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# EDITED TRANSCRIPT

ES.N - Q3 2022 Eversource Energy Earnings Call

EVENT DATE/TIME: NOVEMBER 03, 2022 / 1:00PM GMT

**OVERVIEW:**

Co. reported YTD 2022 GAAP EPS of \$3.13 and GAAP EPS of \$1.00. Expects full-year 2022 EPS to be \$4.04-4.14.

## CORPORATE PARTICIPANTS

**Jeffrey R. Kotkin** *Eversource Energy - VP of IR*

**John M. Moreira** *Eversource Energy - Treasurer & CFO*

**Joseph R. Nolan** *Eversource Energy - President, CEO & Trustee*

## CONFERENCE CALL PARTICIPANTS

**David Arcaro** *Morgan Stanley, Research Division - Research Associate*

**Durgesh Chopra** *Evercore ISI Institutional Equities, Research Division - MD and Head of Power & Utilities Research*

**Jeremy Tonet** *JPMorgan Chase & Co, Research Division - Senior Analyst*

**Nicholas Campanella** *Crédit Suisse AG, Research Division - Research Analyst*

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

**Paul Zimbardo** *BofA Securities, Research Division - VP in Equity Research & Research Analyst*

**Ross Fowler** *UBS Investment Bank, Research Division - Executive Director & Equity Research Analyst of Utilities*

**Shahriar Pourreza** *Guggenheim Securities, LLC, Research Division - MD and Head of North American Power*

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

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

## PRESENTATION

### Operator

Good morning, and welcome to today's Eversource Energy Third Quarter 2022 Earnings Conference Call. My name is Candice, and I will be your moderator for today's call. (Operator Instructions)

I would now like to pass the conference over to our host, Jeff Kotkin, Vice President of Investor Relations, to begin.

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### Jeffrey R. Kotkin - Eversource Energy - VP of IR

Thank you, Candice. Good morning, and thank you for joining us. During this call, we'll be referencing slides that we posted yesterday on our website. And as you can see on Slide 1, some of the statements made during this investor call may be forward-looking as defined within the meaning of the Safe Harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on management's current expectations and are subject to risk and uncertainty, which may cause the actual results to differ materially from forecasts and projections. These factors are set forth in the news release issued yesterday afternoon.

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, 2021, and our Form 10-Q for the 3 months ended June 30, 2022. Additionally, our explanation of how and why we use certain non-GAAP measures and how those measures reconcile to GAAP results is contained within our news release and the slides we posted last night and in our most recent 10-K and 10-Q.

Speaking today will be Joe Nolan, our President and Chief Executive Officer; and John Moreira, our Executive Vice President and CFO. Also joining us today is our new Director of Investor Relations, Bob Becker.

Now I will turn to Slide 2, and turn over the call to Joe.

**Joseph R. Nolan** - Eversource Energy - President, CEO & Trustee

Thank you, Jeff, and thank you, everyone, for joining us on this call this morning. I will provide you updates on the energy supply challenges facing New England this winter and the strategic review of offshore wind investments.

Before turning over the call to John to review the quarter and various regulatory proceedings, first, I will review our operating performance. We've had an excellent first nine months of 2022 with our reliability indices remaining among the industry's best; our safety ratings strong; and our diversity and sustainability metrics looking quite favorable, compared with our goals and our peers. Response time to natural gas service calls, a key safety and performance metric for our gas distribution business, continues to be excellent.

Our sustainability ratings at MSCI and Sustainalytics continue to be well within the top quartile among our peers, and we are in the final stages of reviewing how to best move forward with establishing aggressive goals for greenhouse gas reduction, including potentially setting a science-based target, something that only a handful of U.S. utilities are undertaking.

While we continue to improve the service we are delivering to our 4.4 million customers, we understand that our customers have a significant concern over this winter's energy costs. Not only are fossil fuel prices much higher than they were a year ago, our region continues to be challenged by the combination of heavy reliance on natural gas generation and inadequate infrastructure to supply sufficient natural gas to that generation during cold winter months.

This winter looks particularly challenging for New England, given the disruptions in the global energy markets caused by the war in Ukraine. New England's access to imported LNG will be even more limited than in the past years. ISO New England has indicated that while our supply should be adequate in a moderate or normal winter, they may be challenged during a prolonged period of bitterly cold weather.

