THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

ES - Q2 2019 Eversource Energy Earnings Call

EVENT DATE/TIME: AUGUST 01, 2019 / 1:00PM GMT

OVERVIEW:

Co. reported 2Q19 EPS, excluding Northern Pass charge, of $0.74.

CORPORATE PARTICIPANTS

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

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

CONFERENCE CALL PARTICIPANTS

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

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

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

Paul Patterson *Glenrock Associates LLC - Analyst*

Praful Mehta *Citigroup Inc, Research Division - Director*

Sophie Karp *KeyBanc Capital Markets Inc., Research Division - Research Analyst*

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

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

PRESENTATION

Operator

Welcome to the Eversource Energy Second Quarter 2019 Results Conference Call. My name is Paulette, and I will be your operator for today's call. (Operator Instructions) Please note that this conference is being recorded.

I will now turn the call over to Jeffrey Kotkin. You may begin.

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

Thank you, Paulette. Good morning, and thank you for joining us. I'm Jeff Kotkin, Eversource Energy's VP 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, 2018, and our Form 10-Q for the 3 months ended March 31, 2019.

Additionally, our explanation of how and why we use certain non-GAAP measures is contained within our news release and the slides that we posted last night and in our most recent 10-K. Speaking today will be Phil Lembo, our Executive Vice President and CFO. Also joining us today are Werner Schweiger, our Executive Vice President and Chief Operating Officer; John Moreira, our Treasurer and Senior Vice President for Finance and Regulatory; Jay Buth, our VP and Controller; and Mike Ausere, our VP for Business Development.

Now I will turn to Slide 2 and turnover the call to Phil.

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

Thank you, Jeff, and today I'm going to cover our second quarter 2019 financial results, provide an update on key regulatory dockets, review our financing activity and discuss several developments concerning our region's support for offshore wind development.

So starting with the quarter on Slide 2, you can see that we recorded an after-tax impairment charge of approximately $205 million in the quarter relating to our Northern Pass Transmission Project. It was driven by an adverse ruling we received on July 19 from the New Hampshire Supreme Court. The court upheld last year's rejection on a permit for Northern Pass that was issued by the New Hampshire Site Evaluation Committee. Although we've received the vast majority of permits we need to build Northern Pass, the New Hampshire Site Evaluation Committee approval was critical to moving the project ahead. While we continue to consider Northern Pass a very beneficial project for both New Hampshire and all of New England, from both an economic as well as an environmental perspective. We see no near-term path for the project's success and have no plans to pursue it further.

Excluding Northern Pass charge, we are at $0.74 per share for the quarter compared with earnings of $0.76 in the second quarter of 2018. Transmission earnings totaled $0.37 per share in the second quarter of 2019, excluding the Northern Pass impairment, compared with earnings of $0.35 in the same period of 2018. The improvement was due to the increased level of transmission facilities in our rate base. In the first half of 2019, transmission capital expenditures at our 3 electric utilities totaled $447 million, and we continue to forecast core utility transmission investments of nearly $1 billion for the full year.

Our electric distribution segment earned $0.33 per share in the second quarter of '19 compared with earnings of $0.32 in the second quarter in '18. Previously approved rate increases at Connecticut Light & Power and NSTAR Electric were mostly offset by higher operations and maintenance and depreciation expense. Also second quarter 2019 results were down by about $0.01 per share due to the divestiture of our New Hampshire generating facilities in 2018. Our natural gas distribution segment had a small loss in the second quarter of '19, compared with earnings of $0.02 in the second quarter of 2018. The decrease was primarily related to the implementation of revenue decoupling in 2019 as well as modestly higher O&M cost.

As I mentioned during our first quarter earnings call, the implementation of decoupling as a result of the Yankee Gas settlement last year boosted Yankee Gas results in the first quarter heating period by about $0.03. But it would be slightly negative to neutral in other quarters compared to 2018, and as we expected, we saw a $0.02 negative impact from the implementation of the new seasonal decoupling mechanism in the second quarter and expect another $0.02 negative impact in the third quarter, but a positive pickup in the fourth quarter.

In our water distribution segment, earnings were up by about $800,000 in the second quarter of 2019 compared with the same period in 2018, and totaled $0.02 per share. The higher earnings primarily reflected recovery of increased level of investment in the Aquarion system, the outcome of our Massachusetts rate review last year, and a continued focus on realizing operational cost efficiencies throughout the organization.

