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EDITED TRANSCRIPT

ES - Q1 2018 Eversource Energy Earnings Call

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OVERVIEW:

ES reported 1Q18 EPS of \$0.85. Expects 2018 EPS to be \$3.20-3.30.



MAY 03, 2018 / 1:00PM, ES - Q1 2018 Eversource Energy Earnings Call

CORPORATE PARTICIPANTS

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PRESENTATION

Operator

Welcome to the Eversource Energy First Quarter 2018 Results Conference Call. My name is Vanessa, and I will be your operator for today's call. (Operator Instructions)

Please note that this conference is being recorded.

And I will now turn the call over to Mr. Jeffrey Kotkin. You may begin, sir.

Jeffrey R. Kotkin - Eversource Energy - VP of Investor Relation

Thank you, Vanessa.

Good morning, and thank you for joining us. I'm Jeff Kotkin, Eversource Energy's Vice President for Investor Relations. During this call, we'll be referencing slides that we posted last night on our website.

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, 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 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 Controller; Christine Vaughan, our Treasurer; and John Moreira, our VP for Financial Planning and Analysis.



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

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

Thank you, Jeff, and welcome, everybody. Today, I'll cover several items: our first quarter 2018 financial results, an update on some key regulatory dockets, recent financing activity and our activities related to Connecticut Water.

We had a strong start to 2018 with earnings right in line with expectations. We achieved some important regulatory outcomes and continued to provide very high levels of service reliability to our customers. As we noted in the earnings news release, we continue to forecast 2018 earnings between \$3.20 and \$3.30 per share and long-term earnings growth of 5% to 7%.

I'll start with our first quarter 2018 results on Slide 3.

Earnings were \$0.85 per share in the quarter compared to \$0.82 in 2017. The primary driver for the increase was improved transmission segment earnings, where we earned \$0.34 per share compared to \$0.30 per share in '17. The increase was due to continued investment in our transmission system to maintain performance and improve reliability for customers.

The electric distribution earnings totaled \$0.33 compared to \$0.36 last year. The decrease was primarily due to lower generation earnings resulting from the sale of our fossil generation facilities in January, and higher depreciation, property tax and O&M expense.

As most of you know, we had significant storm activity in March of this year, very significant, particularly in Eastern Massachusetts as a result of a series of Nor'easters that hit us over an 11-day span.

First of all, I want to thank our customers for their patience during our restoration work and our employees for their tremendous work efforts in these very difficult conditions. Overall, the response to our restoration work from customers and regulators was quite positive.

The vast majority of the restoration costs, about \$150 million, was deferred under regulatory mechanisms for future recovery. However, some costs were not deferred. And in the quarter, storm-related cost raised our O&M by about \$0.01.

Our natural gas segment earned \$0.18 per share compared with \$0.16 last year. The increase was due primarily to higher sales. This was partially offset by higher O&M costs.

Our new water segment earned about \$1.5 million in the first quarter. These results are typical for Aquarion in the winter when customer usage is at the lightest. Generally, about half of Aquarion's earnings occur in the third quarter.

At the Eversource Energy parent, we were down just slightly compared with last year, and this was primarily due to higher interest expense.

Slide 4 provides you with a status of where we stand on implementing tax reform across our regulated companies, both at the state and the federal level. I guess the best way I could characterize this is it's a work in progress with our various regulators. We're currently developing plans for passing along the benefits of lower taxes to customers and will make the required filings at various times throughout the year.

On Slide 5, we profile the 3-year rate settlement approved just a few weeks ago by the Connecticut Public Utilities Regulatory Authority and implemented just this week. We considered the settlement, the first that CL&P was able to achieve in a general rate case in 30 years, truly to be very good for all parties. It provides us with the resources we need to continue to provide great service to our customers while, at the same time, providing both customers and the company with rate certainty over the next 3 years.

Turning to Slide 6.



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On March 27, the owners of New England's electric transmission facilities received some good news when a FERC administrative law judge ruled that the region's existing transmission ROEs were neither unjust nor unreasonable. He recommended that FERC maintain the current ROE of 10.57% and the incentive cap of 11.74%. The case now moves to the full commission.

As I mentioned earlier, we closed on the sale of our fossil units in January. The sale of the PSNH hydro units is pending FERC approval of the license transfer. Earlier this week, we priced nearly \$636 million of securitization debt as part of the divestiture process. With the proceeds, PSNH is paying down short-term debt and, to maintain its targeted capital structure, is returning an equity capital component to the Eversource parent, which, in turn, will also pay down debt. PSNH customers are already seeing the benefits of divestiture in terms of lower energy rates that became effective earlier this year.