Last week, I wrote to President Biden, asking him to consider a number of measures to help New England through the winter. They included emergency orders under the Federal Power Act in the Natural Gas Policy Act and emergency authority under the Defense Production Act to ensure adequate energy supplies for New England. The letter also recommended consideration of a waiver under the Jones Act to ease the obstacles that effectively prevent the shipping of LNG between U.S. ports and New England. I also asked President Biden to direct the Secretary of Energy to convene all relevant parties to develop a plan to ensure the region is ready to meet the challenges one or more extreme winter weather events would present, using both the authorities available to the market participants and the federal government's emergency authorities.

Many points in my letter were consistent with the letter New England's six Governors sent to Energy Secretary Granholm in late July. The need for action now is compelling. Many of the solutions require advanced planning because they may require actions by regulators, finding new resources, chartering vessels and arranging for additional fuel deliveries.

As a T&D utility with no generation, other than 70 megawatts of solar, we are very limited in terms of how we influence the wintertime supply-demand equation. In those areas we can influence, we've done a tremendous amount. We have invested billions of dollars hardening our transmission and distribution systems to alleviate bottlenecks. Our nationally recognized energy efficiency programs have helped customers become much more efficient with their energy consumption.

We offer our customers innovative payment options, including year-round budget billing options. But this winter nevertheless promises to be expensive for those electric customers who did not lock in multiyear contracts in the past years. In New Hampshire, our standard offer, or default service rate rose in August from \$0.11 to \$0.22 per kilowatt hour. Similar levels are likely in Massachusetts and Connecticut beginning in January.

For our natural gas customers, residential heating costs in total bills will be up just over 20% on average compared with last winter, somewhat less than that in Connecticut. While any increase in these times is difficult for our customers, we were looking at much more significant increases a month or two ago before the recent pullback in natural gas prices.

Turning to Slide 3. I will provide you with an update on our offshore wind partnership with Ørsted. As you know, construction of our first project, South Fork, commenced early this year. Installation of the onshore conduit system including cable vaults in town roads and along the Long Island

Railroad right-of-way is nearly complete and ahead of schedule. Construction of our new onshore substation is on schedule, progressing well, and should be complete in the second quarter of 2023.

In-water construction will begin this month using horizontal directional drilling to install conduit 80 feet below the beach that will extend offshore. The transmission cable will be installed through that conduit next year to move energy from twelve offshore wind turbines to a new substation and into the Long Island Power Grid. Installation of the largest components including the foundations, turbines and offshore substations will begin next summer off the coast of Massachusetts.

We also continue to progress well on our larger offshore wind projects. The Bureau of Ocean Energy Management issued a draft environmental impact statement for the 704-megawatt Revolution Wind project in September. We expect the final EIS in the second quarter of 2023, and to have all permits in hand in the second half of 2023. We continue to target a 2025 in-service date.

On Sunrise, our largest offshore project, we filed a joint settlement in September with the New York Public Service Commission. The settlement includes proposed mitigation for certain environmental, community and construction impacts associated with constructing the project. The joint proposal was signed by the New York departments of Public Service, Environmental Conservation, Transportation, and state as well as the Office of Agriculture and Markets and the Long Island Commercial Fisheries Association.

We also continue to target a 2025 in-service date for Sunrise Wind. We are also making significant progress on our strategic review. That review covers the three projects I just mentioned which will generate approximately 1,760 megawatts once in service as well as up to 175,000 acres of offshore wind lease areas, where we and Ørsted have rights to build additional offshore wind facilities.

We're now engaged with a number of potential buyers for our 50% ownership interest in our offshore wind joint venture. Ørsted is actively supporting the process. It is very possible that we contract with one buyer for the three projects and another for the open acreage. We do not expect to have any incremental news on our strategic review before the EEI conference, but we may by year-end.

We remain very big fans of offshore wind and expect it to become a critical energy resource for the Northeast, particularly in the winter when wind speeds are higher and more consistent. You can see on Slide 4, how much has been awarded to date in New England and New York, and how much still needs to be secured. Contingent on the outcome of our review, I expect that our principal role in the future will be that of a regulated transmission provider integrating this valuable resource into our region's grid rather than a turbine owner.

