2017.

Also, in looking at our gas reliability and expansion programs, there's a \$25 million to \$50 million incremental spend there. Very happy where we are. We're still working through our operating plans for 2017, but moving these projects into 2017 is a very positive for us, at this stage.

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**Jerimiah Booream** - UBS - Analyst

Yes, that makes sense. Also, just on a separate note, the renewable RFP going on, I think it just got delayed a little bit, but we should be getting the results soon. I'm just wondering what other kind of opportunities do you guys see coming out of that for you specifically? Obviously there's potentially a lot of generation going in, but I'm sure there's something there, as well?

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

Well, in terms of the projects, we have projects that are bidding into the clean energy RFP, so certainly those projects would be evaluated as part of the clean energy RFP process. In terms of coming out with additional projects after that, I think the question that was asked about additional opportunities earlier in terms of wind or hydro probably addresses that.

**Phil Lembo** - Eversource Energy - CFO and Treasurer

Yes, and that would really fall out of the -- whatever RFP comes out of the Massachusetts legislation. In that legislation, it calls for another RFP for a renewable energy next year. We have to see what is, how big that would be, does it include hydro, as well? We have to wait for the outcome of that. The likelihood is there will be more opportunity there.

**Jerimiah Booream** - UBS - Analyst

Okay, great. That makes sense. Thanks for the questions.

**Jeff Kotkin** - Eversource Energy - VP of IR

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

**Travis Miller** - Morningstar - Analyst

Good morning, thank you. A question very high level. When you look at Northern Pass and Access Northeast and developments this quarter and even the first half of the year, which projects would you put the most either risk around it, or probability of success, however you want to think about it? Very high level, just wondering?

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

Travis, this is Lee Olivier. I view both of these projects with a very high level of success and high profitability. Looking at Access Northeast, clearly there is the need for gas, because without that gas, reliability will be threatened. Without that gas, we will not be able to go forward and bring on scale, or bring on line the large-scale renewable projects, whether it's offshore wind, onshore wind -- we won't be able to do that, won't be able to maintain the reliability of the grid without having that kind of fast-start, quick following capability that you get with gas-fired combined cycle, or simple-cycle plants.

Of course, if you look at, if you look at Northern Pass right now, we have cleared maybe if not most of the hurdles on Northern Pass, the opponents of the project who have litigated have lost. We feel very confident in that project. It's a great deal. There will never be another deal like that, because the way that is bid, essentially customers would pay a little -- approximately about 60% of the cost of the project. The project saves billions of dollars. It reduces 3 million to 4 million tons of carbon a year.



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If you look at Massachusetts, which has very aggressive goals in reduction, the recently mature litigation with Conservation Law Foundation with the Massachusetts DPU that now requires that the state put together goals and objectives that demonstrate the reductions of carbon. That's the biggest. If you want to lower carbon reduction, you bring on Canadian hydro power. Again, that's probably the best deal around. There will probably never be another one like it, where you have Hydro-Quebec willing to pay for \$600 million of their own transmission on their side.

I have very high confidence in both of those projects. They are complex. They have taken lots of twists and turns, but we believe both of them are moving in the right direction.

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**Travis Miller** - *Morningstar - Analyst*

Okay. Is there one that's ahead that you think is ahead of the other, is Northern Pass, just because you guys have been working on it?

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

Clearly, if you look at the regulatory timeline, Access Northeast we expect to have agreements approved by the end of this year for Access Northeast, file at FERC by the end of this year, and have an outcome at FERC approximately in the May timeframe of 2018. From that standpoint, just looking at the regulatory schedule, that's a little bit ahead of where Northern Pass is.

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**Travis Miller** - *Morningstar - Analyst*

Okay. Then you brought up offshore wind, and brought up a couple questions there. The transmission opportunity, is that something that you guys would have first rights to, given just the offshore nature, how that works, or would that be the developer who would have the first rights, or would you have bidding rights? How would that work in terms of who would get (inaudible)?

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

That would be part of a competitive process. If you're a developing transmission, I'm sure now you would not have -- you would not have a franchise right there. You would have to in all likelihood have a partner which you're working with, and/or have a business arrangement with one of the offshore wind developers. That would not be a franchise right.

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**Travis Miller** - *Morningstar - Analyst*

Okay. Then any LCOEs or whisper contract prices that you've seen out there, in terms of how the costs have come down for offshore wind?

