New Hampshire EERS Stakeholder Meeting

August 27th, 2015

NHSAVES
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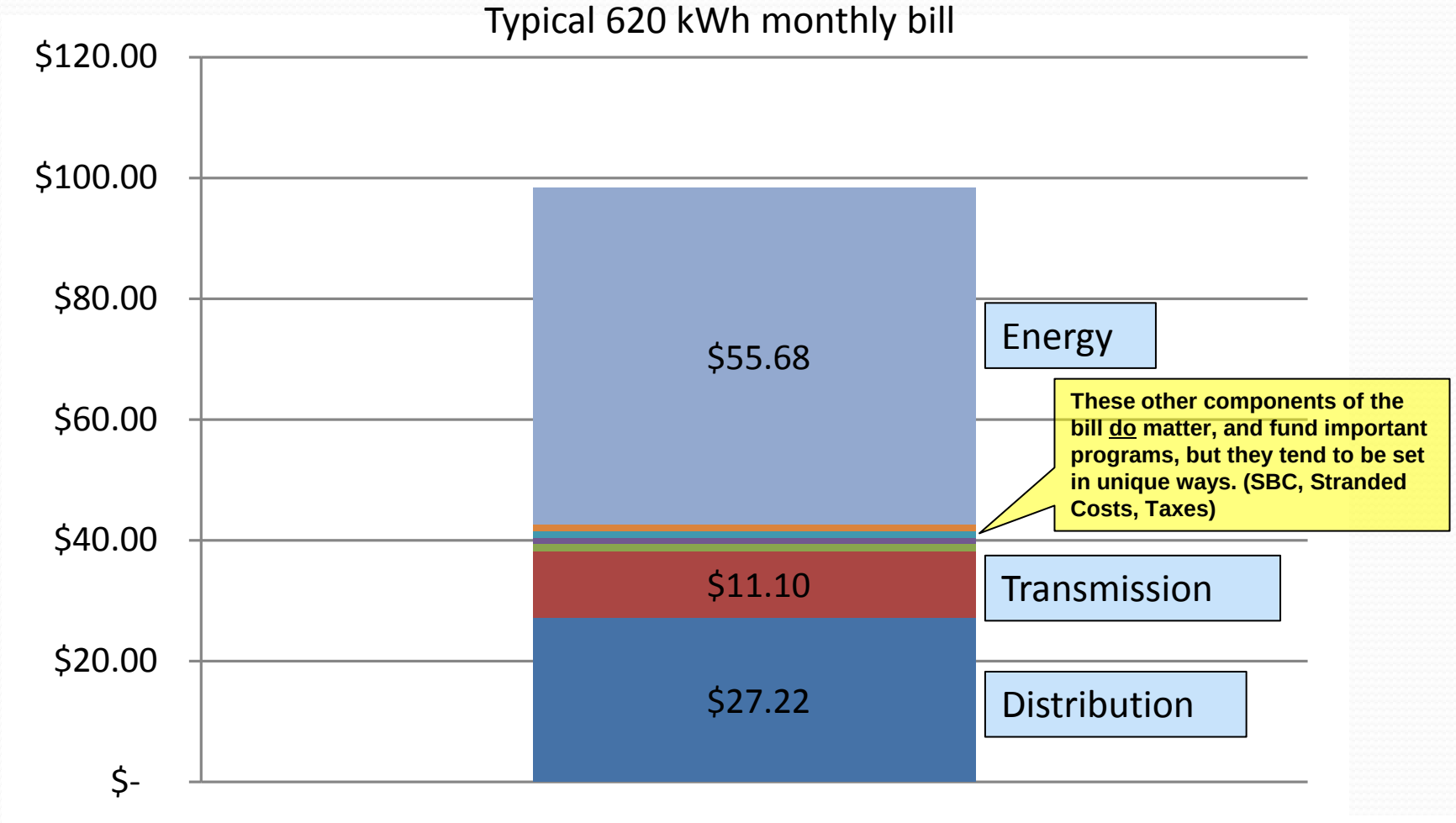
Agenda

- Rates
- Demand

A customer's bill breaks down into three primary pieces – energy, transmission and distribution.