Thanks again for your time. I will now turn the call over to John Moreira.

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**John M. Moreira** - Eversource Energy - Treasurer & CFO

Thank you, Joe, and good morning, everyone. This morning, I will review our earnings results for the third quarter of 2022, discuss recent regulatory developments and review our financing activity. I will start with Slide 5. Our GAAP earnings were \$1 per share in the third quarter of 2022 compared with earnings of \$0.82 in the third quarter of 2021.

Third quarter results in 2021 included a charge of \$0.19 per share to reflect last year's settlement agreement that resolved a number of regulatory issues at Connecticut Light and Power. Both years included the impact of \$0.01 per share of charges related to transaction and transition costs associated with the former Columbia Gas asset acquisition. Excluding these charges, we earned \$1.01 per share in the third quarter of 2022, compared with earnings of \$1.02 per share in the third quarter of 2021.

For the first nine months of 2022, we earned \$3.13 per share on a GAAP basis, compared with earnings of \$2.65 per share in the first nine months of 2021. Excluding charges related to transaction and transition and the CL&P settlement charges that we recorded last year. We earned \$3.17 per share in the first nine months of 2022, compared with earnings of \$2.95 per share in the first nine months of 2021.

Looking at additional details on the third quarter earnings by segment, starting with our electric transmission segment, which earned \$0.44 per share in the third quarter of 2022, compared with earnings of \$0.40 per share in the third quarter of 2021, improved results were driven by a large level of higher investments in our transmission facilities.

Moving on to our electric distribution segment, which earned \$0.65 per share in the third quarter of 2022, compared with earnings of \$0.62 per share in the third quarter of 2021, again, excluding the settlement charges I previously talked about. The improved earnings were driven largely by higher revenues and lower pension costs, partially offset by higher O&M, property taxes and depreciation expense.

Our natural gas distribution segment lost \$0.07 per share in the third quarter of 2022, compared with a loss of \$0.06 per share in the third quarter of 2021. The increased losses were due to a higher non-tracked O&M, property taxes, depreciation and interest costs, which was partly offset by higher revenues and lower pension costs, primarily at Yankee Gas.

Our water segment earned \$0.05 per share in the third quarter of 2022, the same as the third quarter of 2021.

Eversource parent and other companies lost \$0.06 per share in the third quarter of 2022, compared with earnings of \$0.01 per share in the third quarter of 2021, excluding the transaction and transition costs that I mentioned earlier. The decline was due largely to two factors: higher interest expense, primarily related to new parent company issuances, which lowered the results by \$0.04 per share; and higher income tax expense of about \$0.03 per share, which was specific to the third quarter results as this is when we finalize our annual corporate income tax returns.

Despite the headwind from higher interest costs, we continue to project our full year 2022 earnings of between \$4.04 and \$4.14 per share, excluding transaction and transition costs that I spoke about earlier.

Turning to the longer term. As you saw in our news release, and as you can see on Slide 6, we are reaffirming our long-term EPS growth rate in the upper half of 5% to 7% range through 2026. We also reaffirm our \$18 billion five-year regulated capital program that we discussed during our February earnings call, including our \$3.9 billion regulated capital investment projection for this year. We will provide you with an updated five-year forecast when we report our year-end results in February.

As we mentioned during prior earnings calls, there continues to be an even increasing need for Eversource to make capital investments in our transmission and distribution systems that will enable our region to achieve its aggressive clean energy targets more rapidly. As a result of this strong public policy imperative and our ongoing focus on improving our systems to address aging infrastructure, we estimate that at least \$3 billion of additional investments above our current \$18 billion capital forecast will be required through 2026.

In July, we discussed the need to invest up to \$500 million in our transmission system on Cape Cod to enable approximately 2,000 megawatts of offshore wind generation to be connected into the New England grid. We also noted that ongoing regulatory reviews of our advanced meter infrastructure proposals. At this time, regulators in both Connecticut and in Massachusetts are actively working through dockets, with decisions expected later this year in Massachusetts and either at year-end or early next year in Connecticut.