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

Well, we follow this obviously very closely, and you've got one company from Denmark, it's called Danish Oil and Natural Gas. They predict offshore wind coming in, including transmission, somewhere around the \$0.14 to \$0.15 framework in approximately 2020. That's a big difference from where Cape Wind was just a few years ago. They actually just did a deal recently in Europe off of Holland that actually came in for around \$0.11. The turbines are getting bigger. They're more efficient. You're getting the economy of scale of larger machines, so it's driving the cost down. Plus the supply chain is maturing, as well.

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**Travis Miller** - *Morningstar - Analyst*

Okay, great. I appreciate it.



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**Jeff Kotkin** - Eversource Energy - VP of IR

All right, thanks, Travis. Our next question is from Andrew Weisel from Macquarie. Good morning, Andrew.

**Andrew Weisel** - Macquarie Research Equities - Analyst

Good morning, guys. First question on Access. I would love to hear your thoughts on the FERC proceedings related to giving preferential treatment to nat-gas plants and electric utility customers over others, such as marketers. I believe the FERC is set to rule in about a month on two proceedings, one from Algonquin and one more broadly from NextEra and PSEG. To what degree could that FERC decision maybe affect the decision to go forward or not with the pipeline?

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

This is Lee, Andrew. First of all, I would say the thesis which we have at FERC here for precedent is no different than what takes place right now for the LDC companies, where the LDC companies pay for pipeline infrastructure that's developed by a pipeline operator. As a result, they get first preference on it. Then whatever capacity they don't use, it goes into the market place. This would work essentially the same.

Clearly, anyone that has watched New England in the winter knows that there's not enough gas, and that hinders the market place, and forces a lot of plants off line that would otherwise run should there be gas. Our development of a pipeline and having long-term capacity contracts with EDCs we believe will stimulate the competitive market place, and do what it's really designed to do, which is to have the older, more inefficient, more higher-emission plants retire, and have new plants come on through the fuller capacity market process.

If you -- if for some reason that we don't expect that FERC rules adversely against a project, as in sides with generators in this particular case, or at least a couple of them, the project is still viable. The savings will still be large. Because the gas will flow into the market, whether it's through a wholesale supplier or marketer, it will still find its way to the market. It may have a slightly higher price, but it will find its way to the market.

**Andrew Weisel** - Macquarie Research Equities - Analyst

Okay, so you don't see that as a potential deal-breaker then?

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

I do not.

**Andrew Weisel** - Macquarie Research Equities - Analyst

Terrific. Next on Northern Pass, two questions. First, Forest Society. You successfully fought their lawsuit, but I understand they've now appealed that, and that could -- that's been accepted by the state Supreme Court, and could take up to 18 months. Is there any chance that the SEC might let that interfere with the timing of their review, or do you think that the SEC wouldn't necessarily need to wait for that Supreme Court appeal?

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

No. The SEC will be clearly focused on their statutorily required process. They will focus on that outcome, and they will not take into consideration, we believe, whatever takes place inside of the Supreme Court. We feel very confident that the Supreme Court, New Hampshire Supreme Court, will come to the same conclusion that the Superior Court did, because there's 100 years of case law and precedent that basically says that this is



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how it works. The Supreme Court in New Hampshire is historically very tied to what is the statute, what is the regulation, and have the regulatory bodies adhere to that. If they had, then it's very clear that they will uphold it.

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**Andrew Weisel** - *Macquarie Research Equities - Analyst*

Understood, and I agree. Lastly, the New Hampshire consumer advocate had made some headlines recently criticizing the PPA. Do you see that as any kind of risk to either the PPA being approved? How critical is the PPA to the overall project's SEC approval?

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

I would just say the PPA is important. The PPA -- without disclosing all of the information in it, because much of it is proprietary, it's confidential -- is a very good PPA. It has been more well received by policy-makers. We believe that the PPA will be approved by the commission, by the PUC.

We're confident in that. It's a good deal. There aren't a lot of other good deals around like that. Then when you add up the other dollars, your approximately \$3 billion there, the remainder of the \$3 billion that New Hampshire will get, the \$200 million Forward New Hampshire plan, all the stimulus and economic development and so forth, this is a great deal for New Hampshire. As I said earlier to another questioner, this is a deal that won't come along again. This will never come along again. A certain set of circumstances produced it. It won't produce another one.