Our parent and other segment earned $0.02 per share in the second quarter of '19 compared with earnings of $0.05 per share in the second quarter of '18. The decline was due in part to higher interest expense. We had comparable results in the second quarter of both 2019 and '18 relating to the marking to market of our investment in certain renewable energy facilities.

Overall, we earned $1.71 per share in the first half of '19, excluding the Northern Pass impairment charge, compared with earnings of $1.61 per share in the first half of 2018. That's a 6.2% increase. Excluding the charge, we remain on target to earn between $3.40 and $3.50 per share for the year, which is consistent with our long-term earnings growth rate of 5% to 7%, which we are also reaffirming today.

Moving from our earnings discussion to key operating performance results. Our continued intense focus on safety continues to show strong results. Our record is among the best in the industry this year with our safety rate, commonly known as days away restricted time, at about 0.6 through June. Our electric reliability continues to trend very strong with months between interruptions performance at the very highest levels amongst industry peers. Overall, we are very pleased with our operating performance metrics for the year.

Turning to recent regulatory activity. On June 27, New Hampshire regulators approved a settlement, which had been reached with the Public Utilities Commission staff and the Office of Consumer Advocate to implement a [$28.3 million] (corrected by company after the call) temporary increase in annualized Public Service of New Hampshire base distribution rates. The temporary increase will go into rates for customers on August 1 and will remain in effect until permanent rates take effect in the middle of next year. Our application for a permanent rate increase was filed in late May and requests a $70 million annualized increase in base rates, which incorporates our temporary rate request.

Also in New Hampshire, as you can see on Slide 3, it refers to the 1.7-megawatt battery storage project in Westmoreland, New Hampshire, a rural heavily treed route that our radial distribution circuit must follow to serve growth. The $7 million battery project provides a cost-effective alternative to a new distribution line. We've discussed in the past, we've already started with 2 battery storage projects that were approved in Massachusetts, the Outer Cape and Martha's Vineyard projects represent $55 million of investment, 30 megawatts of capacity, and 58-megawatt hours of supply. Local stakeholders have been very supportive of the projects, and we expect to receive all necessary land use permits by the end of the year. These projects will increase reliability and in the case of the Vineyard, significantly reduce dependence on high cost and high emissions diesel generation. We expect to have both projects in operation before the end of next year.

In Connecticut, we continue to await PURA's decision on its grid modernization docket. In addition to Advanced Metering Infrastructure, or AMI, we expect that decision to provide us with guidance from PURA on the types of investments to be pursued as well as the regulatory construct for renewing such investments. We already have been evaluating a number of potential CL&P battery storage projects for consideration, pending PURA's decision on the grid mod docket. In the recently completed session of the Connecticut legislature, lawmakers clarified existing statutes to explicitly allow regulated utilities to participate in the ownership and construction of energy storage facilities that can be shown to benefit customers.

With respect to our Massachusetts electric vehicle charging station program, we are on pace to complete our $45 million capital program that supports above 3,500 charging ports by the end of next year. We currently have more than 1,000 charging points under contract and are on track to have secured commitments by year-end for nearly another 1,000 charging ports. A few weeks ago, we announced that some of the charging ports would be located at 7 Mass Audubon Wildlife Sanctuaries in the state. We are poised to propose a similar electric vehicle charging program in Connecticut pending guidance from regulators on a broader review of grid mod.

In New Hampshire, we are working with state agencies and the state's other utilities to develop a public private partnership that would leverage publicly available funds with utility infrastructure investment to set up a fast charging corridor in the state.

Turning to financing on Slide 4, we had a very significant level of financing activity in the second quarter. On June 4, we closed on the sale of approximately $1.3 billion of new common equity. The price per share was $72.50. The sale included a forward-sale arrangement that delays issuance of about 12 million of those nearly 18 million shares. The forward sale will settle on or before May 29 of 2020. We're thrilled with the investors' response to the offerings. More than 60 institutional investors participated and demand for the shares was about 3.5x the supply. We were also pleased that the price since then has performed very well immediately after the - offering. We expect the sale to be the only block issuance for Eversource shares during our 5-year forecast period. We expect to issue another $700 million of shares through an at-the-market program later in the forecast period as our funding needs develop. This would complete the $2 billion of new equity through 2023 that we first discussed during our February earnings call.