Moving to Slide 7, we want to highlight some new infrastructure needs to enable clean energy distribution resources to connect to our grid. Our proposals are currently before the Massachusetts Department of Public Utilities. Massachusetts has very ambitious carbon reduction goals, an 85% reduction by 2050, and two cornerstones of efforts to achieve those reductions are enabling offshore wind and solar generation. Joe discussed offshore wind earlier. Now, on the solar front, a growing number of solar distributed energy resources are awaiting connection to the grid.

In certain areas of our state, particularly in Southeastern Massachusetts, we are at a standstill in connecting new solar resources because there is very little available grid capacity. Under the current existing model, the developer whose project is the last straw triggering the need for a significant upgrade to certain infrastructure pays the full cost of resolving this capacity issue and bottleneck.

When large T&D equipment limits are reached, the cost to resolve such a bottleneck could become cost prohibitive for these developers. So, the project will not likely move forward, nor will other projects behind it, and thereby stalling the interconnection queue. That has created a backlog of construction of about 350 megawatts of distributed solar generation in the state, a figure that is growing.

The map on Slide 7 shows the 6 areas of Massachusetts with the greatest bottleneck. We have proposed a resolution whereby we would build out the system in advance, and recover some of the costs from solar developers as they tie their projects into the grid. Slide 9 shows the upgrades would be a combination of transmission and distribution infrastructure needs. Together, they would total about \$900 million under our proposal. Developers would pick up about 1/3 of those costs over time, and the associated rate base would be adjusted accordingly.

A DPU decision on the first of the six projects is expected later this year, with decisions on the remaining five projects to follow in 2023. We view our proposal as an innovative solution to a vexing issue that has slowed the build-out of third-party solar expansion in Massachusetts.

On the regulatory side, we are nearing the end of one general rate review with hearings on another one about to commence. A summary of these two cases can be found on Slide 10. Briefing in the NSTAR Electric rate review concluded late September, and a decision is expected on December 1, with new rates going into effect January 1, 2023. We feel very good about the strength of our case as well as our proposals to enable the Commonwealth's clean energy goals.

Moving to our new rate review. On August 29, Aquarion Water of Connecticut filed its first rate review application in about ten years. Key elements of the three-year plan are shown on this slide. Aquarion Connecticut's case is a result of significant infrastructure, investments made over the past several years to enhance the water service reliability for its customers. Evidentiary hearings will start in about three weeks, and a final decision we expect in mid-March.

Turning to recent financings. We completed our fourth green bond issuance at NSTAR Electric in September, selling \$400 million of 30-year notes at 4.95%. That issuance helped pay off a similar size issuance that matured in mid-October. With that issuance now behind us, we have completed our long-term debt issuance program for the year.

In terms of equity issuances, as you can see on Slide 11, we have now issued about 2.2 million shares through our at-the-market program at a weighted average price of \$92.31. Through October, we also have issued approximately 810,000 shares of treasury stock this year to fund our dividend reinvestment and employee equity plans. The impact of those issuances reduced EPS by approximately \$0.01 per share in the quarter.

Finally, in terms of credit metrics, as you will see shortly, when we file our 10-Q, our cash flows from operations totaled \$1.7 billion in the first nine months of 2022, compared with \$1.5 billion in the first nine months of 2021. This improvement was primarily driven by higher net income, higher depreciation and amortization and lower pension plan contributions, since our plan is essentially fully funded as of the end of 2021.

Thank you very much for joining us this morning, and we look forward to seeing many of those on the call at our Annual EEI Finance Conference in Florida later this month. I will now turn the call back over to Jeff for Q&A.

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**Jeffrey R. Kotkin** - Eversource Energy - VP of IR

Thank you, John, and I'm going to return the call to Candice to remind you how to enter your questions. Candice?

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions)

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**Jeffrey R. Kotkin** - Eversource Energy - VP of IR

First question this morning is from Shar from Guggenheim.

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**Shahriar Pourreza** - *Guggenheim Securities, LLC, Research Division - MD and Head of North American Power*

So Joe, just on the offshore wind sale process, you indicated -- I think on prior calls, you were working on sort of the tax leakage offsets. Anything you've been able to identify there so far? And are we still thinking 100% sale, the leases and the projects, irrespective of what stages they're in, in their construction cycle, so no build-own transfer scenarios?