Source: Eversource Data

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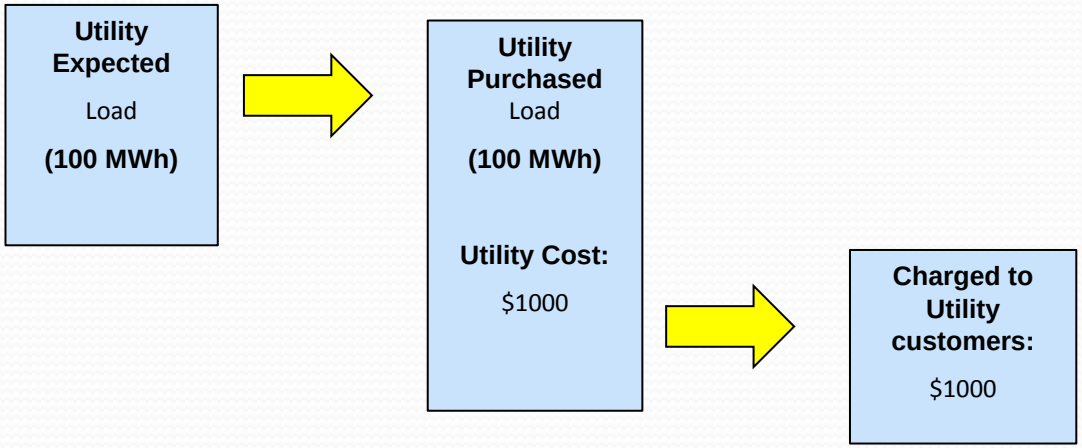
The energy portion of the bill is a pass-through. The Utility buys exactly as much energy as needed. Customers are charged the Utility's cost, and no more.*



*Does not currently apply to Eversource because of owned generation

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The transmission portion of the bill is also based on costs, but includes a return on investment. The New England utilities pool the costs and recover from all New England customers through ISO-NE.

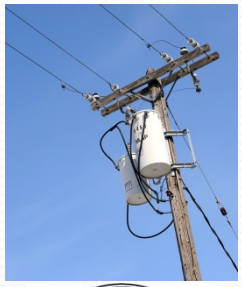
Calculation performed annually

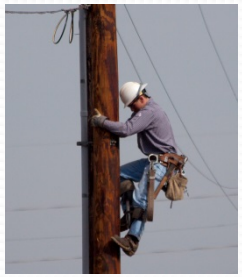
Cost to build lines & substations	**$ 1B**	**"Rate Base"**
FERC Regulated Return	**x 10%**	**"ROE"**
	$ 100m	
Operations & Expenses	**$ 10m**	
Revenue Requirement	**$ 110m**	
New Hampshire's share	**x 9%**	
Charged to NH Customers	**$ 9.9m**	
Forecasted NH Load	**/ 10,000,000 MWh**	
Rate	**0.10 cents/kWh**	

Federal Energy Regulatory Commission

NOTE: Numbers here are illustrative, intended to demonstrate calculation.

The distribution portion of the bill is also based on costs, and includes a return on investment, and is utility-specific.