Finally, turning to Slide 7, I'll briefly discuss our interest in Connecticut Water.

On [April] 19 (corrected by company after the call), we publicly disclosed that we have made a proposal to acquire Connecticut Water for \$63.50 per share in cash or Eversource shares at the election of Connecticut Water shareholders. We strongly believe that our proposal delivers more value and benefits to Connecticut Water stakeholders than the alternative merger that Connecticut Water Board is recommending to its shareholders.

It's important that I reiterate a few things. Eversource will only do deals that are accretive to earnings. We'll remain disciplined in our efforts concerning Connecticut Water and would not pursue a transaction unless we expect it to be accretive in the first year. The merger that created NSTAR, the merger that created Eversource were both accretive in the first 12 months, and the Aquarion deal is on track to be accretive in year 1 as well.

Also, we remain confident in our 5% to 7% long-term earnings growth rate regardless of whether this initiative with Connecticut Water succeeds. Our rate base and earnings growth profile, which we've extended through 2021, is very transparent to the investment community and builds on a long track record of us meeting and exceeding our commitments to investors.

Although relatively small in terms of overall Eversource, Connecticut Water would represent a very nice addition to our water business. Our superior proposal would combine Connecticut Water with our Aquarion water subsidiary, a Connecticut-based company. 85% of Connecticut Water's 125,000 customers are in Connecticut. It would be an excellent strategic and geographic fit with Aquarion, which has 90% of its 230,000 customers in Connecticut. And all the other customers served by the 2 companies are in New England.

By bringing together these 2 water companies, we would create the third-largest shareholder-owned water company in the country, one that would be very well positioned to meet the long-term clean water needs of about 350,000 New England customers and their communities.

Aquarion has been part of the Eversource family for only 5 months, but it's easy to see why its J.D. Power customer satisfaction ranking is top notch and why it is to regularly rated as one of the top places to work in Connecticut. Aquarion is a very well-run company.

In terms of Connecticut Water, Eversource attempted to engage Connecticut Water's board in discussions during the latter part of 2017 and early 2018. But Connecticut Water's management team and board have not yet engaged with us. We were surprised when on March 15, Connecticut Water announced an agreement to be taken over by San Jose Water, an operator from the other side of the continent, rather than engage with us. We already serve 1.75 million electric, natural gas and water customers in Connecticut. On April 27, we filed the preliminary proxy materials with the SEC, allowing us to begin a process of informing the shareholders of Connecticut Water of the facts surrounding the proposed San Jose takeover. We believe that a vote against the San Jose takeover proposal will send a message to the Connecticut Water board that it should consider Eversource's proposal. It's important to note that we are not asking Connecticut Water shareholders to approve the Eversource proposal at this time. We're urging Connecticut Water shareholders to insist that members of the Connecticut Water management team and board just simply meet with us to discuss our proposal.

That concludes my comments, and I'll turn it over to Lee.

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

Okay, thanks, Phil. I'll provide you with an update on our major projects and then turn the call over to Jeff for questions and answers. I'll start with Northern Pass.

On March 30, the New Hampshire Site Evaluation Committee issued a written order confirming its February 1 vote to deny us a permit to build Northern Pass. As you can see from Slide 8, we had secured virtually every other approval of the project on both sides of the border, and we anticipated receiving an Army Corps of Engineers permit once the New Hampshire SEC approval was received.

As I mentioned previously, we were very disappointed with the decision given the billions of dollars of economic benefits that project would bring to New Hampshire, the significant reduction in the region's carbon emissions it would provide as well as improvements to fuel diversity and electric reliability in the region.

On April 27, we asked the New Hampshire SEC to reconsider its ruling. The New Hampshire SEC has scheduled a meeting on the request for consideration on May 24, with a follow-up meeting scheduled for June 4, if needed.

If the New Hampshire SEC ultimately does not reconsider its decision, the next step would be an appeal to New Hampshire's Supreme Court. As you can read in our request for reconsideration, we have concluded that there were numerous flaws in the New Hampshire SEC decision-making process.

We will keep you abreast on our progress as we move forward on this important project for New Hampshire and the region.

Turning from Northern Pass to offshore wind and Slide 9.

