

# 2022 First Quarter Results

May 5, 2022

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# Agenda



**Joe Nolan**

*President & CEO*

- Massachusetts Future of Gas Update
  - Offshore Wind Update
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**Phil Lembo**

*Senior Strategic Advisor &  
Outgoing CFO*

- Q1 2022 Financial Results
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**John Moreira**

*Executive Vice-President, Incoming CFO  
& Treasurer*

- 2022 – 2026 Guidance & Outlook
- Regulatory Update
- Equity Issuance Update

## Massachusetts Future of Gas Proceeding – Highlights

- Proposed a portfolio of initiatives to help achieve the state's net-zero greenhouse gas by 2050 emission goal, while still providing customers with energy choices
- The plan will be updated every three years to incorporate advances in technology, experiences from pilot programs, customer feedback and adoption rates
- Gas LDCs are requesting a Net Zero Enablement Tariff to recover our costs
- Where possible we will be applying for available research grants and funding from federal sources

### Portfolio of Initiatives:

- ***Reduce energy demand***
  - Through energy efficiency programs and services
- ***Hybrid electrification***
  - Combine electricity for heating and natural gas as a backup fuel
- ***Strategic electrification***
  - Includes technologies like networked geothermal for heating and cooling as an alternative to natural gas
- ***Decarbonization of our gas network***
  - Includes securing lower-carbon or no carbon gases that can be blended with natural gas or used as an eventual replacement for natural gas, possibly renewable natural gas or hydrogen

## Eversource Commencing Strategic Review of Offshore Wind Joint Venture

- Eversource-Ørsted 50-50 joint venture owns three projects plus open offshore wind lease area
  - South Fork Wind, Revolution Wind and Sunrise Wind with a total capacity of 1,758 MW
  - Up to 175,000 acres of offshore wind lease area open for additional development
  
- Strategic review will cover all of Eversource's offshore interests
  - Could result in potential sale of all or part of its 50% interest
  - Review expected to conclude by year-end
  
- Strong pricing for NY Bight parcels in February indicates deep interest in offshore parcels in the Northeast
  - Eversource-Ørsted tracts are among the best situated in the United States due to strong wind speeds, moderate water depths and proximity to southern New England and NY electric loads
  
- Sale proceeds would be used to support regulated clean energy and infrastructure resilience capital programs and/or reduce financing needs

