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# EDITED TRANSCRIPT

ES - Q3 2017 Eversource Energy Earnings Call

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**Philip J. Lembo** *Eversource Energy - CFO and EVP*

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## PRESENTATION

### Operator

Welcome to the Eversource Energy Third Quarter Earnings Call. My name is Christine, and I will be the operator for today's call. (Operator Instructions) Please note that this conference is being recorded.

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

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

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

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.

Some of these factors are set forth in the news release issued yesterday. Additional information about the various factors that may cause actual results to differ can be found in our Annual Report on Form 10-K for the year ended December 31, 2016, and the 10-Q for the 3 months ended June 30, 2017.

Additionally, our explanation of how and why we use certain non-GAAP measures is contained within our news release and the slides we posted last night on our website under Presentations and Webcasts and in our most recent 10-K.

Turning to Slide 2. Speaking today will be Phil Lembo, our Executive Vice President and CFO; and Lee Olivier, our Executive Vice President for Enterprise Energy Strategy and Business Development. Also joining us today are Jay Buth, our Vice President and Controller; John Moreira, our Vice President of Financial Planning and Analysis; and Christine Vaughan, our Treasurer and Vice President for Regulatory.

Now I will turn to Slide 3 and turn over the call to Phil.

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### **Philip J. Lembo** - Eversource Energy - CFO and EVP

Thank you, Jeff. Today I'll cover our third quarter and year-to-date financial results, the status of key regulatory dockets, the status of our Aquarion Water Company transaction, and give an update on our capital plan and several of the transmission projects.

So let's turn to our quarterly financial results on Slide 3. Earnings were \$0.82 per share in the third quarter of 2017 compared to \$0.83 per share in 2016. The primary drivers of our results were higher electric transmission earnings being offset by lower electric distribution results.

Our transmission segment earned \$0.31 per share in the third quarter of '17, compared with \$0.28 per share in the third quarter of 2016. The primary driver here for these earnings was higher transmission rate base. We've invested \$600 million in our transmission system this year through September, and our transmission capital plan for the year is just under \$1 billion.

On the electric distribution side, we earned \$0.50 per share in the third quarter of '17. This compares to earnings of \$0.53 per share in 2016. This decrease was primarily due to lower sales, reflecting much milder weather we experienced in July and August this year compared to 2016. This primarily impacted NSTAR Electric and our New Hampshire -- Public Service of New Hampshire operation, neither of which has yet to implement revenue decoupling.

In Boston, for example, cooling degree days were down nearly 34% in the third quarter of 2017 compared to the same period in 2016. This is nearly 8% below normal in terms of cooling degree days for the third quarter. And not only was it mild overall in the summer, but additionally, we never really had a hot stretch of weather or a heat wave, so to speak, so peak loads were modest and demand-related revenue also declined.

So in addition to lower electric revenues, we recorded higher property tax, depreciation and interest expense in the quarter. We were able to offset much of these impacts with our continued success in controlling our costs. Lower non-tracked O&M costs added \$0.02 per share to our third quarter results.

On the natural gas distribution side, we lost \$0.02 per share in the third quarter of '17, which was comparable to last year. The Eversource Parent and Other, we earned \$0.03 per share in the third quarter, and this compares to earnings of \$0.04 per share in 2016. The decline was primarily due to higher interest expense, resulting from higher levels of debt and higher interest rates on short-term debt, reflecting the impact of recent Fed interest rate hikes.

Turning from the third quarter to the 9 months results. We earned \$2.36 per share for the first 9 months of 2017 compared with \$2.24 per share last year. Improved results were due to higher transmission earnings, improved results at the parent and lower O&M costs. In fact, lower O&M costs added \$0.06 per share to our year-to-date results.

For the full year, we expect to earn between \$3.05 and \$3.20 per share, and for the long term, we continue to project 5% to 7% long-term EPS growth. We are pleased with our results to date and remain comfortable with our 2017 guidance, although I'd like to see some very cold weather in November and December, and that would really help us reach the higher end of our earnings range for '17.