You'll likely recall that in December, we and our partner, Ørsted, bid Bay State Wind into the first Massachusetts offshore wind RFP. We bid two proposals: one for 400 megawatts, the other for 800 megawatts. The Massachusetts Department of Energy Resources and the state's 3 investor-owned utilities continue to evaluate the bids by us and by 2 other parties, and we expect the winning bidder or bidders to be announced on May 23. While that date is a month later than the evaluators' original schedule, they're still targeting filing contracts with the Department of Public Utilities by July 31.

Connecticut is also conducting an RFP for clean energy resources. And last month, we bid approximately 200 megawatts into the RFP as well. A winning bidder in that RFP is expected by midyear.

As you can see on the slide, there are initiatives in Rhode Island and New York as well. Earlier this year, Rhode Island Governor, Gina Raimondo, directed her energy team to work with the state's electric utility to issue a procurement for 400 megawatts of clean energy by this summer. The administration is currently assessing its options for moving the process alone.

Ørsted is by far the world leader in offshore wind development, and we are the leading developer of electric transmission and clean energy solutions in New England, so we consider our partnership to be the best positioned to provide our region with substantial clean energy and economic development benefits that offshore wind can offer.

Now I'd like to turn the call back over to Jeff for questions and answers.

Jeffrey R. Kotkin - Eversource Energy - VP of Investor Relation

Thank you, Lee. And I will turn it back to Vanessa to remind you of how to enter your questions.



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QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Jeffrey R. Kotkin - Eversource Energy - VP of Investor Relation

Thank you, Vanessa.

Our first question is from Greg Gordon from Evercore ISI.

Gregory Gordon - Evercore ISI, Research Division - Senior MD, Head of Power & Utilities Research and Fundamental Research Analyst

So I've done -- I'm just wondering what the cadence is going to be with regard to getting updates over the course of the year over how the capital expenditure forecast is evolving. And forgive me for -- but let's presume that Northern Pass winds up not being approved on appeal. You've obviously laid out on Page 9 the upcoming offshore wind RFPs. But are there other irons in the fire in terms of contemplated changes to the CapEx budget that are just sort of normal-cycle aspects of the capital plan in other states that we might be looking forward to an update on later this year? And then I have a follow-up.

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

Yes. Sure, Greg. This is Phil. In our year-end call when we provided the guidance going forward, we really talked about close to an \$11 billion capital plan, which was \$1 billion really higher than the previous plan we had. And that's with no change in spending for NPT. So those are -- that's all additional spending whether it be in the transmission business. We have close to \$1 billion of -- or, I'm sorry close to \$0.5 billion in terms of spending at Aquarion and our water business, so there was a significant amount of capital and projects laid out at that time. We also talked about our rate base growth of being 8.1%, and Northern Pass is really only 1.5% of that. So 8.5% CAGR on our rate base growth. So the rate base would be somewhere close to \$22 billion at the end of the period. So as changes might happen to that, we would update you. But just laying that sort of spending plan and investment thesis out, there's really no changes to it at this time.

Gregory Gordon - Evercore ISI, Research Division - Senior MD, Head of Power & Utilities Research and Fundamental Research Analyst

Okay. And there has been some contemplation that perhaps this Connecticut Water bid is a function of you starting to see a lack of opportunity to deploy incremental capital in your core electricity and gas businesses in ways that allow you to be sustainably inside that 5% to 7% earnings growth rate. Would you care to comment on that impression that some people are drawing from it?

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

Yes, I'd say that impression is absolutely wrong in that we were confident in our 5% to 7% long-term EPS growth regardless of this initiative. So that's what I'd say as a comment.

Jeffrey R. Kotkin - Eversource Energy - VP of Investor Relation

Thanks, Greg. Next question this morning is from Praful Mehta from Citi.



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Praful Mehta - Citigroup Inc, Research Division - Director

So I guess following up a little bit on Greg's question on the Connecticut Water side. If you really don't need this acquisition for the 5% to 7% growth, I'm struggling a little bit with the need to pursue this acquisition so aggressively. It is a relatively small acquisition, but you're going to now spend time and resources to try and pursue the deal. I'm struggling a little bit to understand why kind of push it so much if it's really not needed.

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

I said it wasn't to Greg's question in terms of needed to get to the -- into the growth rate. It is an excellent strategic and geographic fit. Now if you look at the Connecticut Water franchise along with our Aquarion franchise, it really provides a compelling proposition for shareholders, employees and really the broader Connecticut community in general. Further, water investments of this scale are really infrequent to see something with \$500 million of rate base. So the strategic and geographic fit and the compelling benefits to shareholders, employees and the communities in Connecticut and the other states that the companies operate in are the driving force.