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**Joseph R. Nolan** - *Eversource Energy - President, CEO & Trustee*

Yes. So, we're definitely looking at a complete exit of the projects. In terms of the tax, I'm going to turn that over to John Moreira, he's better equipped to answer that question.

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**John M. Moreira** - *Eversource Energy - Treasurer & CFO*

Shar, so as I continue to communicate, we're looking at every alternative to minimize any tax leakage. I think at this point, we're still going through those assessments working with our advisors. I think it's a little premature. But we do have a plan to mitigate as much of that tax leakage as possible.

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**Shahriar Pourreza** - *Guggenheim Securities, LLC, Research Division - MD and Head of North American Power*

Okay. Perfect. And then, Joe, you previously indicated that you need to find roughly \$3 billion of spend to offset the loss of the wind earnings. If I recall, correctly, you had about \$1.5 billion that's been identified. So, we're simply stepping up here to having a line of sight on roughly \$2.4 billion out of the \$3 billion with the DER spending you just released, or is there some overlap? And I guess where could we see the remaining opportunities, especially as we're thinking about this in the context of your overall growth guide as we look ahead to the sale and the next roll forward?

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**Joseph R. Nolan** - *Eversource Energy - President, CEO & Trustee*

Yes. Well, good news is that number, we've got up to about \$2.5 billion. John is going to fill in some of the details on how we are going to fill that in. So, John, will you tell him?

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**John M. Moreira** - *Eversource Energy - Treasurer & CFO*

Sure. Shar, once again, we've mentioned about -- we've quantified and put on the table \$1.5 billion of that \$3 billion number that we have shared with you. So, let me take you through that. So, \$1 billion is AMI. And in my formal remarks, you heard me say that we do expect a decision now in Massachusetts by the end of this year, and Connecticut probably late this year or early 2023. So that's about \$1 billion, \$1.1 billion, okay?

And then we also quantified for you all, about \$0.5 billion of transmission interconnection, of which we already have approval for \$200 million of that. And today, we announced close to \$900 million that we are very excited about to address this burning issue in Massachusetts to enable solar generation to connect into our grid. Those investment opportunities will enable up to 1 gigawatt of generation to connect into our infrastructure, both transmission and distribution.

So right now, we have about six cluster projects that we have before the DPU. That amounts to that \$900 million. And as I said in my formal remarks primarily in Southeastern Massachusetts, where we are stretched from a capacity standpoint. So, that is, from a regulatory standpoint, that's well on its way. And we do have some -- we've been working, we think it's a very creative proposal that we put in front of the regulators to facilitate this need. So, we're very excited about that. So that we see materializing over the next four to five years, and we expect that, that full infrastructure will be in place by 2026 to allow for at least 350 megawatts of that 1 gigawatt that I mentioned.

**Shahriar Pourreza** - *Guggenheim Securities, LLC, Research Division - MD and Head of North American Power*

Got it. Terrific. So, I guess the key message is you're chopping wood on that \$3 billion that you're looking to backfill. So that's good.

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**John M. Moreira** - *Eversource Energy - Treasurer & CFO*

Absolutely. I feel highly confident that once we update our five-year capital plan that we'll share with you in February that we will get to that number.

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**Jeffrey R. Kotkin** - *Eversource Energy - VP of IR*

Next question is from David Arcaro from Morgan Stanley.

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**David Arcaro** - *Morgan Stanley, Research Division - Research Associate*

Maybe following up on a couple of the topics that Shar raised. On the offshore wind strategic review process, could you just give an update on what interest levels you're seeing, whether anything has changed with the rising rate backdrop and overall kind of number and type of potential interested parties there?

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**Joseph R. Nolan** - *Eversource Energy - President, CEO & Trustee*

Yes. So, the process is going on very well. We have several highly interested parties, and the interest rate has not caused any concern for them, and we're very, very optimistic and continue to be optimistic on the process.

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**David Arcaro** - *Morgan Stanley, Research Division - Research Associate*

Okay. Got it. And then on the level of cost that have been locked in, it looked like the percentage hasn't changed since the last quarter. What are you seeing in terms of the inflation in offshore wind kind of construction costs lately and your current thinking around willingness to lock in additional costs with the strategic review going on?