## South Fork Wind Construction Under Way



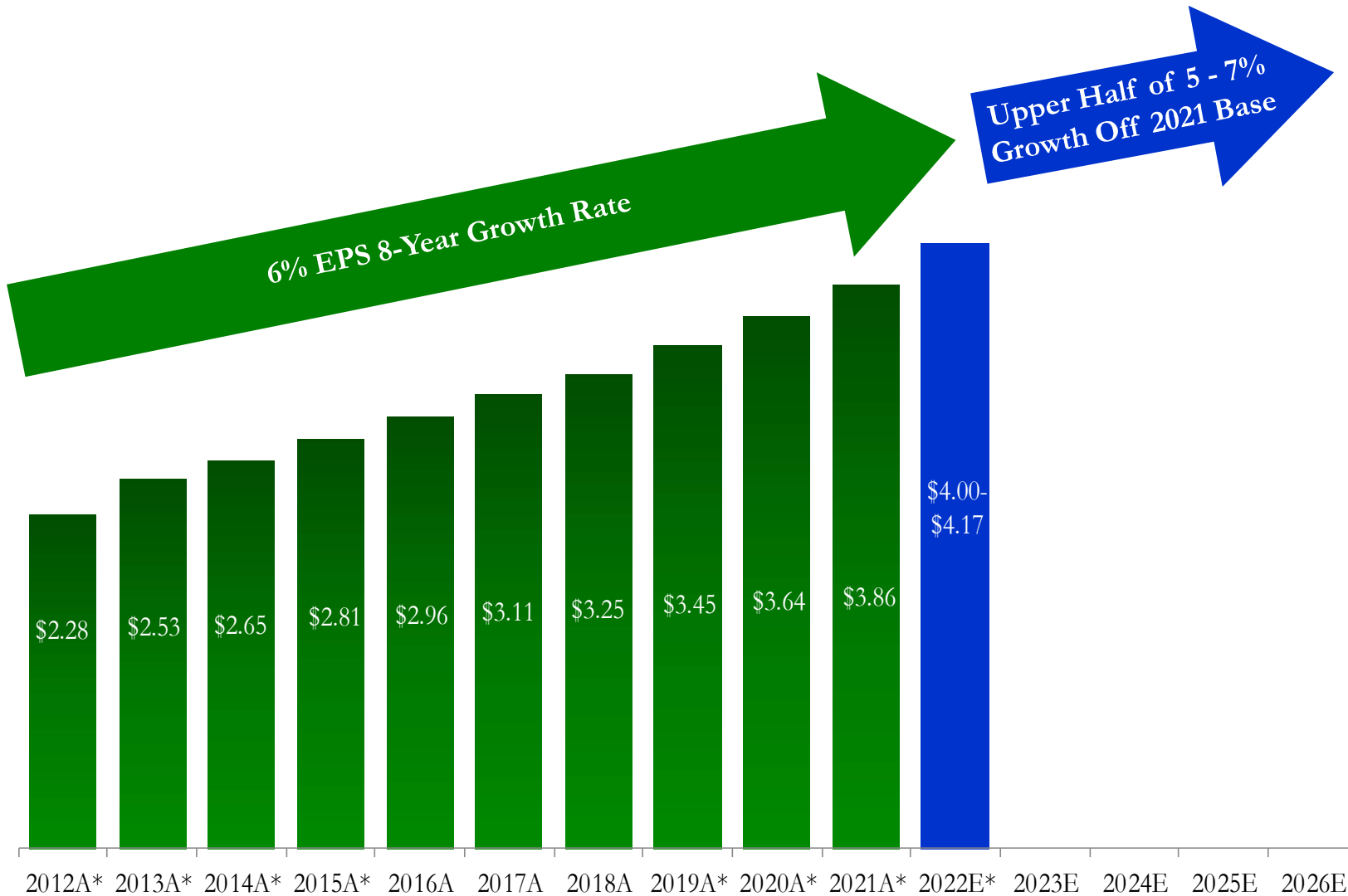
## Offshore Wind Updates

Assumptions	Feb 2022	May 2022
Costs Locked in for Three Projects	80%	80%
Offshore Investment to Date	\$1.2B	\$1.3B
Expected Spending in 2022	\$900M - \$1B	\$900M - \$1B
Expected Spending 2023 - 2026	\$3B - \$3.6B	\$3B - \$3.6B
Expected Long-Term Average ROE	11-13%	11-13%
South Fork Wind In Service	Late 2023 (Under Construction)	Late 2023 (Under Construction)
Revolution Wind In Service	In 2025	In 2025
Sunrise Wind In Service	Late 2025	Late 2025