Praful Mehta - Citigroup Inc, Research Division - Director

Okay, understood. And you said it is accretive to earnings. Is that in the all-stock case or cash case or either?

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

Well, not to speculate on what the final outcome could be because as I said, we just want a chance to discuss our proposal at this stage. But you should expect that any proposed transaction with Connecticut Water would be accretive to Eversource. So that's the way that the proposed transaction would be developed.

Praful Mehta - Citigroup Inc, Research Division - Director

Got you, Phil. And just finally, quickly clarifying for Northern Pass. In your current numbers for 2018, is there any element of Northern Pass built in, in AFUDC or otherwise?

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

Well, the project is a viable project, and it is -- we do have some spending in 2018 that we'll have to make a determination as we move through the year. We've said that \$300 million of capital is in the capital plan for Northern Pass, so we'd have to make a determination during the course of the year whether or not we'd spend that. But AFUDC is being calculated on Northern Pass.

Jeffrey R. Kotkin - Eversource Energy - VP of Investor Relation

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

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

I wanted to touch on 2 higher-level sort of topics, and one is just on -- at FERC in terms of transmission ROEs. You laid out, I think, on Slide 6 just the variety of processes. In your view, is there some potential for a broader sort of review or streamlining of the approach taken at FERC in terms of assessing ROEs or just some way to deal with the logjam? Just at a high level, curious if there's some way to think through a more efficient approach here to dealing with this sort of the pile-up of complaints that occurred.



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

This is Phil, Stephen. We would hope so, and we had talked about that could be -- there could be an opportunity to do that just given the pancake of complaints that are there and the status that they're in and with the new commission able to look at things in a way that is different and comprehensive because they have all the cases now laid out in front of them. I think we'd like to see something like that happen, but I don't have any insight into whether or not it would move down that path.

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

Understood. And then just shifting gears over to offshore wind. I'd agree with your characterization of Ørsted. And certainly, it makes sense to pursue these opportunities. The one topic, I guess, I think about with offshore wind is in Europe, the infrastructure is quite mature and advanced, and they've been able to reduce the cost of offshore wind. At a high level, how do you think about the need in the United States to be able to adopt that infrastructure? Just any risk in terms of being able to achieve that kind of progress that's been made in Europe. And just what kind of infrastructure needs the U.S. would have to be able to sort of catch up to where Europe is.

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

Yes, Stephen, this is Lee. And I would just say that the infrastructure build-out in the U.S. is that it expands. And particularly, once you get much above 1,000 megawatts of infrastructure, you really have the catalyst to create a U.S.-based manufacturing. And probably, some of you have seen recently there's a company called EEW. It's the German foundation manufacturer. It does about 80% of all of the wind turbines for Ørsted. They have announced that they're going to relocate in Massachusetts. They're looking at sites in Boston, in New Bedford and in Fall River. So they see the opportunity. And in the conversations that we've had with other manufacturers, whether it's with the turbines and foundations and cabling, they see the opportunity here as being very large over the course of the next 20 years to the extent it could be somewhere between 15,000 and 20,000 megawatts. So we think -- when you view the outcome of the RFP, we think most people will be surprised about the decline in cost even in the beginnings of offshore wind in the U.S. We see the cost curve coming down, and we see more development and manufacturing taking place in the U.S.

Jeffrey R. Kotkin - Eversource Energy - VP of Investor Relation

Thanks, Stephen. Next question is from Michael Lapidés from Goldman Sachs.

Michael Lapidés - Goldman Sachs Group Inc., Research Division - VP

Little follow-up. Just want to make sure. When I think about offshore wind, who bears the risk if construction costs -- and this will be a little bit of a first of the kind in the U.S. for whoever builds the project at this scale. Who bears the risk of construction costs coming significantly higher than what was originally forecast?

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

The nature of these bids, Michael, will be the -- there'll a fixed price, right. So the EDCs, will essentially get a fixed-price contract from whoever the winner or winners are. And obviously, as in every project, you build in a contingency. The key thing with the offshore wind is you really have to understand the above-water conditions and the below-water conditions, and you have to have both of those well mapped out to determine capacity factors and the ease of construction. And you really got to pick a timetable and schedule for in-service that is supportable and that has some contingency built into it. And then the last thing I would say is you really need to pick a best-in-class development because if you don't, particularly with larger projects, you're taking on a lot of risk, which is why we picked Ørsted as our partner. So they are fixed-price contracts. There is O&M. The potential for O&M escalation over the contract period, that will be embedded in the contract.