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**Joseph R. Nolan** - *Eversource Energy - President, CEO & Trustee*

We are in the 80% range, low 80s, the contracts that we're talking about are not ones that I'm particularly worried about around costs or those types of things. And we do have competition in that space. So, we're going to be strategic in any type of contracting that we do. But I feel very good about -- I have eyes on the remaining, say, 15% to 18%, and I'm not concerned about it.

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**Jeffrey R. Kotkin** - *Eversource Energy - VP of IR*

Next question is from Steve Fleishman from Wolfe.

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

So just we're getting near the end on the Massachusetts case. Could you just give us a sense of just how you're feeling about getting a reasonable outcome there?

**Joseph R. Nolan** - Eversource Energy - President, CEO & Trustee

Yes. Steve, it's Joe. We feel very good about it. We had some very, very good hearings. We had a lot of good discovery, a lot of good exchanges. And we have been very actively engaged with multiple parties. So, we are still extremely optimistic for a very favorable outcome in that proceeding. It wasn't a big number in terms of increases. And I think that folks recognize the extraordinary job we do for our customers here in Massachusetts. So, we continue to be very optimistic.

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

Okay. Great. And then the -- maybe just in terms of asking a question from the beginning a little different way. Just when you announced the offshore wind sale, you talked about that net income that you'd hoped for in '26 and be able to kind of take the proceeds and get to that level with investment in the regulated business. And so, obviously, you're starting to get the investments all lined up here. But just overall, how are you feeling about kind of getting to the kind of end game of whatever your growth rate was plus the incremental net income?

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**John M. Moreira** - Eversource Energy - Treasurer & CFO

Yes. Yes, good question. We are working on an update on our revised five-year forecast, taken into account or layering into our plan the additional capital that we need to execute on for the reasons that I've stated. So, we feel very confident that we'll be able to get into our zone of guidance that you all would expect from us. So, I'm feeling very good about it.

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**Jeffrey R. Kotkin** - Eversource Energy - VP of IR

Next question is from Nick Campanella from Credit Suisse.

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**Nicholas Campanella** - Crédit Suisse AG, Research Division - Research Analyst

I guess, Joe, just on the Biden letter and the winter scenario. Obviously, the fact that you're writing this letter, it's a serious situation. And I just wanted to ask, when you think about the ability to kind of deploy capital at the pace that you are in the current plan, does it change your thinking at all and the ability to spend capital with the pressure in customer bills from the fuel lines.

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**Joseph R. Nolan** - Eversource Energy - President, CEO & Trustee

Yes. No. I mean, I think the investments that we want to make around transmission to unlock and tap into some renewable resources that cannot get on to the grid in a way that's meaningful for the operator. So that's something that will only reduce customers' costs at the end of the day, if we're able to get at some of those renewables. So, I don't think that would have an adverse impact on our customers. So no, I don't feel it's going to impact it.

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**Nicholas Campanella** - Crédit Suisse AG, Research Division - Research Analyst

And then on IRA, good to see no AMT impact. And I think you're saying kind of cash uplift in the slides here. So, can you maybe just update us on what your FFO to debt is in a post-IRA world versus kind of where it is today?

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**John M. Moreira** - Eversource Energy - Treasurer & CFO

It will head in the right direction. There's no doubt about it with the IRA given the deployment of our solar program in Massachusetts, where we get the ability to get those tax benefits upfront and then as required flow it back to customers over time. So, we do see an uptick in our FFO to debt.

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**Nicholas Campanella** - *Crédit Suisse AG, Research Division - Research Analyst*

Okay. So just directionally positive.

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**Joseph R. Nolan** - *Eversource Energy - President, CEO & Trustee*

Yes.

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**Jeffrey R. Kotkin** - *Eversource Energy - VP of IR*

Next question is from Durgesh from Evercore.

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**Durgesh Chopra** - *Evercore ISI Institutional Equities, Research Division - MD and Head of Power & Utilities Research*

Guys, what are sort of the key dates for us to watch on these six DER-related projects in Massachusetts? I believe you said one of them is under consideration for approval here shortly. Just if you can give us a timeline for us to kind of track that would be really helpful, for regulatory approval.