From the financial side, I'd now turn to our regulatory activity on Slide 4 and start with our New Hampshire generation divestiture, which is moving along very well. On October 12, we submitted to the New Hampshire Public Utilities Commission 2 purchase and sales agreements for the sale of our remaining generation assets in New Hampshire for a total purchase price of \$258 million.

The New Hampshire PUC has opened a docket to review these contracts with approval expected before the end of this year. We continue to expect a closing by the end of the year or very early next year with securitization activities to follow soon thereafter. The book value currently on PSNH generating assets, including fuel and inventory, totals approximately \$770 million as of the end of September. Under the New Hampshire PUC approved settlement, we'll recover through securitization our investment in the plants that's not collected through the sale process.

After completion of these transaction and -- transactions and implementation of market-based competitive solicitations for power for our New Hampshire customers, we expect overall energy supply rates to decline going forward.



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Turning to Slide 5 and our current distribution rate case activity. As many of you know, hearings and briefings are now complete on our Massachusetts Electric rate case. This has been a very comprehensive case with our proposed merger of NSTAR Electric and WMECO, the movement of NSTAR Electric onto revenue decoupling, proposals for performance-based ratemaking and expansion of our vegetation management program, some significant rate design changes and our grid modernization proposal, including \$145 million for energy storage and electric vehicle support expenditures. We're pleased with how the case went and the case that we presented, and look forward to a decision by the end of November, with new rates taking effect early next year.

In Connecticut, we filed a letter of intent last week stating that later in November, we'll file a general rate case for CL&P, supporting a 3-year plan. This case is required by our 2012 merger settlement. The increases we are requesting are being driven largely by higher depreciation, property and other tax expense, much of which relates to the hundreds of millions of dollars we invest annually in the Connecticut distribution system that helps achieve top-tier results for customers. This case continues to reflect our ability to move our electric performance higher, while controlling costs for our customers.

From state regulation, I'll turn to Slide 6 and the various New England transmission ROE dockets before FERC. As you may recall, on April 14 of this year, the D.C. Circuit Court of Appeals vacated and remanded FERC's 2014 order that lowered the base ROE for the New England Transmission Owners from 11.14% to 10.57%.

In early June, the region's transmission owners, including Eversource, filed with the FERC to revert back to the ROE that was approved by the FERC nearly a decade ago, which had a base ROE of 11.14%. FERC did not accept our request last month, stating that changes to the billed ROEs now would complicate the computation of any surcharges or refunds or changes once the final decision is issued. As a result, we made no changes to our rates and continue to bill and recognize revenues based on a 10.57% base ROE until we receive a new order from FERC.

Next, on Slide 7, our pending transaction involving Aquarion Water Company. This also is moving along very well. Regulators in Connecticut and New Hampshire and all relevant federal agencies have signed off on the transaction. As a result, we'll be able to close the transaction once we've received approval from the Massachusetts Department of Public Utilities. We have completed all the hearings and briefings before the DPU and are awaiting a decision. We expect to close the transaction before year-end.

On Slide 8, we profile our 4 largest reliability projects underway on our system. We expect all of these projects to be completed in 2019, and we've made considerable progress to date with 28 of the 55 projects associated with Greater Boston and Greater Hartford, -- those being already in service.

We continue to review our 2018 capital budget. As you know, we'll discuss that in detail in February. But during the last earnings call in July, I noted that we expect to offset some of the revisions to the Northern Pass time line through increased investments in our electric, natural gas and water distribution systems, such that our capital budget would likely remain approximately \$2.8 billion.

Since then, we've also identified about \$100 million of additional reliability-related electric transmission investments across our service territory that we would expect to complete in 2018. This investment will allow us to further improve transmission reliability and harden our system.

We're also making significant progress on our Massachusetts solar initiative. As many of you know, in August of this year, legislation allowing us to build 62 megawatts of solar was amended to provide an additional 2 years to complete the facilities.

As a result and to lower costs for our customers, we adjusted our construction schedule such that a small amount of capital spending for the solar program will take place in 2018 rather than 2017. Approximately 50 megawatts are now under construction, with the remaining 12 will go into construction by the end of this year. Moreover, we remain well within our \$200 million budget.