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Jeffrey R. Kotkin - Eversource Energy - VP of Investor Relation

Mike, anything else?

Michael Lapedes - Goldman Sachs Group Inc., Research Division - VP

No, I'm good.

Jeffrey R. Kotkin - Eversource Energy - VP of Investor Relation

Okay. Thanks, Mike. Next question is from Travis Miller from Morningstar.

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

I was wondering on the water stuff, how much -- if you could quantify how much opportunity for inorganic or just acquisition investment is there in your area. And then what's your appetite for going outside of the Northeast? And potentially, they're investing in or acquiring assets and operations there in the water business.

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

Travis, this is Phil. As I said in an earlier question, really the rationale for us is that it's a strategic, but it's also a geographic fit. So certainly, staying close to our geographic footprint is where we would be. The opportunity, there's still smaller municipally owned water entities throughout the region that some of them are having financial distress and they're looking for a way to monetize the assets and that type of thing. So there is existing -- Aquarion already has a number and has done a number of these smaller acquisitions over time to, as you say, sort of build up the inorganic growth, and that does add another percent or so to the growth rate. So there are still opportunities there because the industry is still fragmented. About 85% is not in investor-owned water company space. It's really in the municipal space, so there are opportunities.

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

Are there hurdles just in terms of the muni side? Are there hurdles outside of, as we know it, the publicly traded shareholder votes, approvals, et cetera? Are there other hurdles that would stop you from going on a muni buying spree for lack of better term?

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

Yes. Well, I certainly wouldn't use that term, buying spree. I would say that there are -- in any municipal type of transaction, there are regulations that have to be overcome. There could be a town meeting. There could be mechanisms in place about where proceeds go from a sale. So it is a fairly lengthy process that you need to go through in terms of identifying a potential. Working that, it could take several town meetings to get something approved and that type of thing. So those would be the main hurdles there, I'd say.

Jeffrey R. Kotkin - Eversource Energy - VP of Investor Relation

Thanks, Travis. Our next question is from Mike Weinstein from Crédit Suisse.



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

Phil, is there a possibility that you guys might seek water companies outside of New England and do a more national strategy similar to the one that San Jose is pursuing or many of -- many other players are?

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

No. I think in the last question, I said that the geographic fit was important to us.

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

Right. And just in terms of the FERC filing or the FERC ruling on the fourth complaint from the ALJ, do you think that's an indication that they are -- this is how they're going to treat the remand, that they're not going to go back on their methodology and they're going to stick with the original 2014 rulings?

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

Well, it's just -- as you know, it's an ALJ, and you could say initial decision or decision there. But it's really up to the commission to make the final determination. And I think we've all seen ALJ decisions that once they got to the commission, maybe moved in another direction one way or another. So I would say 2 things. One, it's positive that the ALJ decided what they did, what he did. We felt all along that our ROE was not unjust and not unreasonable, so it's good to have that support there. But in terms of then taking the decision to the full commission, it's not a guarantee that, that decision stays one way or the other.

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

Right. And Lee, I was wondering maybe you could give an update on charging station infrastructure potential projects or down the road at this point?

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

Michael, this is for EVs?

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

Yes.

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

Yes. we have, as you know, approval in Massachusetts to spend up to \$45 million for EV charging stations. And working with the Department of Energy Resources, we have now put together a kind of a routing methodology, which is essentially a North-South as Boston being the [nucleus], and then an East-West from Boston out to Springfield. We're in the process of going out with solicitations for sites that would host the chargers. And of course, our role here in this play is to basically build the infrastructure to the charges. We won't own and operate the charges. The policy here in Massachusetts is let the marketplace sell that, which we think is the right thing to do. And this is -- it'd be a couple-year rollout. We're looking at about 389 sites, about 3,500 actually charging points that we would have. And I would just say that this is the beginning of the beginning in terms of the EV infrastructure upgrades that'll take to really get the state and the region into this kind of a low-carbon electric-based economy, which we -- where we see it going as we look forward. We see more use of EV's over time, phase-out of carbon. And obviously, that'll generate



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more load on both the transmission system and on the distribution system. So we see the opportunity for more investment in upgrading both of those systems to support the electrification of the region.

Jeffrey R. Kotkin - Eversource Energy - VP of Investor Relation

Thanks, Mike. Our next question is from Julien Dumoulin-Smith from Bank of America.