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**John M. Moreira** - *Eversource Energy - Treasurer & CFO*

Sure. Durgesh, this is John. So, we have filed all six proposals individually. And we expect the first one, which is about, let's call it, \$150 million opportunity. That's the -- on the Slide 8, it's the Marion Fairhaven project. So, we expect to see a decision from the DPU late by the end of the year. And then the remaining five will trickle in over 2023.

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**Durgesh Chopra** - *Evercore ISI Institutional Equities, Research Division - MD and Head of Power & Utilities Research*

Got it. So basically, by the time of your fourth quarter update, CapEx update, you would have received a decision on one of the projects, the remaining five will be layered in sometime next year?

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**John M. Moreira** - *Eversource Energy - Treasurer & CFO*

That's correct. That's correct. And the construct, as I mentioned, is basically the same for all six projects. Obviously, there's varying degrees of investment for these six, but the construct that we filed for is very consistent.

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**Jeffrey R. Kotkin** - *Eversource Energy - VP of IR*

Next question is from Jeremy Tonet from JPMorgan.

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**Jeremy Tonet** - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Just wanted to touch base on the offshore wind process a little bit more. And just want to see how is the process tracking toward that potential year-end announcement? Just trying to look at the language here, does your slide language point to a slightly longer process versus prior expectations? Just trying to parse through this end of year as you put it in the slides.

**Joseph R. Nolan** - Eversource Energy - President, CEO & Trustee

Sure. Yes, it's Joe. We're working very hard at this right now. We've got very interested buyers. We would like to be able to have an announcement by year-end, but there's no guarantees around that. But I would tell you that there were a very strong group of buyers that are in there, and we feel very, very good about the process. So, we're optimistic.

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**Jeremy Tonet** - JPMorgan Chase & Co, Research Division - Senior Analyst

Got it. That's helpful. And then just pivoting, could you frame the impact of higher interest rate expense on growth within your EPS CAGR? Just wondering what levers are left to offset this higher expense? And how much of a headwind could it be? Same thing for pension, overall.

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**John M. Moreira** - Eversource Energy - Treasurer & CFO

Yes. Yes, it will be a headwind, as you would expect. But we're on it, and we are working to mitigate that impact. Obviously, it's uncertain, the time frame and this higher interest rate environment will continue. But as I mentioned earlier, we're focused on developing our plan for next year, and I feel very good that we'll have opportunities to mitigate that headwind.

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**Jeffrey R. Kotkin** - Eversource Energy - VP of IR

Next question is from Ross Fowler from UBS.

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**Ross Fowler** - UBS Investment Bank, Research Division - Executive Director & Equity Research Analyst of Utilities

All my questions on offshore would have kind of been answered. So maybe we can loop back to Joe, your comments at the front of the call about bill pressure across this winter. You said bills would be up an average of 20%, and that's given the pullback in natural gas. It's been in the 70s in New England, lately. So, we had some good weather, too, which is nice.

But growing up there, it's going to get cold at some point. So, can you just remind us how you're hedged across the winter for that natural gas on price, like through January, February and March? And then maybe it's not even necessarily about hedging and price given your commentary, but more about even getting supply should it get colder than normal across this winter. So just maybe frame that risk for us a little bit more.

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**Joseph R. Nolan** - Eversource Energy - President, CEO & Trustee

Sure, sure. Let's focus first on our gas business. We are hedged. We have LNG. We keep roughly 20-day supply available of LNG at our facilities. We have multiple LNG facilities. So, I feel very good about the supply and the natural gas situation for Eversource customers this winter. I have no concern around that. We began planning for that in putting resources into storage starting in the spring time we start. And we fill all our tanks and we're in very, very good shape this year for that.

I think what I was -- what I'm pushing at is the issue around electric generators in the region, whether they are natural gas-fired or they are oil-fired, they do not have a firm fuel supply. And since they don't have a firm fuel supply, when we get these days for protracted cold spells, they do not have fuel to run. And that is what my concern was. And that was -- that was really the letter that I had written to President Biden, looking for relief. Number one, with the petroleum reserves, he certainly has significant resources to help with oil. And then really for around the Jones Act, to allow foreign vessels to operate freely within the U.S., foreign vessels.