As we discussed earlier, we also expect to utilize approximately $100 million of treasury shares each year through 2023 to meet our dividend reinvestment and employee retirement plan requirements. Through July, we distributed about 750,000 treasury shares this year to meet those planned requirements. I will cover our recent offshore wind RFP award in New York later, but I believe it's important to state here that we do not expect to issue additional blocks of equity like we did back in May, even after considering the 880-megawatt award in New York. Should there be any future equity need beyond the current forecast period, we expect it to be minor given the significant cash flows that we expect from the South Fork and Revolution Wind projects as they enter service beginning in 2022. And it would most likely be satisfied through a small at-the-market issuance program, if needed.

On the long-term debt side, NSTAR Electric issued its first green bond in May, starting at $400 million of senior unsecured notes with a coupon of 3.25%. It was the tightest spread ever on an unsecured green bond in our industry and attracted some new investors to Eversource and a strong very sustainable investment profile. We had about 90 investors on the [informational] (corrected by company after the call) call interested just shortly before the issuance. While we are very pleased with the investor interest in our recent equity and debt issuances, we're also very disappointed with S&P's rating action last week concerning the Eversource system. We believe the combination of our robust financial profile; industry-leading cost management; strong operating history; our positive regulatory environment, which includes multiple multiyear settlements; and diverse regulatory jurisdiction exposure should have allowed us to preserve our previous ratings or at least limited any downgrades. Nonetheless, there are no electric utility holding company peers with higher ratings than Eversource at S&P, and we expect to continue to be able to finance at very favorable levels that will continue to benefit our customers.

From financing, I'll turn it to offshore wind and Slide 5. On July 18, New York governed Andrew Cuomo announced nearly 1,700 megawatts of offshore wind awards including 880 megawatts to Sunrise Wind, a partnership between Eversource and Orsted. 1,700 megawatts represented the largest offshore wind award to date in the United States and a major first step in reaching New York's target of 9,000 megawatts by 2035. We are targeting an in-service date for our facilities of 2024, and we signed a memorandum of understanding with Con Ed and the New York Power Authority to work together on certain transmission facilities relating to our winning bid. We expect to complete negotiations with the state on a contract for the project within a few months, and as you can see from the slide, this is our second successful bid that we've made in New York with South Fork being the first and most advanced.

This slide provides you with a summary of where we won contracts to date, where we are in the federal siting process and when do we expect the facilities to enter service. In Rhode Island, the PUC issued its written decision in June approving a 400-megawatt contract that's part of our Revolution Wind project. A contract for a separate 200 megawatts of offshore wind from Revolution was previously approved by Connecticut regulators and a contract for another 104 megawatts is now before PURA.

In terms of future RFPs, I'll turn to Slide 6. In Connecticut, Governor Lamont signed a bill on June 7 that authorized the state to procure another 2,000 megawatts of offshore wind by 2030, with an RFP for 400 megawatts starting within 2 weeks of the governor's signature. Preparation for the RFP is now underway and bids expected to be due in late September and awards in November.

In Massachusetts, the state issued the Commonwealth second offshore wind RFP in May, requesting bids for at least 400 megawatts of offshore wind. But as they did in the first RFP, they said bidders can also offer up to 800 megawatts or as little as 200 megawatts of offshore wind. We are currently evaluating the investment profile and time line for both the Connecticut and Massachusetts RFPs in order to develop and refine appropriate bid strategies.

We continue to view our partnership with Orsted, as a terrific combination of 2 highly performing organizations that view risks, financial return thresholds and operating excellence similarly. Orsted is the largest and most successful developer of offshore wind in the world. We are New England's largest utility with strong stakeholder relationships and the deepest knowledge of the region's bulk power delivery system and one of the industry's strongest financial profiles. This combination of attributes continues to make us very competitive in the region's offshore wind solicitations. We continue to expect our offshore wind partnership will provide a significant source of earnings and cash flow growth as the offshore wind turbines enter service beginning in late 2022. We expect that the awards we have won will continue to enhance our current 5-year earnings growth profile as we move into 2024 and beyond.