## Q1 2022 vs. Q1 2021 Financial Results

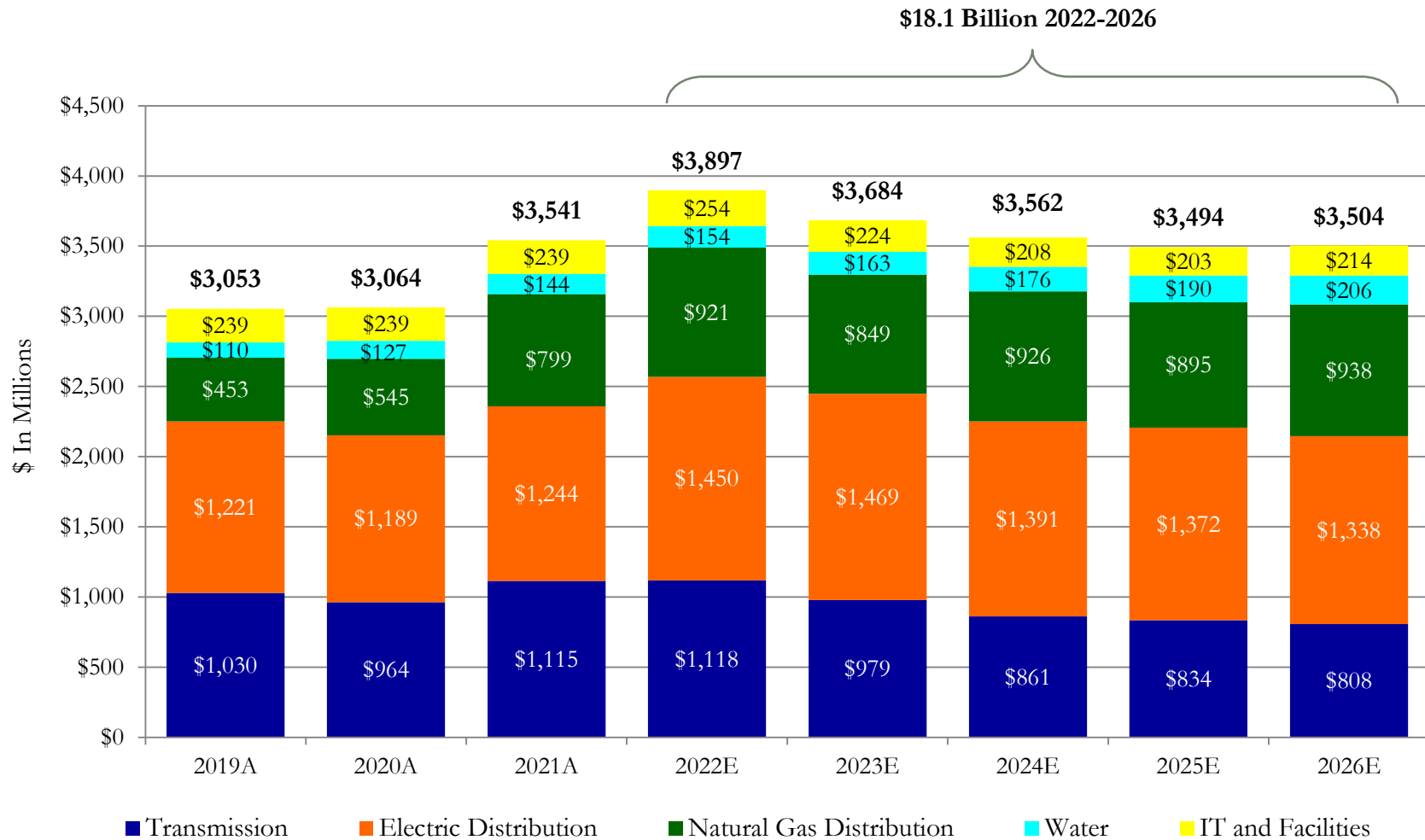
	1Q 2022	1Q 2021	Change
Electric Transmission	\$0.43	\$0.39	\$0.04
Electric Distribution (Non-GAAP)	0.41	0.34	0.07
Natural Gas Distribution	0.47	0.43	0.04
Water Distribution	0.01	0.01	0.00
Parent & Other (Non-GAAP)	(0.02)	(0.02)	0.00
EPS, Ex. CL&P Settlement and Acquisition/Transition Costs (Non-GAAP)	\$1.30	\$1.15	\$0.15
CL&P Settlement & Acquisition/Transition Costs	(0.02)	(0.09)	0.07
Reported EPS (GAAP)	\$1.28	\$1.06	\$0.22