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

So first, just wanted to come back to details on the utilities real quickly. Can you comment on authorized and the ability to increase equity layers across the T and D side but especially the T side? I think you guys are using not a hypothetical but a real capital structure there.

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

That's correct. We use the capital structure that's consistent in the jurisdiction that those transmission facilities are in. So -- and as you know, we have been in for rate proceedings recently, have positive outcomes in terms of constructive for both the company and its customers in both Massachusetts and Connecticut, and those levels have been established in those recent cases. So really, there's authorized levels that we're targeting in each of the jurisdictions.

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

Got it. All right, excellent. And then turning back to the offshore side of the equation. Can you just comment a little bit about the scalability of the site? I mean, obviously, it's -- it can handle a couple gigs. And we have -- at least before us, Massachusetts this month, but can you talk about the sort of scale advantages when you think about Connecticut, Rhode Island, New York and the ability to participate in all sort of in these concurrent RFPs? I just wanted to understand perhaps the scale and the time line to seeing these awards happen if you think about it.

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

Yes, Julien, this is Lee. I think in terms of the scale, we believe that we can produce at least 2,000 megawatts in potential outside of over 2,500 megawatts of energy from the lease that we have, which is about 300-plus square miles. That energy can be transferred into the region through a number of interconnection points, whether it's at Somerset, Massachusetts or in Bourne, Massachusetts, or potentially for cables that went down into New York, whether it's in Long Island. And actually, you can reach New York actually overland as well through existing interconnections or interconnections that need, interactively speaking, minor upgrades. So, we see the market for that lease potentially being up to 2,500 megawatts interconnecting into Rhode Island, Connecticut, Massachusetts and New York. Obviously, not likely you're going to interconnect into Maine or New Hampshire because there's sufficient other onshore renewable energy there. And so we see a very bright future for that lease, and there will be additional leases that will come up for auction later this year, and we'll assess our interest in those at that time.

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

Excellent. And now can I ask you to elaborate a little bit more about the risk factors on offshore? Because I suppose we keep hearing out there in the marketplace around the perceived risks of being first to market but also, in general, around the technology. Can you speak to the risk-mitigating factors here? I mean, when you think about the economics that you're pursuing for these bids, are you reflecting expectations to buy, I suppose, outage insurance-type products and things like that to address the risk profile here? And then can you speak to perhaps the -- how you perceive the risk profile of these assets and the need to get compensated that in terms of the cost of capital as well?



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

Well, I mean -- Julien, when I think of the risk profile of these assets, I mean, the technology, obviously, is new to North America, but it's not in Europe. There's a fairly long experience now in Europe around these machines. Ørsted, who has developed the most offshore wind in the world, has an excellent track record of getting these projects built right on schedule, on budget, meeting their returns. They are currently engaged in the 2 biggest offshore wind farms or really kind of any kind of power facilities in the world right now, which is in the U.K., one for 1,200 megawatts, one for 1,400 megawatts. So they've got a good track record. They know the machines, and they have really some excellent project management skills, kind of proprietary software that evaluates the bottom. So they'll completely evaluate, which we pretty much have already. We'll do core bores to the bottom. We have wind out there. We're the only ones out in New England that have the floating buoy system. All of that information really boils down to one thing. Our ROEs really look a lot like the leases in the North Sea in terms of wind speed, projected capacity factors, ease of construction. So we feel actually very, very good. As you know, we have filed and received this FAST 41 status from the Bureau of Clean Energy Management that gives us a high profile in that approval process. We have received strong support for offshore wind from the Interior Department, including the Secretary, Ryan Zinke. And as said earlier, you've got to have a projection of in-service that is realistic and -- because when you have a window of construction, you've got to meet that window or, the next thing you know, that you have overruns. So we've put together a window of construction based upon the experience in Europe that we think is very conservative or conservative. And we have contingencies that's built into our bids. And also, we'll have returns on these assets that are transmission-like returns good or better than those. And clearly, once you get in, if you're one of the first selected, you'll have first mover advantage in every other future solicitation.

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

Transmission-like returns being a slight premium to sort of the average distribution, right, reading between the lines?

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

Yes, well, premium to it.

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

To transmission?

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

Yes.

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

Or it's -- okay.

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

It's transmission-like returns. So transmission returns are -- you've got 11.74% in the region. They're up around that range.

Jeffrey R. Kotkin - Eversource Energy - VP of Investor Relation

Thanks, Julien. And we don't have any more questions this morning. So we want to thank you for joining us. We look forward to seeing you in the upcoming conferences, and good luck with all the other earnings calls today.



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Operator

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

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