As we've noted previously, there likely will be increases in competition for future offshore wind solicitations in New England and New York. We do not expect to win all of the state solicitations that are ahead, but when we do win, we are confident that it will be with a disciplined bid that will allow us to achieve returns that are well above those in our regulated business and commensurate with the profile of offshore wind business model. That concludes my comments, and now I'll turn the call back to Jeff.

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

And I'm going to turn the call over to Paulette just to remind you how to ask questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) I'll now turn the call back to Jeffrey Kotkin.

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

Thank you, Paulette. Our first question this morning is from Mike Weinstein from Crédit Suisse.

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

How much of the offshore wind -- I guess, at this point, is everything that has been announced already in the -- expected to be in that guidance range you've already put out there? Or is any of this now above where your guidance is?

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

Mike, this is Phil. Our current guidance of 5% to 7% range goes through to 2023, so as I've said before, when you get to 2023 it'll really only be South Fork, which will be fully in-service for a year and then Revolution Wind will be coming in during the year. So those projects are baked into the guidance that we have. The Sunrise Wind will come in beyond what our current guidance period is, and we will pick that up when we update our guidance on our year-end earnings call.

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

And what kind of returns are you expecting in these investments at this point?

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

What we stated is that on a unlevered basis, Orsted has publicly stated that they target and we would support, an unlevered return of about 8% that translates into a mid-teens ROE if you are in the Eversource world.

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

Got you. And also has -- the rating agency action on the downgrade, does that have any material effect on your earnings guidance going forward?

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

No, it doesn't, Mike.

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

Thanks, Mike. Next question is from Sophie Karp from KeyBanc.

Sophie Karp - *KeyBanc Capital Markets Inc., Research Division - Research Analyst*

Just wanted to ask you philosophically, what is your appetite for a project similar to NPT and maybe scale and complexity outside of the offshore wind where obviously, you're participating. So how do you think about that going forward?

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

Well, Sophie, welcome to the Eversource call. Good to hear your voice. So our region has aggressive targets for carbon reduction and a strong appetite for clean energy solutions. So there is nothing on the drawing board that we see right now other than the offshore wind opportunities that we're involved with, but I'm certain that in the future as the region's needs change and as more clean energy requirements come into play that other projects could develop, but right now, there is nothing in our plan and nothing on the drawing board for the region that's not already been announced out there.

Sophie Karp - *KeyBanc Capital Markets Inc., Research Division - Research Analyst*

Got it. And then on the offshore wind, obviously, there has been headlines about the issues that Avangrid having with that permitting from the federal level. What are your thoughts on that? And obviously, you've given yourself way more time to deal with that as far as the time line goes, but generally if you could just give us some color or thoughts on how you expect the permitting process to shape up?

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

Sure, not knowing specifically what their situation is, the details would be in their court, but really from Eversource and Eversource-Orsted side, we recognize how important siting and permitting are for the success of these projects, and we are focused in our siting efforts to filing complete sighting and permitting applications, really based on thorough offshore site investigations, we've done a lot of upfront work. Our approach is to complete an extensive amount of survey work to this -- the fullest extent possible prior to submitting applications. We think that's the best way to make it through the permitting process. On our projects, we've had a fleet of survey vessels. We've spent millions of dollars to assess the characteristics around these areas. Those are critical to the filing of a complete application.

We were the first in the U.S. to develop and deploy these measurement buoys that are in our lease area to study wind speed and wave height. So we put a lot of effort into thoroughly investigating the sites before moving forward. We also understand that there are constituencies out there that you have to address, the fisheries industry. We have full-time liaisons. We've modified our wind farm layouts to avoid impacts in our designs. We were the first developer to announce changes in proposed turbine layouts based upon input from local fishermen. So that plus the fact that we were the first developer to partner with a group called Responsible Offshore Development Alliance, and really it provides a unique partnership for how fishermen can provide direct input to us. So really that combined with the combined strength, I'd say, of the Eversource and Orsted teams in this area, I think, really is a differentiator.

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

Next question is from Steve Fleishman from Wolfe.

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

So just a couple of things, first, Phil, could you just clarify the -- I think in the past the Revolution Wind even though it starts in 2023, it was not really going to benefit till after the forecast period, is that still the case?

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

That's correct, Steve.

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

Okay. And then is there any information you can give on pricing for Sunrise Wind or any idea when that will be made public?