Calculation performed in each rate case

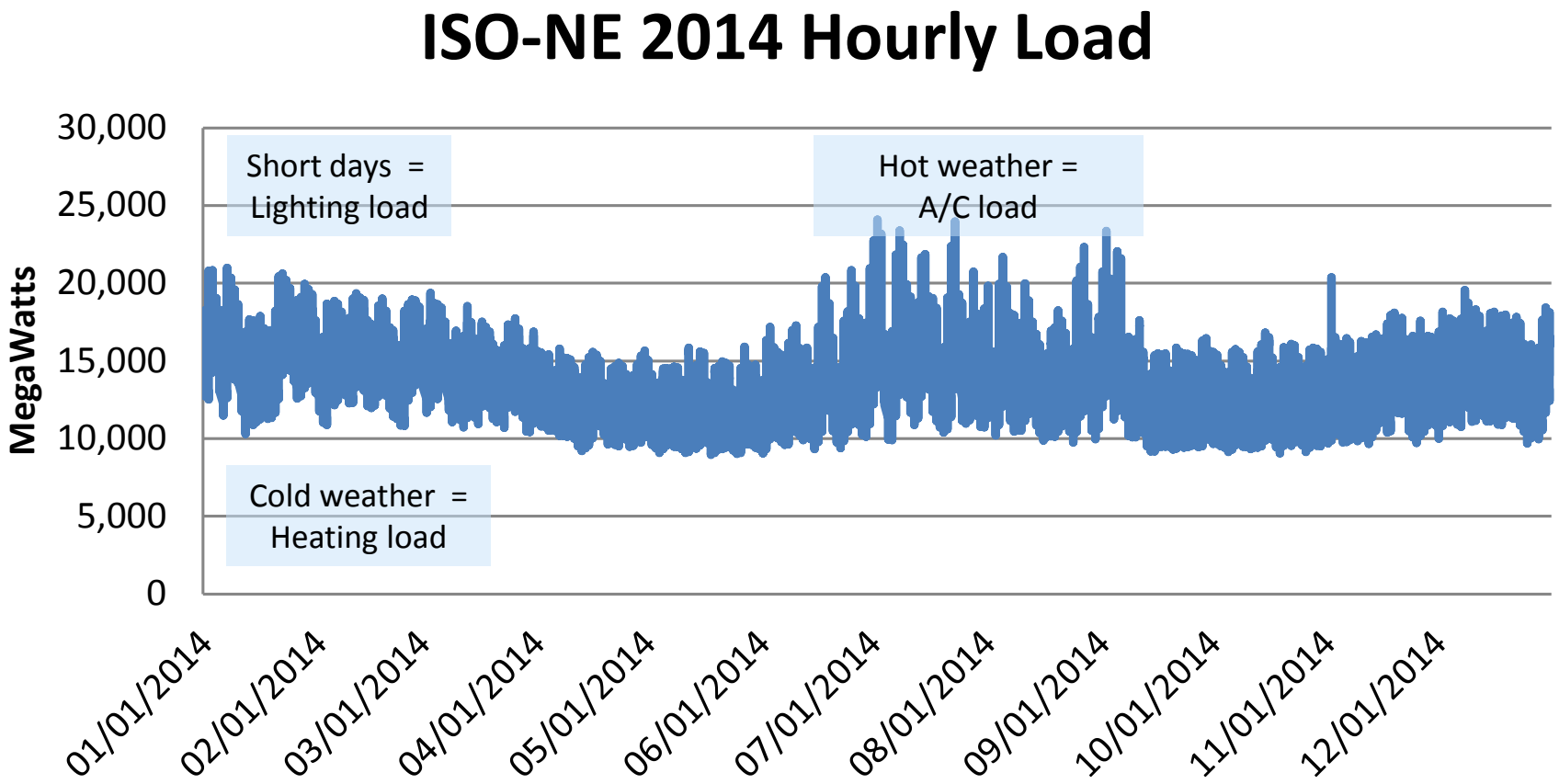
Cost to build lines & substations	**$ 1B**	**"Rate Base"**
PUC Regulated Return	**x 10%**	**"ROE"**
	$ 100m	
Operations & Expenses	**+ $ 10m**	
Revenue Requirement	**$ 110m**	
Utility's share	**x 100%**	
Charged to Utility Customers	**$ 110m**	
Forecasted Utility Load	**/ 10,000,000 MWh**	
Rate	**1.1 cents/kWh**	

NOTE: Numbers here are illustrative, intended to demonstrate calculation.

Agenda

- Rates
- Demand

Demand is energy use at an instant in time. Over the course of a year, changes in demand are driven primarily by daylight and weather.