Finally, turning to financing. In early October, Eversource Parent issued \$450 million each in 5-year and 7-year notes, with yields of 2.5% and 2.94%, respectively. The spreads on these debt issuances were amongst the lowest we've seen for parent paper in the industry, and we think that speaks volumes to our high credit quality. The generation divestiture, the Aquarion acquisition should continue to solidify the attractive business risk position assigned to us by the credit agencies.



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Before I turn the call over to Lee, I want to take a moment to discuss the severe wind and rainstorm that struck the Northeast Sunday night into Monday morning. The near-hurricane-force winds resulted in hundreds of broken poles, dozens of downed transformers and many miles of downed wires.

Across New England, approximately 1.3 million electric customers lost power. In our service territory, New Hampshire was the hardest hit, with more than 60% of all customers out of power at some point. While our restoration efforts are largely complete in Massachusetts and Connecticut, and they're progressing well in New Hampshire, I just want to recognize the tireless efforts of our employees and thank our customers for their patience.

We'll see many of you on this call at the EEI Financial Conference next week. So we're making this call somewhat briefer than last quarter. But now I'll turn the call over to Lee.

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

Thanks, Phil. I'll provide you with an update on Northern Pass and then turn the call back to Jeff for Q&As.

Slide 9 highlights the progress we are making on Northern Pass. Cross-examination of our witnesses wrapped up in the early October time frame, and the hearings are now focused on intervenor witnesses. Our witnesses made a highly compelling case for the New Hampshire Site Evaluation Committee to approve the project as we have proposed it, with 60 miles of underground cables and 132 miles of overhead line. They have discussed all the steps we have made to minimize the physical impact of Northern Pass, while at same time preserving the economic viability of a project that will bring billions of dollars of benefits to the state.

We are now nearly halfway through the cross-examination of intervenor witnesses. Once the cross-examination is complete and the record is closed, intervenors will have 14 days to file their final briefs on the project, and we will have another 7 days to file ours.

Then the 7 members of the New Hampshire SEC subcommittee that have been assigned to review the Northern Pass project will vote. A simple majority is necessary to approve Northern Pass. The subcommittee has targeted a vote no later than February 28, 2018, but it could take place sooner.

After the vote, the New Hampshire SEC staff counsel will prepare a written decision consistent with the majority position, which the SEC has scheduled for no later than March 31, 2018. We consider the New Hampshire SEC schedule to be supportive of the project receiving all of the approvals necessary to commence construction in the second quarter of 2018.

In addition to the SEC permit, we need to secure a Presidential Permit from the U.S. Department of Energy. The DOE issued the final environmental impact statement on Northern Pass in August. In issuing the final EIS, DOE stated, "The proposed DOE action in the final EIS is to issue a Presidential Permit to the applicant, Northern Pass LLC, to construct, operate, maintain and connect a new electric transmission line across the U.S.-Canada border in northern New Hampshire."

We are now awaiting the record of decision and the Presidential Permit from the DOE and expect both to be issued this year. The project requires 2 federal permits, 2 additional ones, and we have made significant progress on both. The U.S. Forest Service issued a record of decision 2 months ago that was supportive of the underground route that we have selected through the White Mountain National Forest. We expect the final order from the Forest Service before the end of this year. We also expect to receive a final permit from the Army Corps of Engineers by the end of the year.

On the state side, we achieved another important milestone yesterday when we filed a settlement agreement on the terms of Northern Pass' lease with Public Service Company of New Hampshire for most of Northern Pass' 192-mile route. The settlement was reached with the New Hampshire PUC staff and the Office of Consumer Advocate, the 2 principal intervenors in the case. We expect the New Hampshire PUC approval of the settlement by the end of the year.



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Taken together, we are very pleased with our current position in the siting process, with significant progress being made in all venues.

Turning to Slide 10, we continue to expect construction to commence by mid-2018 with completion in the third quarter of 2020. At that time, Northern Pass would be fully constructed and operational testing would commence, allowing the project to enter service prior to the critical '20 to '21 winter period.

Supporting this time schedule are the firm fixed-price contracts we have signed with our major suppliers and contractors, including ABB and Quanta Services. All parties involved in this project are primed and ready to commence work once we receive the final approvals.