# Well Performing Core Businesses Drive EPS CAGR to Upper Half of 5 – 7% Through 2026



\* Reflects non-GAAP results, excludes nonrecurring charges

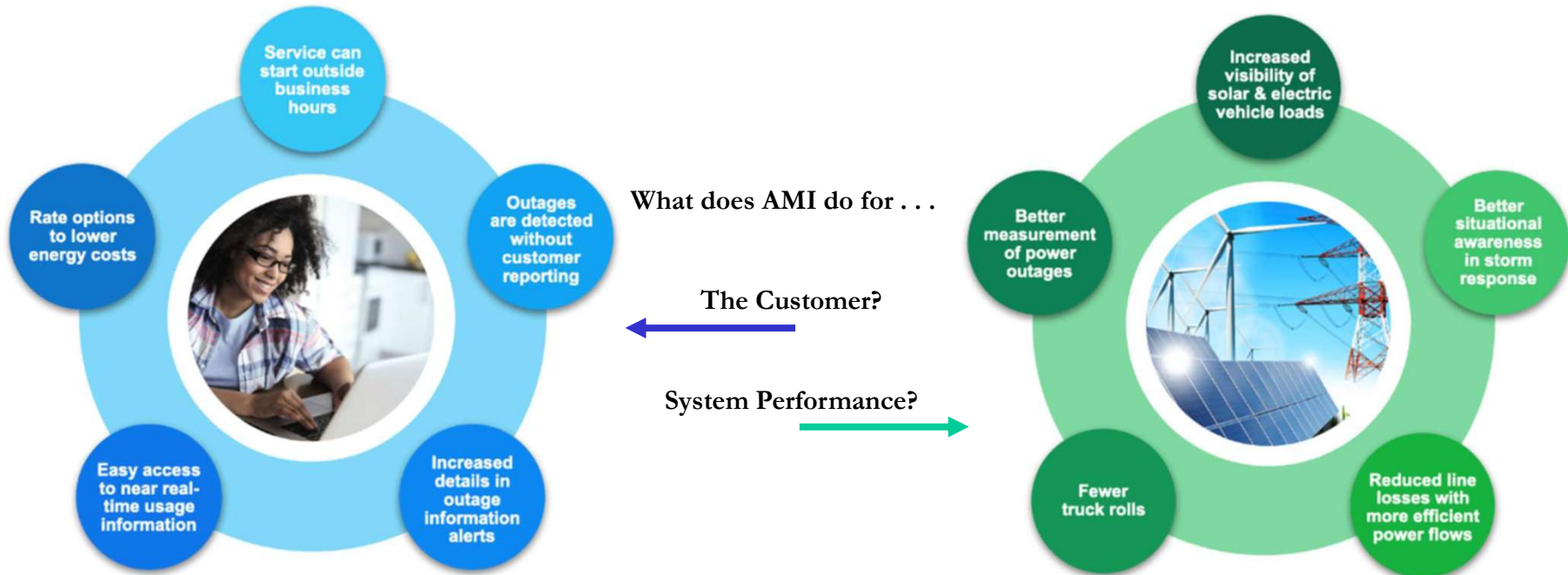
# Projected Capital Expenditures For Core Businesses



# AMI Implementation Under Active Review by MA, CT regulators

**AMI - MA**  
 Briefing period ends June 27, 2022  
 Decision expected Q4 2022

**AMI - CT**  
 Briefing period ended April 29, 2022  
 Decision expected Q4 2022



## Equity Issuance Update

### New Shares

- \$1.2 billion At-The-Market Program expected to commence in Q2 2022

### Treasury Shares

- Dividend reinvestment, employee equity programs continue with 475,000 shares issued YTD through April 30

# APPENDIX


## Key Elements of NSTAR Electric Rate Review

<p><b><u>Filing Date:</u></b> January 14, 2022</p> <p><b><u>Intervenor Testimony Filed:</u></b> April 29, 2022</p> <p><b><u>Evidentiary Hearings:</u></b> June 27 - July 22, 2022</p> <p><b><u>Decision Date:</u></b> December 1, 2022</p> <p><b><u>Rates Effective:</u></b> January 1, 2023</p>
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	Key Revenue Requirement Factors
Test Year (12 Months Ended)	December 31, 2020
Revenue Deficiency	\$89M
Average Bill Impact (residential customer)	5.7%
2021 Rate Base Roll-In 1/1/23	\$46M
2022 Rate Base Roll-In 1/1/24	\$47M
Return on Equity (Requested)	10.5%
Capital Structure	53.8% Equity

- **Address the Distribution Revenue Deficiency (\$89M)**
  - Relates to capital additions, enterprise IT and Storm Fund contribution
- **Extension of Performance-Based Ratemaking (PBR)**
  - 10-year plan, with enabling rate base roll-in(s)
- **AMI Tariff Approval**
  - Approval of specific tariff is next step to execute AMI capital investment plan of \$575M