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

As I've mentioned in my comments, we are probably a few months away from finalizing a contract with NYSERDA, and the expectation really is within 30 or 60 days after that. So after that period at some point there is an expected disclosure of pricing.

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

Okay. And then just -- it sounds like maybe you could give a little more color on the comments on financing future growth in the offshore wind. So it sounds like the high level thought process is that as the first projects come on they generate cash flow that helps to basically fund the new growth and that's kind of high level how you are thinking about this? So okay...

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

In the early years of those, there's a significant amount of cash flow that's generated from projects once they go into service and that will be used to fund and finance some of the construction costs as we go forward and really -- so I think that helps us and that really gets to the conclusion that other than doing some minor at-the-market issuances we have no future needs for a block equity.

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

Okay. So for example, that might be as you're going to book, you're going to get the ITC from those projects. And then you can kind of reinvest that into the growth projects.

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

Right, there's cash generated from the... Correct, correct.

But really, that should -- as I've said, that, that should really -- if you take that and the success we've had on the future project, that really should allow us to -- and we expect that our growth will accelerate beyond the midpoint of our 5% to 7% as we move forward here. So really...

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

Right. Okay, and then just one other question on the offshore wind. So just in terms of the actual booking of the accounting for the tax credit, how are you planning a rough sense of how you're planning to book the accounting of the ITCs?

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

Yes, the booking of it would be over the life of the asset or the life of the contract. So over a time period, or you could look at, so that's one option. The other is to do it over a 10-year period. So we're sort of looking at both of those at this stage.

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

Okay, but it's going to be -- you're not going to -- you're definitely going to spread it out?

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

Yes, correct.

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

Our next question is from Praful Mehta from Citi.

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

So maybe just picking up on the tax side, just to clarify on the ITC, is the assumption that the sharing of the ITC and the depreciation, will that be based on the ownership percentage? Or is there a disproportional sharing or a tax equity component related to any of the tax credits?

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

So when you look at the partnership is 50-50, and I guess, the best way to look at it is, you could -- there's many ins and outs and gives and takes, but the economic value is shared 50-50 between the 2 partners.

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

Right. So the economic value in total, so the combination, I'm assuming of cash flows and tax credits but you could split the tax credits different from the 50-50, is that a fair way to understand that?

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

Any category could be -- within the categories split differently than 50-50, but if one category is 40% then another category has to be 60% to offset. So overall, all the categories that relate to the economic value are shared 50-50, but not each one of them has to be 50-50.

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

Got you. And just remind us, your tax profile post the 2022 time frame, you are a full cash taxpayer at that time?

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

That's correct.

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

Got you. Understood. That's helpful. And then in terms of the equity offering, you've talked about 12 million shares being done over some time period. Is there any color you can provide on how to think about matching of the timing of the forward with when you would want to do it depending on when the CapEx kind of hits, just to understand that timing?

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

Sure. The forward was put out for a year, so the expectation is that by the end of May of next year that those 12 million shares would be issued.

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

I got you. So you delay that as much as you can effectively is the good way to think about that?

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

Yes, I think the best way to think about it is, we would assess what our needs are and what the opportunities are, and we, again, be opportunistic about when we do it. But we're not going to issue before we need it, that's correct.

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

Understood. And then finally just on the growth profile that you talked about, the 5% to 7%, there clearly wasn't any Northern Pass in your forecast through 2023, is that right from a growth perspective?

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

Right, that's -- the capital investment was removed from our plan, that is correct.

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

Right, but was there any underlying base earnings or any AFUDC or anything else in related Northern Pass that was in the plan?

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

Yes, there was. And I think we've talked about that, that there -- in addition to earning the return on the investment under the transmission service arrangement that we have that there was kind of $0.03 to $0.04 of AFUDC annually in our forecast. So we know that will not occur, but we are very comfortable and reaffirming back our 5% to 7% target, and I will say that for the remainder of this year because of the impairment that they'll probably be about $0.02 of AFUDC that have been booked, had the project been active that we will not be reflecting, but that we will, as we always do, look for ways and I'm confident, that we'll find opportunities to offset that for the rest of this year and going forward.

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

Got you. Super helpful. And just to confirm, the 5% to 7%, so you're still comfortable within the midpoint of that range even throughout through 2023?