Finally, before we begin Q&A, I will touch on Bay State Wind and our partner, which has the new corporate name of Ørsted. We are preparing our bid into the Massachusetts offshore wind RFP, which is due December 20. Given the vast experience of Ørsted in European offshore wind and our knowledge of New England markets and transmission, we believe we will be able to submit a highly compelling set of proposals for review by the evaluators.

Now I'll turn the call back to Jeff for Q&A.

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

Thank you, Lee. And I'll return the call to Christine just to remind you how to enter your questions. Christine?

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions)

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

Our first question this morning is from Mike Weinstein from Crédit Suisse.

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

Lee, would you mind talking a little bit about the SEC settlement -- or not the SEC, but the New Hampshire Public Utilities Commission settlement that you just arrived at? How significant is that for the project? I mean, how many miles of the line is covered by those rights-of-way? And also, at the SEC, what's your impression, I guess, now that the cross-examination of intervenor witnesses has started, what's your impression of their ability to delay the process in some way or -- I don't know, or get the vote done on time in February?

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

Yes. Mike, this is Lee. In regards to the right-of-way, it essentially is all of the right-of-way with the exception of the underground in the northern part, which is a private lease of about 22 miles of land. So if you add the underground and the private-lease, that's about 82 miles. So the rest of it is what remains of the 192 miles. So it's very, very significant because obviously, earlier, the PUC approved Northern Pass as a utility and part of what they had to do to do that is to say that Northern Pass would be in the public good to become a utility in the state. So this now giving us the rights to use the right-of-way, where there is other existing PSNH or Eversource New Hampshire rights-of-way is very, very important. It's one of the last major steps. It obviously, by the conclusion of that, again, it lends credence to the project in itself because it will be approved by the same -- many of the same members that sit on the SEC. So we feel very good about that. I would just say in regards to the SEC hearing, those meetings

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have proceeded very well. I think the SEC has been very judicious in terms of allowing opposing cross-examination and ensuring that the cross-examination is timely, it's constructive and is not meant to be, essentially, kind of drawing on or keeping the process going. So I think the SEC is determined and focused to bring this thing to a conclusion no later than this year. And the schedule, as we have right now, would support all of the hearings being completed by the end of this year, early deliberations in the first quarter, January time frame and then an oral vote and then a subsequent written decision.

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

Great. And in terms of the RFP outcome that's happening in January for the Massachusetts Clean Energy RFP, is -- how significant is that for Hydro-Québec's support, in your opinion, at this point?

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

Excuse me, Mike, could you repeat that last part?

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

How significant is the outcome of the -- that Massachusetts Clean Energy RFP for Hydro-Québec's support of the Northern Pass project?

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

We talk with Hydro-Quebec on a regular basis. Their goal is to double their revenue, double their earnings over the course of the next 15 years. It's to further increase imports into the U.S., predominantly New England, which is their best market. They would like to, if possible, put 3 Northern Passes into New England. So they're very, very committed to this project. And if you look at this project, we're pretty much through the federal siting. We should have the Presidential Permit by the end of this year or sooner. The SEC process is moving along quite nicely. We have all the contracts laid out. We have an in-service date of by the end of 2020; that's at least 2 to 3 years before anybody else. And just looking at the Massachusetts RFP, provided in the RFP is additional credit, if you will, for projects that land by the end of 2020 when the state has their mandate to reduce carbon by 20%. And if you look at Northern Pass, it will take 25% of the carbon out of the electric sector inside of Massachusetts. And then you have the siting on the Canadian side. We will have the siting on the Canadian side by the end of this year. The other projects that would cross into Canada will take another 2 to 3 years of siting in Canada. So no other project that exists is as far along as we are and has the certainty that we have around fixed-price contracts with contractors and in-service dates that really meet the needs and goals of the Massachusetts Clean Air plan.

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

Next question is from Praful Mehta from Citi.

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

So just following up a little bit on Northern Pass. In terms of the SEC approvals, I guess the time line is moving well. But I just wanted to understand, what are the risks here? I mean, is there any possibility of delay further? Or what if the decision doesn't go your way? In that case, what are the options you have at that point?