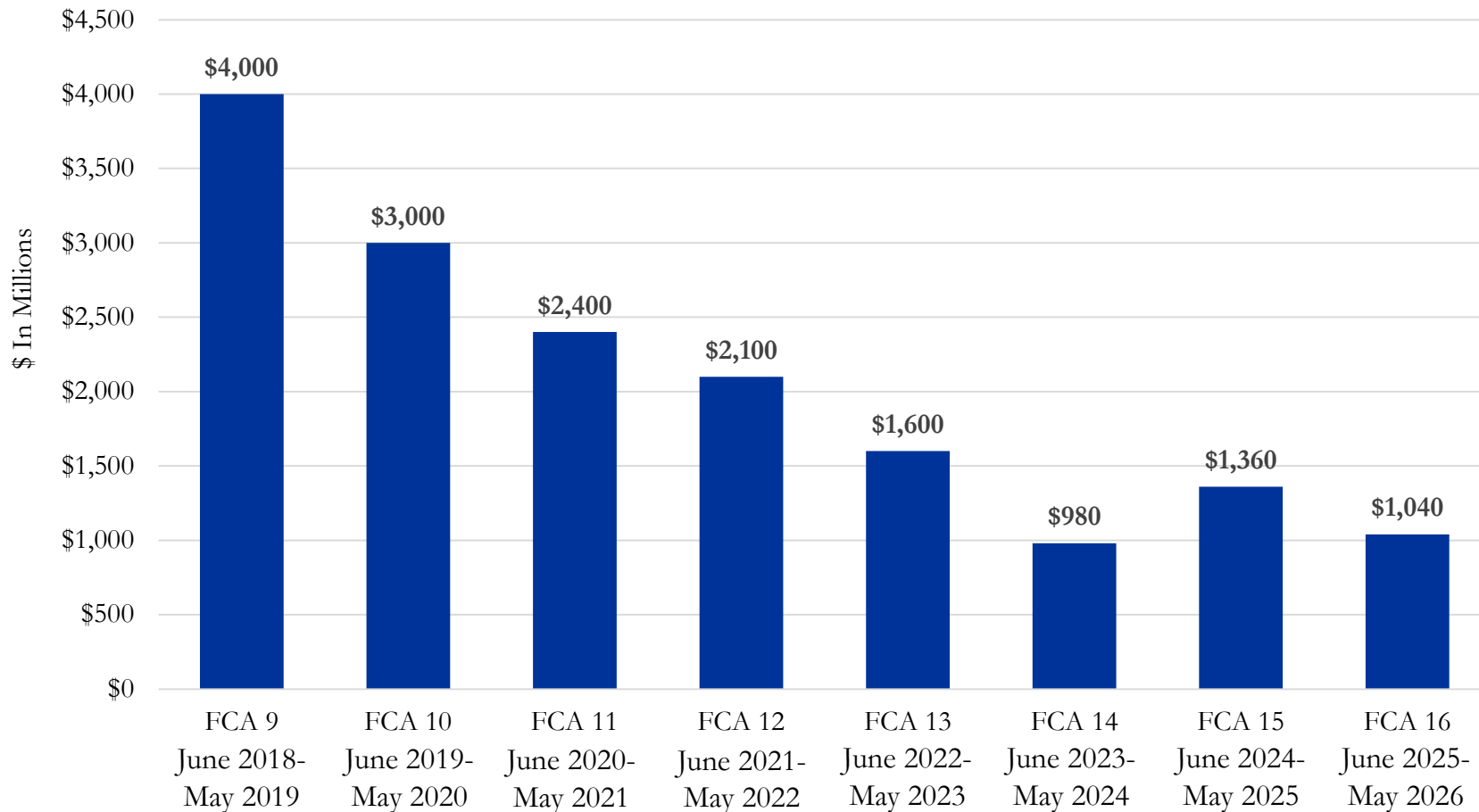
# Massachusetts Future of Gas Proceeding