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**Andrew Weisel** - *Macquarie Research Equities - Analyst*

Sounds great. Thank you very much.

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**Jeff Kotkin** - *Eversource Energy - VP of IR*

Thank you, Andrew. Next question's from Caroline Bone from Deutsche Bank. Good morning, Caroline.

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**Caroline Bone** - *Deutsche Bank - Analyst*

Hi, good morning, guys. Yes, most of my questions have been answered, but maybe just a few clarifications. With regard to Access Northeast, can you remind us what specifically you need to have in hand before you can file a formal application at the FERC? I'm wondering, do you need to have the contract signed, or do you need to have them actually approved at the state level?

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

Yes, Caroline, this is Lee. As part of the FERC pre-hearing process, pre-filing process, there's about 14, approximately 14 supplements we have to complete and provide to FERC. The whole idea of that process is to get the developers of the pipelines together with those that are impacted by potentially the pipeline.

These are the town's -- this is the state's -- for instance, the Department of Environmental Protection and so forth. It's the folks along the right of way. It's getting the Army Corps of Engineers, the EPA, all of those folks involved, understanding what the scope of the project is, determining collectively if we can, what the mitigation initiatives would be. Then by the time that you file this thing by the end of the year, you have a document that is very complete that usually causes the FERC process to go along more smoothly.

That's what we're doing. We don't have to have all the precedent agreements signed to submit the filing. Obviously it's a good thing if you do, because you can demonstrate -- the demonstrate the need. Having those are great, but you don't have to have those to do the filing.

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**Caroline Bone** - *Deutsche Bank - Analyst*

Okay, thanks for that. Then just going back to what you guys said earlier in the call. I know you mentioned that you've identified several projects to offset the delay that we've now seen in Northern Pass. I'm just wondering, I know you've also talked about share repurchase capacity before. Should we still be expecting a potential share buy-back next year, or if you're accelerating projects to offset the Northern Pass delay. Is that something that might be postponed to a future year?

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**Phil Lembo** - *Eversource Energy - CFO and Treasurer*

Yes, Caroline. This is Phil. I think as we've said in the past, really our focus is to invest dollars in infrastructure needs that provide customers with benefits and address the region's energy needs. If it appears that those investments are not there, -- or available to us -- certainly share repurchase is something to consider. But as we've said in the past, our focus is to invest the dollars in infrastructure to meet customers' and regions' energy and reliability needs.

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**Caroline Bone** - *Deutsche Bank - Analyst*

Is it fair to say that at this point you see those investments, you have those investments to make?

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**Phil Lembo** - *Eversource Energy - CFO and Treasurer*

Yes, I've identified a certain list of them as we went through this discussion. We feel comfortable where we are on that.

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**Caroline Bone** - *Deutsche Bank - Analyst*

All right, thank you.

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**Jeff Kotkin** - *Eversource Energy - VP of IR*

Thank you, Caroline. Next question's from Praful Mehta from Citi. Good morning, Praful.

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**Praful Mehta** - *Citigroup - Analyst*

Hi, morning. Thanks, guys. Quickly, to follow-up on that question on the 2017 earnings and the potential investments, is there -- is solar and renewables one of those buckets? If it is, can you give us ball-park numbers in terms of how you're thinking of dollars of how much you want to deploy into different buckets for the transmission versus renewables versus others?

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**Phil Lembo** - *Eversource Energy - CFO and Treasurer*

Well, in terms of the bucket for solar, that specifically is in the \$200 million range. That relates specifically to Massachusetts solar filings for our two Massachusetts utilities, so they're under new legislation that was passed in Massachusetts recently. It allows 35 megawatts of solar, so the 2017 number that I mentioned, the \$200 million specifically relates to that activity. In terms of --

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**Praful Mehta** - *Citigroup - Analyst*

There's no other bucket -- sorry, go ahead.



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**Phil Lembo** - Eversource Energy - CFO and Treasurer

No, go ahead.

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**Praful Mehta** - Citigroup - Analyst

I was just checking. There's no plan for investment in solar that is not within the utility at this point?

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**Phil Lembo** - Eversource Energy - CFO and Treasurer

That's correct.

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**Praful Mehta** - Citigroup - Analyst

Fair enough. All right, and secondly I just want to understand, you clearly have meaningful debt capacity at this point, or you have clearly strong ratings, and with a strong currency, as well. Given where the market is in terms of M&A activities and just strategic direction, is there any opportunity you see out there that is worth looking at? How are you looking at strategically, at this point in time in the market place?