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

Yes, I would just say to answer the first part of your question, is there opportunity to delay further, I would say, no. We have a very strong governor in New Hampshire that supports this project; the legislature supports this project, including the senior members of the legislature. The SEC Chairman has been very efficient and very judicious in the process. So we don't see any delays there. A number of the intervenors had tried previous litigation, all of which have failed, we think from our long experience with the SEC process that it's, quite frankly, long. It's very judicious. It's very comprehensive. But when it's complete, it has always withstood legal challenge, and we believe so will the Presidential Permit. So we do not see delays there. So I'm very confident that we will get our decision. It will be in time for the 3-state RFP, and we will be successful inside of that RFP.

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

Got you. All right. And you've talked about from a growth perspective, right? The 5% to 7%, you've held the 5% to 7% growth platform through 2020. But you've also talked about the \$100 million of incremental transmission CapEx today. Is that helping you move to the upper end of that range? Is that just keeping it at the midpoint? And also I wanted to understand what are the approvals required for that incremental transmission spend?

**Philip J. Lembo** - Eversource Energy - CFO and EVP

So the short answer to that is that's a total amount that helps to fill the gap that we had talked about earlier when Northern Pass changed its schedule so that Northern Pass capital spending was moving out of '18 and into '19 and '20. So that's just one more element of the package that we've discussed that will support the capital spending plan in 2018 as Northern Pass moves over. So I'd say it just replaces that. It doesn't enhance the number at this stage.

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

Got you. And then finally, in terms of Aquarion growth opportunities, what is that growth profile within your 5% to 7%? Is that a higher growth profile versus the rest of the business? Or is it similar?

**Philip J. Lembo** - Eversource Energy - CFO and EVP

It's similar, but a little bit on the higher end of that range, so it does enhance the number.

**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

Just a quick one here, that \$0.04 down on the retail electric revenues, how much or is all of that due to weather? And if not, what else is going on in that number?

**Philip J. Lembo** - Eversource Energy - CFO and EVP

No, that's pretty much due to weather. I mean, if you looked at sort of normalized, it's down slightly. So I guess there's a little bit more going on there relating to energy efficiency, et cetera. But it's, as I said, we had 34% fewer cooling degree days in Boston that's versus the previous year. The previous year was pretty warm. So even versus normal, they were down 8%. So it was just a bad weather quarter, and it really was the driver of that number.



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

Our next question is from Jerimiah Booream from Bank of America.

**Jerimiah Booream** - BofA Merrill Lynch, Research Division - Associate, US Utilities, Power, and Clean Technology

I just wanted to touch on the FERC decisions coming your way. Do you have any idea of the timing for when you could see a revision to Opinion 531? And also, given that the NETOs have requested, basically, for all the complaints to be vacated, is there a chance that, that could come at the same time? And do you have any insight into the process at the FERC since it seems like they're triaging some of their issues here?

**Philip J. Lembo** - Eversource Energy - CFO and EVP

Well, I think your last statement there is probably a good portrayal is that they're probably is still some triaging going on of the highest priority items. And even though the FERC currently has a quorum, it's not filled out with all the commissioners. So I think that predicting the timing of when we'd get a decision is probably not a good item for any of us to be doing. But I wouldn't expect that we would see something until 2018, if I had to guess. So we've long looked for all of these to be handled together, and in fact, a couple of the complaints were combined, complaints 2 and 3, but then a complaint 4 came up. So we think that it really doesn't do anybody any good to keep pancaking these types of complaints over and over again for an investment that's a 40-, 50-, 60-year investment. It does provide some uncertainty there. So that's the approach we'd like to take, and that's why we filed it. But in terms of predicting when it will be decided, probably not in the very near term would be my guess.

**Jerimiah Booream** - BofA Merrill Lynch, Research Division - Associate, US Utilities, Power, and Clean Technology

Yes, that's fair. And then just a housekeeping question. Is there any reason to think that you guys would have other rate cases coming up in any of your other jurisdictions that we haven't talked about already?

**Philip J. Lembo** - Eversource Energy - CFO and EVP

Well, the only ones that we've announced are the ones that I talked about today in terms of Massachusetts, and we filed a letter of intent in Connecticut. So we're always evaluating that. Some of the -- as you can imagine, some of the rate cases are driven by what the returns are in those jurisdictions. Some are triggered by regulatory agreements that we have, things like that. So the only ones that are on the table are the Massachusetts and the Connecticut electric one.