Source: ISO-NE SMD Hourly Data

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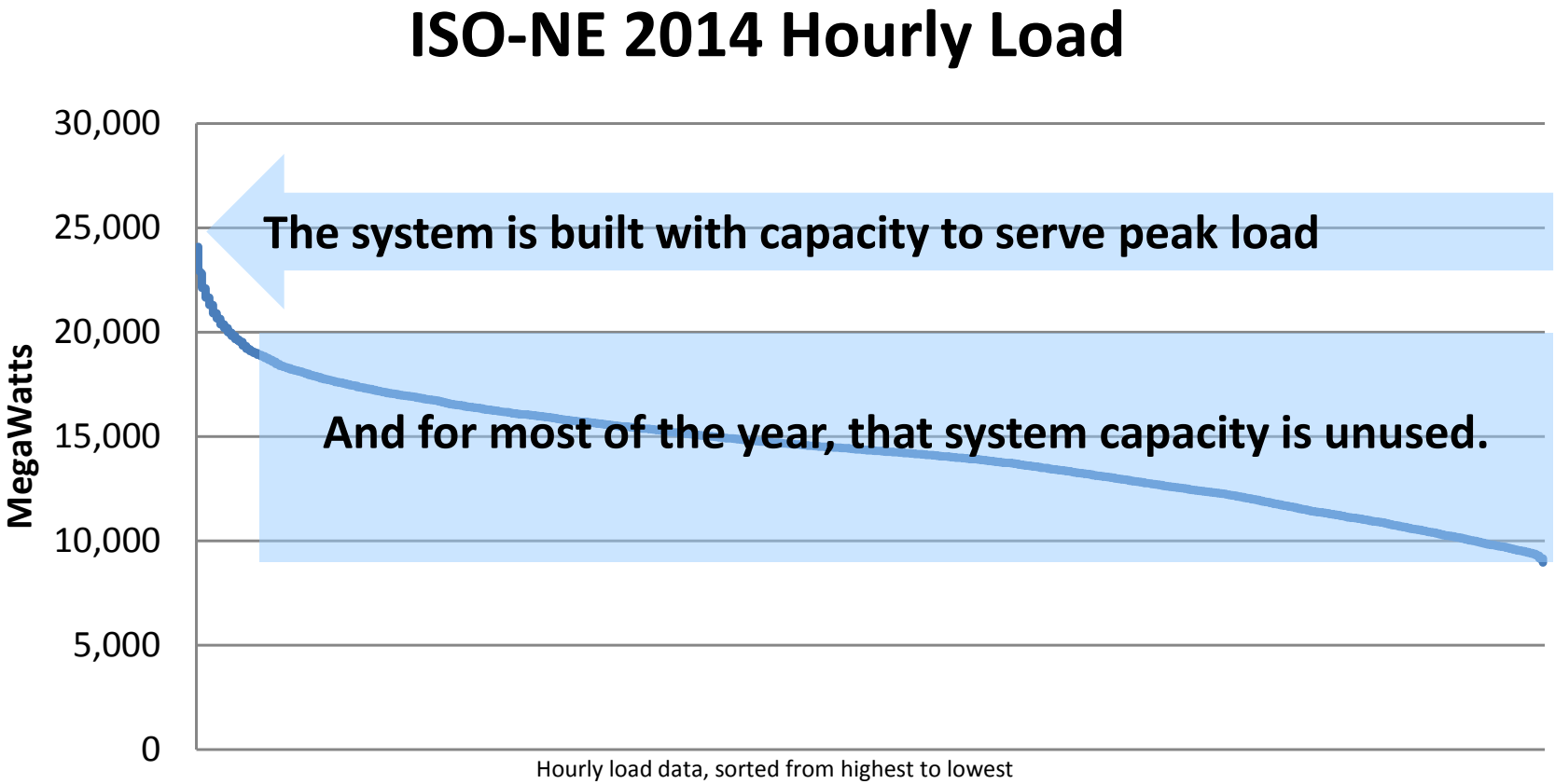
Demand is relevant because it drives our capital costs as a utility.



Key Point: The cost of our system is driven by the load of only a few hours each year.

Source: ISO-NE SMD Hourly Data

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New Hampshire's energy and demand trends are similar to New England, although slightly flatter for energy, and more down for demand.

Overall Observations:

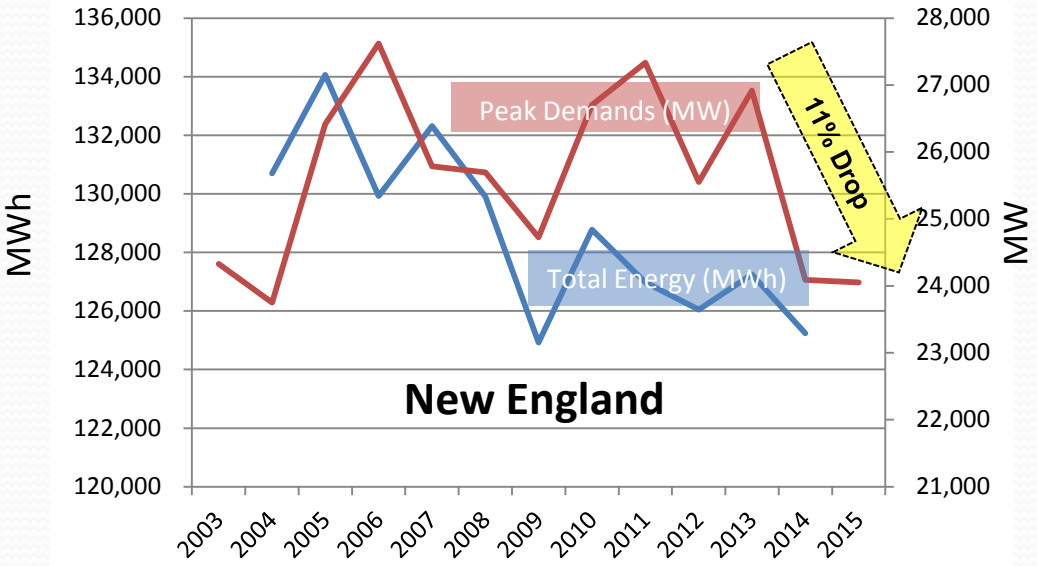
- The data is 'noisy.'
- The last decade has seen historic volatility in the two critical drivers of energy use: economic conditions and weather.