Initiatives	2022	2023	2024	2025
<b>Energy Efficiency</b>		<b>Reduce the energy demand by maximizing the application of all energy efficiency investments in concert with decarbonization options</b>		
<b>Initiative 1 – Hybrid Heat Pumps</b>		<ul style="list-style-type: none"> <li>Develop and propose a hybrid heat pump pilot in an Eversource dual electric and gas territory with electric grid constraints</li> <li>Assess LNG facilities as a mechanism to shave winter peaks for electrification in constrained electric grid areas</li> </ul>		<ul style="list-style-type: none"> <li>Assess a new combined electric and gas rate structure</li> <li>Seek Regulatory Approval on pilots and cost recovery mechanism</li> </ul>
<b>Initiative 2 – Networked Geothermal</b>		<ul style="list-style-type: none"> <li>Build &amp; operate geothermal pilot program in Framingham, MA</li> <li>Identify partnerships with new construction developer community</li> <li>Build &amp; operate second geothermal pilot program in MA targeting new developments</li> </ul>		<ul style="list-style-type: none"> <li>Work within geothermal vendor ecosystem to prepare for increased volume of work</li> <li>Utilize data obtained to maximize gas/electric planning and peak shaving</li> <li>Coordinate workforce training and further customer education</li> </ul>
<b>Initiative 3 – Production Certified Gas (PCG)</b>		<ul style="list-style-type: none"> <li>Track and collaborate on GTT’s Veritas initiative to develop accepted methodology to measure and verify methane emissions reductions</li> <li>Assess feasibility of sourcing and procuring PCG and PCG supply potential for Eversource network</li> </ul>		<ul style="list-style-type: none"> <li>Seek regulatory approval for procurement of PCG contracts</li> <li>Allow Eversource to identify ways to offer PCG solutions to customers requesting them</li> </ul>
<b>Initiative 4 – Renewable Natural Gas (RNG)</b>		<ul style="list-style-type: none"> <li>Conduct and validate market assessments for in-state and out-of-state RNG</li> <li>Procure RNG from at least one locally sourced project</li> <li>Conduct a feasibility assessment of RNG storage at Eversource LNG sites</li> </ul>		<ul style="list-style-type: none"> <li>Seek regulatory approval for cost recovery of RNG commodity and associated infrastructure investments</li> <li>Allow Eversource to identify ways to offer RNG solutions to customers requesting them</li> <li>Continuing exploring other opportunities to inject RNG within Eversource’s pipeline</li> </ul>
<b>Initiative 5 – Hydrogen</b>		<ul style="list-style-type: none"> <li>Pursue small scale pilot targeting C&amp;I customer(s)</li> <li>Identify potential sites for pilot</li> <li>Engage with stakeholders on hydrogen opportunities and education</li> </ul>		<ul style="list-style-type: none"> <li>Pursue federal funding through DOE IIJA grant funding</li> <li>Assess safety, feasibility, operational performance and cost effectiveness</li> <li>Engage in further R&amp;D for hydrogen production for end use</li> </ul>
<b>Initiative 6 – R&amp;D Innovation</b>		<ul style="list-style-type: none"> <li>Partner with National Labs and industry players to test and evaluate emerging technologies and end-use applications</li> <li>Undertake concept studies examining feasibility, pre-engineering, planning, solicitations, etc.</li> <li>Lead/collaborate on innovative pilots/demonstrations, if applicable</li> </ul>		

## FERC Transmission New England ROE Update

- Current base: 10.57%; Cap: 11.74% (2014 Opinion 531A)
- October 2018 FERC Order in New England ROE cases proposed a new methodology to address issues raised by Court in vacating Opinion 531A (New England ROE Complaint I)
  - This new methodology provided a path forward to resolve 2011, 2012, 2014 and 2016 complaints against New England transmission ROEs
  - Briefs and reply briefs filed in early 2019; timing of decision remains unclear
  - Original FERC-proposed new methodology averaged DCF, CAPM, risk premium, expected earnings
  - Illustrative base: 10.41%; Cap: 13.08% (October 2018 proposed new method)
  - FERC changed methodology in revised May 2020 MISO TO Order and applied only DCF, CAPM and risk premium methodologies. No date given for New England ROE decision
  - In March 2020, FERC issued a NOPR asking for comments on several items related to incentives, including raising RTO adder from 50 bps to 100 bps and capping incentives at 250 bps
  - ES incentives now capped at 11.74%, 117 bps above 10.57% base

## Lower Generation Capacity Costs Helping to Keep New England Electric Bills In Check



Source – ISO-NE FCA news releases