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

Next question is from Caroline Bone from Deutsche Bank.

**Caroline Vandervoort Bone** - Deutsche Bank AG, Research Division - Associate Analyst

So this is a follow-up on Northern Pass. So it does seem like you guys are pretty well positioned for the Massachusetts RFP. But are there any other RFPs in the pipe in the region in which Northern Pass could participate in if Massachusetts doesn't go your way?

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

Well, if you look at the region, Caroline, there's a number of states. I mean, you've got Massachusetts, Connecticut has 1,000 megawatts, approximately, of authorization, much of which could be hydro. They haven't gone out for an RFP for that. Rhode Island has essentially an authorization of about



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1,000 as well for clean energy. The governor has a mandate to have that in service by 2020, which would probably be difficult. But at least there is an authorization there, they have just not initiated the RFPs on those yet. So there are other authorizations, and they're really awaiting RFPs. I think that's one of the reasons why, quite frankly, when we talk to the folks from Hydro-Québec, they really feel that they could do 3 Northern Passes. They could do at least 2 more of them into the region. And of course, as the region moves forward, and ISO New England will issue its fuel security report -- that's a little bit held up because of the FERC NOPR around coal and nuclear. But when they issue that, I think that will lead to say that the region has to have more firm fuel, not only potentially gas, but hydro as well as the older plants, including nuclear retire over time.

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**Caroline Vandervoort Bone** - *Deutsche Bank AG, Research Division - Associate Analyst*

Okay. And so do you know what's holding up Connecticut and Rhode Island, given, I guess, if Rhode Island has this target by 2020, why haven't they launched something?

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

I just think in the case of Connecticut, they are, shall we say, they're busy with other issues.

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**Caroline Vandervoort Bone** - *Deutsche Bank AG, Research Division - Associate Analyst*

Yes. I get Connecticut.

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

They're busy with other issues, hopefully get through those other issues, and they'll have a budget, and they'll be able to move on. As you know, they also have an offshore wind authorization of 200 megawatts. We have talked to folks there. They say offshore wind is really a bright future for the state, not only because, again, it's close to load. But they have seaports there that could be very constructive, particularly New London, in servicing an offshore wind business. They have essentially 800 megawatts of open access on the transmission system that interconnects from the Millstone facility into the 345kV system into the region. That's really because Unit 1 was shut down. So they see a lot of opportunities. They're working through those opportunities. And in regards to Rhode Island, I really can't speak for where they are. I really can't speak to that.

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**Caroline Vandervoort Bone** - *Deutsche Bank AG, Research Division - Associate Analyst*

Okay. Okay. And then just maybe one last one, and this one is for Phil. And I know you guys are going to provide guidance in -- on the Q4 call. But I'm just wondering if you can at least talk to some preliminary drivers that we should be thinking about, particularly around the rate cases, Aquarion, all of these kind of moving pieces.

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**Philip J. Lembo** - *Eversource Energy - CFO and EVP*

Well, without giving guidance that we're not going to give till February, that is a little difficult, Caroline. But, I mean, but I think that, certainly, the levers that we've talked about in the past with you and others in terms of our transmission growth and our ability to keep costs under control and a manageable level of rate expectations, I think those are -- and certainly a key assumption will be what -- the issue we talked about earlier, the FERC ROEs, how those get settled and what the rates on that are going forward. So and I think that we've spent a lot of time over the last couple of years talking about the weather impact on our sales and whatnot, but the outcome of the Massachusetts rate case will remove a great part of that. I mean, we'll have most of our jurisdictions with electric and gas, mostly decoupled after this, so that, I think, removes a bit of the variation in the risk on the sales side. So that might be a little bit easier prediction. So I mean, the drivers will be consistent. I think we still have a good pipeline of projects that we'll probably be able to discuss, and the key assumption, I think, would be maybe what comes out of the FERC ROE.