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

Yes, that is correct.

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

Next question is from Paul Patterson from Glenrock.

Paul Patterson - *Glenrock Associates LLC - Analyst*

I wanted to touch base with you on offshore wind and this declining price cap legislation, I guess, the amendments are sort of eliminated and just sort of how you view that in the context of offshore wind economics, I mean, kind of a dramatic move, I guess, on the part of the state legislature and the governor. How should we think about that in the context of, I guess, what Massachusetts is experiencing?

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

Thanks for the question, Paul. So late last night, I think, you're probably referring to or maybe you haven't caught up with yet that the cap in Massachusetts, there was legislation that I'm not sure the governor actually signed it earlier this morning or will be signing it, but effectively that does lift the cap for one year. So for the next -- for this upcoming solicitation, the cap in Massachusetts is removed and I think that's just recognition that there's many things that they hadn't thought of at the time when the cap was instituted, but they still are focused on cost going forward. So the legislation was passed by both the Senate and the House that removes the cap for this current solicitation. So there is no cap over the current solicitation.

Paul Patterson - *Glenrock Associates LLC - Analyst*

And is that because, I guess, they feel that the economics are such that we might see higher prices in this upcoming solicitation as opposed to what was achieved previously? Is that safe to say?

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

Yes, I think there is recognition if you've kind of followed the different proposals that were out there, Paul. Folks really honed in on this, the tax credits changing, when they passed the legislation they were at 24% or 30%, and they've been reducing each year. So I think that there is a recognition that all of the things being equal if you lose or have lower tax credits that, that's going to impact the pricing. So rather than engineering every particular aspect of the bid, they just decided it's easiest just to remove the cap and -- for a year and then go forward.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Okay. And then on the Connecticut grid mod. I'm sorry, if I missed this. What's the timing that you're expecting on that?

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

Well, the -- I'll just give a little bit of history there that this was a docket that has been completed and all the testimony has been done, but in the interim, there's been some -- there was changes, Katie Dykes, who was the chair of the PURA has moved -- into a higher position and a new chair at Connecticut PURA, then there was legislation in Connecticut to increase the size of PURA by adding 2 more commissioners. So there's been a little bit of evolution in the Connecticut PURA. So right now, we believe that is certainly one of the issues that is on the front burner of the agenda at the PURA, but it's hard to say precisely when we expect it, I mean, we do expect it to come out this year. And we have been working on proposals that we would make in response to it, so that we are ready to go when something does come out. But just to refresh your memory, this is not a prescriptive per se order that we're looking -- that's coming out, the expectation, it will be more directional and then ask each company to submit specific proposals to address it. So in the anticipation of that we are working currently on our specific proposals, again, so that we are ready when the order comes out.

Paul Patterson - *Glenrock Associates LLC - Analyst*

It's been kind of dormant there, I mean, for -- I guess, since January or something, it seems to me, and I'm just wondering, you expect an order though just to show up or is there any other process that will happen between -- or will there be something else that's going to be -- in other words, should we just -- are we just waiting for an order now? Is that pretty much where we're at?

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

There is no indication that there is any other process that would be done, so at this stage, we are just awaiting an order.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Okay. And then just finally on the battery stuff, how do you see the economics of your battery investments vis-à-vis peakers. I mean we're hearing different things from different players in the sector around the country, cheaper than a peaker, that kind of thing, when it's combined with renewables what have you? I'm just sort of wondering since you've highlighted the deployments that you're making in your service territory. How do you see that -- how do you see the economics of that going forward?

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

Paul, as I described in our applications, there're many different applications for the storage and some of it is purely based on cost displacement of a peaker resource some of it has to do with reliability, providing battery storage as our application in Provincetown on the Cape really provides an opportunity to improve reliability there and then we don't have to construct a line through the National Seashore. So there're certainly a myriad of benefits, price being one of them, emissions being one of them, reliability being one of them, and I think battery storage, as a package, can address a lot of those things, and then if you can combine it with intermittent resources, it even has a better application. So certainly there're opportunities for the cost to come down. I believe in that area as there're improvements made in storage technology, but I think the early applications are going to kind of prove some of these things out, and we have a great opportunity here to really demonstrate the real value that it brings on many fronts.

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

Next question is from Travis Miller from Morningstar.