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**Phil Lembo** - Eversource Energy - CFO and Treasurer

Well, in terms of M&A, I think consistently we've said that we believe that there is likely to be consolidation in the industry, and that makes sense. In our case, we've been very selective with respect to what makes sense in terms of benefits to our shareholders, benefits to customers, benefits to the region.

We have demonstrated that you can do a deal or do deals that really are beneficial to shareholders, and at the same time lower costs and become more efficient and improve your world-class service. Those are the types of activities we are involved in right now. We're focused on executing our plan that we've discussed with you. Overall, that's our sense of M&A.

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**Praful Mehta** - Citigroup - Analyst

Got you. Thank you, guys.

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**Jeff Kotkin** - Eversource Energy - VP of IR

Thank you, Praful. Next question's from David Paz, Wolfe. Good morning, David.

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**David Paz** - Wolfe Research - Analyst

Hi, good morning. Sorry to go back to your previous comments, but on Northern Pass I just want to make sure I understand this. What is the CapEx profile for Northern Pass in 2017 through 2019? I think you had about \$700 million planned for 2017, and \$600 million planned in 2018. What do those look like now?



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

Well, certainly as I mentioned, in 2017 the net of that, because even with the delay of obtaining the site evaluation committee approval, et cetera, we still plan to have spending on Northern Pass in 2017. Net, that would probably be in the \$125 million to \$175 million there. That would reduce in 2017. In 2018 and in 2019, obviously we've announced what the total size of the project would be, so we would develop a schedule to have the bulk of the remaining spending in those years. There would be a shift out of 2017 and into 2018, and possibly 2019.

**David Paz** - Wolfe Research - Analyst

Got you, okay. Remind me, the ROE on Northern Pass spending is 12.56% during construction phase, is that right?

**Phil Lembo** - Eversource Energy - CFO and Treasurer

Yes.

**David Paz** - Wolfe Research - Analyst

Okay, thank you. These other incremental projects that you mentioned previously, that would be somewhere you expect earned returns somewhere in the 10% range, lower, higher?

**Phil Lembo** - Eversource Energy - CFO and Treasurer

Well, certainly the part of the investment that I talk about was continued investment in Northern Pass, so that would be at that rate. The transmission investments would be at the higher transmission rate. The solar we expect to be in a distribution-type level return.

**David Paz** - Wolfe Research - Analyst

Great, thank you.

**Jeff Kotkin** - Eversource Energy - VP of IR

Thanks, David. Next question is from Mike Weinstein, again, from Credit Suisse.

**Mike Weinstein** - Credit Suisse - Analyst

Hi, just a quick follow-up on a comment you made earlier that you thought that Access Northeast is still a viable project even if FERC rules against the EDCs. I'm wondering if -- does that mean that there is an actual -- do you think there are marketers actually lined up right now to take their place, or is it just more of an expression of the need for new gas in the region that you were really referring to?

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

Yes, Michael, this is Lee. It's more of an expression that for the need of new gas. But there's always marketers out there. If by some chance that again FERC ruled against us in this particular phase, there's always -- if you have a pipeline there, there will be marketers that will want to arbitrage it on a day-to-day basis. That will always take place. But the gas will show up. The gas will land, and there will be a reduction of cost. What that difference is I really can't tell you, but the gas will be in the market.



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**Jeff Kotkin** - Eversource Energy - VP of IR

Michael, you know that the application that's in there talks about giving preference to generators. I'm not sure if that's exactly how you're interpreting it.

**Mike Weinstein** - Credit Suisse - Analyst

Right, I'm not sure. One final question. With the divestiture in New Hampshire it looks like delayed a little bit into late 2017, I guess that adds another \$0.03 or so to the earnings in 2017?

**Phil Lembo** - Eversource Energy - CFO and Treasurer

There's a -- yes, it does contribute earnings as the plants are running or under ownership of Public Service of New Hampshire. Depending on the exact timing of the sale and the securitization, that would provide benefits throughout 2017.

**Mike Weinstein** - Credit Suisse - Analyst

Right. Okay, thank you.

**Jeff Kotkin** - Eversource Energy - VP of IR

All right. Well, that's the last question that we have today. If you have any follow-up, please let us know. We're around today. Good luck with the 10 o'clock calls, and have a great summer. Thank you very much.

**Operator**

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

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