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**Caroline Vandervoort Bone** - *Deutsche Bank AG, Research Division - Associate Analyst*

Okay. And did you guys just say -- one last follow-up on that. Did you say what the weather versus normal impact has been year-to-date? I apologize if I missed that.

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**Philip J. Lembo** - *Eversource Energy - CFO and EVP*

Well, we talked about it for the quarter. So for the quarter, this past quarter's more about cooling. So we did talk about the quarter being down about 34% in terms of cooling and it's off 7%, 8% in terms of normal. If you get into the rest of the year, then you have to talk about heating and cooling. But about \$0.03 would be the weather impact if you added everything up for the year. Weather has hurt us by about \$0.03.

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

Next question is from Paul Patterson from Glenrock.

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**Paul Patterson** - *Glenrock Associates LLC - Analyst*

So just a follow-up on Northern Pass, finally. I would agree that it's been a very lengthy process, [certainly] a lot of [due] process. What I was a little interested in was apparently there were some comments by the Vice Chair regarding the, I guess, the differing economic analysis and sort of hinging on the capacity market scenarios. And I'm just wondering when we might get some clarity. I think that happened on Friday. When we might, I guess, from what I've read, my understanding is that, be resolved, hopefully, shortly. Do we have any -- will there be a document filed or anything that sort of goes over that issue?

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

Paul, this is Lee. No, we're working with our partner, HQ, on that. And HQ has already made a statement that they have extensive experience in the fuel capacity markets. They have ongoing conversations with ISO New England and the market monitor. They are confident they will be able to receive capacity credit. The line is designed and built without any additional upgrades for 100% deliverability could get over 800 megawatts, would be entitled to over 800 megawatts of capacity. And so I think really the plan here is to take that, reinforce that statement and then early next year, HQ would notify ISO of their intent to enter into capacity markets.

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**Paul Patterson** - *Glenrock Associates LLC - Analyst*

Okay. Awesome. That's great to hear. And then on the sales growth, just a follow-up on Travis' question. What was the sales normalized, the normalized sales growth year-to-date on electric?

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**Philip J. Lembo** - *Eversource Energy - CFO and EVP*

Just about 1% down.

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**Paul Patterson** - *Glenrock Associates LLC - Analyst*

Okay. And then finally on the transmission, we haven't seen any big -- any of these big cases fully litigated. But we have seen some settlements, I'm sure you guys are aware of them, on transmission ROE, base ROE and the adder. How should we think about those? Or how do you guys think



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about -- how should we think about those in the context of what -- with respect to what might happen with the transmission rate case for New England?

**Philip J. Lembo** - Eversource Energy - CFO and EVP

Well, I think that just part of the general FERC process, Paul, is there is settlement discussions, always, as a first step and as an effort to reach agreement. So obviously, we've gone through those steps in these processes and hadn't been able to do that. So we're -- our track record is if something is reasonable, and we think it's in everybody's best interest, settlements are certainly something we're open to, but they have to be a reasonable outcome. And as I said, they're generally part of the general process in the FERC proceedings, and so we engage with others on an ongoing basis there.

**Paul Patterson** - Glenrock Associates LLC - Analyst

Okay, but the ones that we've seen so far, you don't think that they're applicable at all? Or, I mean, in terms of just us, from us looking afar here, in terms of we haven't seen any decisions, but we have seen a number of different settlements across the country on base and ROE. And I'm just wondering how should we think about that in the context of New England? Is there anything that we should think about being different there because of geography or something?

**Philip J. Lembo** - Eversource Energy - CFO and EVP

No. I wouldn't expect that at this stage we'd reach any settlement. As I said, we've gone through various processes in the past, and we are where we are right now. So unless there is more cases or something like that, which I'm hopeful that that won't happen, but in the cases that exist now, they're pretty far along. The fourth case is the least far along, I guess, of the cases. So I guess that there could be some opportunities there. But it's hard once when you have an open case from many years ago, how do you settle something that's later until you get the one that's earlier? So I think we have to see what comes out of this complaint 1, and hopefully that will set the trend for the rest of the cases.

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

So we don't have any more questions for this morning. We want to thank you for joining us. We look forward to seeing most of you who are on the call at the EEI Financial Conference starting Sunday. Take care, and safe travel.

**Operator**

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

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