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

So on the green bonds, I was wondering if you could talk about your decision to go with that type of bond versus the, obviously, traditional type. And then how much capacity you have to continue issuing those types of bonds given the pricing you've got?

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

Thanks for the question, Travis. I'd say that if you look at the bottomline, we believe that we believe that pricing was tighter in the green bond than it would have been in an alternative issuing, a non -green bond issuance for when we need it. So pricing, there's certainly a lot of interest, our ESG profile really contributes to attracting investors. As you know with the green bonds, there needs to be a green reason to use it and certainly, as we move forward with all our clean energy applications, there could be more opportunities to issue green bonds going forward. So the -- I guess, the capacity for them is dependent upon what you're doing that's green, and we do a lot of things that aret green. So I'd expect that we'd have much more capacity to issue green bonds as we move forward. I can't give you a specific dollar amount or application right now, but the basis for the green bond that we did issue was the $500 million a year that we spend on energy efficiency and some of our other green initiatives. So -- and those become more and more part of our business. There's more and more opportunity to issue those green bonds.

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

Okay. And do those have to sit, not the ones you issued, I know, I also have to sit at the parent but is there opportunity or capacity to issue green bonds down at the utilities for some of the stuff, the batteries or anything else that you're doing?

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

This one was -- in fact, this one was at NSTAR Electric. So it absolutely can go at the utilities.

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

Okay, I guess, I'll ask the reverse then, could you do it with the parent some sort of the offshore wind?

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

And at the parent. So I think almost likely, yes.

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

Okay, okay. And then just really quick clarification on the equity. How much would you have needed if you weren't doing the offshore wind? Was there a need there either on the parent refinancing side or down at the utilities?

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

What we said and what we'll continue to say is that we have a robust $13 billion capital program in that forecast time period. And that combined with the activities we were performing in the wind area really drove the need for the equity issuance. I hesitate to allocate x amount to one category versus the other, but certainly when you look at, we do have robust capital plan that was a big driver of that need.

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

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

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

So just coming back to some of the prior questions on tax credit. I was just curious, do you have any more specificity you can talk to about both the specific ITCs tax year that you're going to try to qualify for the different offshore projects? And also just to come back what is the amortization here? I know this was kind of indirectly asked earlier, but I just want to be very specific about it, and I recognize that you may not have yet made up your mind with respect to these decisions either.

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

Thanks for the questions, Julien. I'd say that the specificity we've given on the tax years or whatever are to say that they were appropriate considering the timing of when we bid and what the construction schedule would be. But we have not, nor would we plan to identify a specific year, a specific item, that type of thing. But I will say that we've accounted for being conservative, having schedule changes, et cetera, in our tax planning profile. So no more specific than that at this stage. In terms of the number of years, I'd say -- I pointed out there's different ways of showing that. Obviously, you get cash in early and then you could reflect that. So we would do it in the most attractive way, but still evaluating -- we're still evaluating how it best fits into our tax profile going forward. It's hard to say what that looks like right now, but we are going to make the best use of that in the years ahead.

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

All right. Let me reframe it this way perhaps, by the time that you're ready to roll forward your outlook to '24, will you be reflecting a decision with respect to tax recognition in that guidance right? I mean, this would seemingly be a pretty material piece of how you establish your future guidance, I would think?

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

Sure. I'd say there'd have to be some baseline assumption that we would make there that would be appropriate to discuss.

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

Got it. And then just come back to Praful's question earlier about the value sharing. I had a thought that Orsted had confirmed that they indeed there were going to provide you with their tax credits as a quasi-tax equity counterparty, but can you elaborate, I mean, to the extent possible about how they and you are talking about monetizing the other tax component? And also if possible, how you would think about recognizing that again in your income statement at least to which you are taking on their portion of tax credit.

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

So as I said, there are many categories to divvy up the 50-50 economic value of the partnership and certainly, if Eversource has more of an ability to utilize more efficiently the tax benefits of the partnership then we'd be foolish not to make that determination. So I'd say at this stage, Julien, the specific, how that's going to work and what the numbers are, are still in flux, still something that we look at all the time as part of our partnership, what makes the most sense for the partnership returns going forward, and how we can best utilize the financial profile and the operational knowledge, in fact, of each party to be the most successful financially and operationally here. So I think it's just common sense that if somebody can better do something, let them. Rely on them whether it be constructing something, if there's a better tax appetite, if you can finance cheaper. So all of these different items, we're going to pick the best way to do it and if that means that, that category isn't exactly 50-50, so be it. But the overall division is going to be 50-50. So some of these decisions evolve as you go through time.