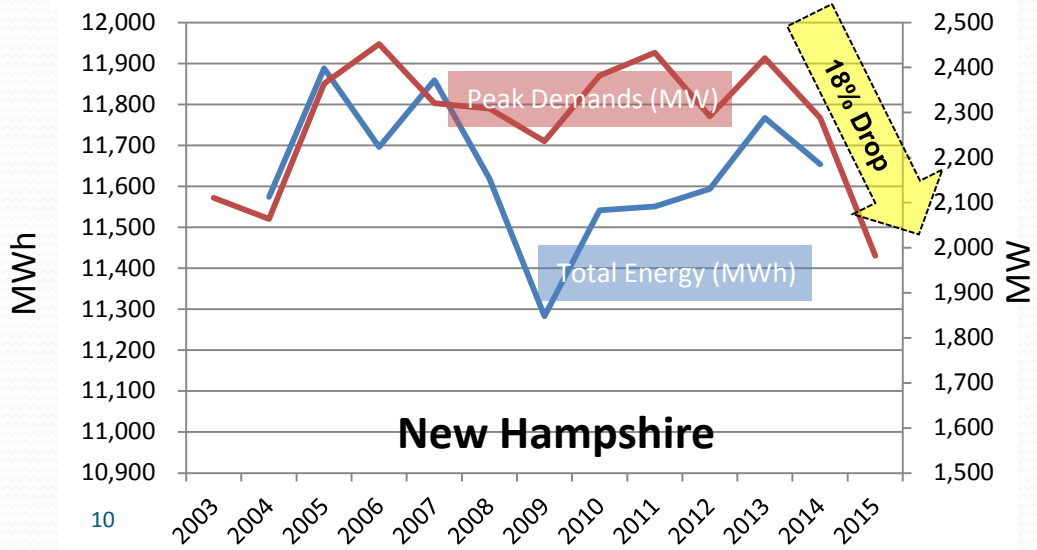
New England Observations:

- Demand is relatively flat
- Energy use is declining

New Hampshire Observations:

- Largely similar to New England
- Demand may be trending down
- Energy use is flatter than New England





Source: ISO-NE SMD Hourly Data

Appendix: Transmission

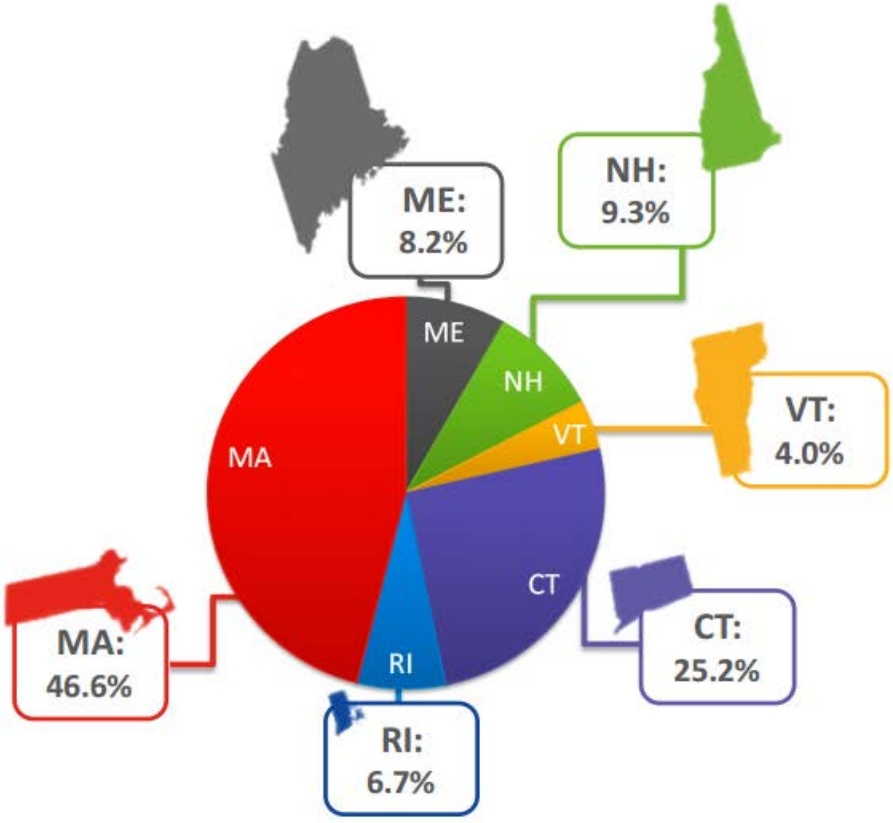
- How are costs allocated in New England?