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

Got it. Quick clarification if I can summarize here. How you think about the equity net injection needed for these offshore projects? Again, the thought process being, trying to tie back the balance sheet, the equity you raised here against your outlook over the 5-year period. How should we think about these projects? And I understand that their cash flow profile shifts pretty dramatically depending on the specific year, but upfront, 30% equity? How would you frame it?

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

I'd say the way that you should look at and the way that we've guided is to say, you should assume that it's sort of an Eversource profile cap structure and that would be 60-40%.

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

Next question is from Andrew Weisel from Scotia Howard Weil.

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

I have a question on your appetite for more offshore wind. So you have committed to 50% of over 1,700 megawatts. How big would you be willing to let that business get for you? Is it a question of the earnings mix or the balance sheet or the physical lease capacity space? And what would happen with the partnership with Orsted if you and they wanted to move at different paces?

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

Thanks, Andrew. And I guess this is a question of bigger -- is bigger better, I guess, is the nature of your question. But our lease sites can handle 4,000 megawatts of capacity and that's what we are in partnership with Eversource and Orsted and really I'd say there's not a race to get to the full capacity. There's many thousands on the drawing board of offshore wind RFPs and needs that are expressed in New England and New York. And those come in over many, many, many years and our lease areas, in my view, are the very best. I mean, you look at the proximity of where they are to shore, you look at all the wind speed and other depth characteristics of those sites, and I'd rather have my sites than anything else out there. So there will be plenty of opportunities to grow this as we move forward. But we're going to do it in a way that is disciplined, and we're going to look at each RFP in terms of what the schedule is, what we already have on our plate, what we can do going forward and what the financial profile is of that RFP. So it has to be not necessarily bigger but it has to fit the profile and be financially additive to what we're doing going forward.

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

Okay. So notwithstanding cost, certainly, you can't get into the details for bidding reasons, but it sounds like you will be pursuing all of these reasonably aggressively, right?

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

I didn't say that, I said we would look at each one and make determination as to what the schedule that the RFP is looking for, what we already have on our plate, what we think the financial, the bid price would be, what that would mean in terms of returns and then we would make a determination based on that in terms of what our bid strategy would be for each specific RFP.

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

Okay, got it. And just to confirm, am I right that for all of these offshore wind projects, the interests will be capitalized and therefore, it will impact cash flows during construction but not earnings? Is that the right way to think of it?

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

That is, yes. You are correct.

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

Okay, great. Then one last one if I may. How do you think about affordability in New England given the higher costs of these projects? I understand that your utilities are in rate freezes, but over the next several years, is affordability a concern especially given the high starting prices for rates in the region?

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

Affordability for our customers is already always a primary concern, as well as their reliability and the quality of service that we provide. So certainly, affordability of energy supply costs, affordability of our own distribution rates, affordability is top of the list for customers and top of our list. So we continue to evaluate that and you look at that in relation to what the alternative is, okay? So if you are in a region, as we are in the 3 states that we serve, and in a region that has very aggressive carbon reduction targets, you need to see how is it that you're going to meet those targets and provide the level of capacity and service to customers that they deserve. So what might seem like high cost to some is relative depending on the region you're in and the alternatives that you have, but certainly affordability is important to us.

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

Next question is from Mike Weinstein at Crédit Suisse. Mike?

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

One quick follow-up. Just wanted to know if you guys have heard anything from FERC on transmission ROEs and the decision on that coming up. I'm sorry, if I missed this answer earlier.

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

Mike, you didn't miss any answer on that. The answer is that we have not heard anything from FERC on the status of our 4 open ROE complaints.

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

Okay, I was just wondering because they've been actually issuing a few decisions lately, so I was just wondering if there is any movement.

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

Yes, nothing that we're aware of or that we've seen.

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

We have nobody else in the queue, so we want to thank all of you for joining us this morning. If you have any follow-ups, feel free to give us a call or send us an e-mail. Thanks a lot and have a good day.

Operator

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