- How quickly is transmission growing in New England?

Slide from ISO-NE 2015 regional update

How are Transmission Costs Allocated?

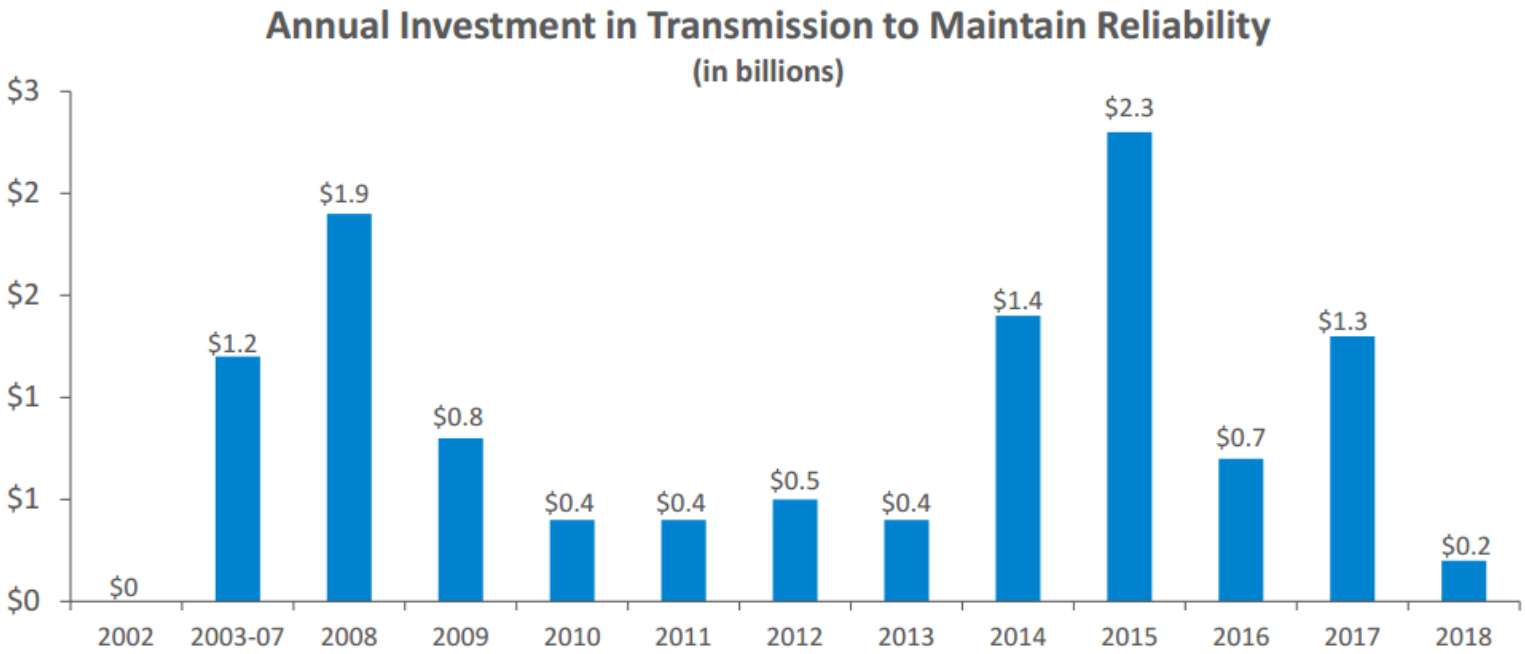
- The New England electric grid is a tightly interconnected system; each state shares in the benefits of reliability upgrades
- The amount of electricity demand in an area determines its share of the cost of new or upgraded transmission facilities needed for reliability



Source: 2013 Network Load by State

Slide from ISO-NE 2015 regional update

New Transmission Investment in New England



Cumulative Investment through 2014	$7.0 billion
Estimated Future Investment through 2018	$4.5 billion

Source: ISO New England RSP Transmission Project Listing, October 2014
Estimated future investment includes projects under construction, planned and proposed