Just this past week, there are probably six to eight vessels down in the Gulf. They're filling up. These are foreign vessels, and they head to Turkey, Japan, South Korea, Europe. And the fact that they can't come up to the Northeast with the U.S. natural gas, LNG, it's disturbing to me. So, the President has the powers. He's done it before with the prices in Puerto Rico, and he's been a real champion for energy issues, and I don't believe

he'll let us down here. I think the President will play an active role here, and help us get what we need to be sure that our customers have an event-free winter.

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**Ross Fowler** - UBS Investment Bank, Research Division - Executive Director & Equity Research Analyst of Utilities

And then maybe winding back for a little bit more color on an earlier question. You mentioned that all of these capital programs you're deploying and filed for but aren't yet approved yet, some of them are really to sort of mitigate the bill pressure around electric bills because you're taking fuel costs out of the system. But if bills are going up in the near term, are you worried about bill pressure, maybe not certainly taking those programs away because that's where we're trying to get to, mitigating that bill pressure. But are you worried about regulators slowing the pace to alleviate some of that bill pressure?

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**Joseph R. Nolan** - Eversource Energy - President, CEO & Trustee

Well, listen, we feel for our customers, this is a challenging time, but there's not anything new to this region. We have experienced this before, and we have a long track record of working with our customers. I think when the regulators see the type of investments that we want to make, and the benefits. I can list ten transmission projects that have reduced customers' bills by billions of dollars. So, these are all very, very good projects to help our customers access lower price electricity. So, you have to make the investments in order to get the savings. And I think that's what the regulators and key decision-makers will look at and decide that it's the right decision.

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**Jeffrey R. Kotkin** - Eversource Energy - VP of IR

Next question is from Paul Patterson from Glenrock.

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

Can you hear me?

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**Jeffrey R. Kotkin** - Eversource Energy - VP of IR

Yes.

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

So, I wanted to follow up on a few things. First of all, on the preceding in Massachusetts by Commonwealth Edison asking for a delay. You guys filed a joint letter, I believe, on Tuesday with National Grid and Unitil, I think -- basically indicating that you guys had no intention to renegotiate the contract. And then, I guess, I saw that yesterday the Governor of Massachusetts seemed a little bit more open to the idea. Just wondering if you could give us a little bit more color on how you see this. And I guess if you can, why you guys see yourselves in a different position with your projects as opposed to this one that's asking for renegotiation?

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**Joseph R. Nolan** - Eversource Energy - President, CEO & Trustee

Yes. Keep in mind that our pricing is higher. It's in the 100 to 110 per megawatt-hour range. The project that we're talking about came in here and bid very, very low pricing against projects that we had bid. I do not feel that likelihood of success for any renegotiation. And keep in mind that what the governor has said is that he would allow Avangrid to make a proposal. He didn't say that he was going to go and renegotiate with them. And so, there're a lot of players that will have to decide on this. Certainly, it's our regulators. Now regulators at the end of the day are the ones that

are going to decide what is best for the customers. And so that's the reason why you're not seeing any of our projects in there right now looking to renegotiate.

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

Okay. That's great. And then just I was wondering what kind of response you've gotten -- I mean you sort of answered it, I think, just now with respect to the White House, and your letter, which makes a lot of sense. But I'm just thinking in general, is this -- I'm just wondering, is this a wake-up call maybe that -- I mean you just sort of wonder, the fact that LNG is being imported as a significant part of New England's reliability situation.

Is this any sort of a wake-up call that maybe infrastructure -- maybe the region should be more open to infrastructure or maybe the federal government should be sort of pushing the stuff along? Do you follow what I'm saying, whether it's you get through Northern Pass or just a whole variety of projects that have been delayed. And it just -- you sort of wondered, is there any change in Washington that you're noting in the region with respect to perhaps sort of getting real about reliability? And do you follow what I'm saying and the need for significant infrastructure improvements to be streamlined and what have you?

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**Joseph R. Nolan** - *Eversource Energy - President, CEO & Trustee*

Well, yes, you're preaching to the choir here, absolutely. I do see that each of these governors realized the seriousness of this. I mean we are at fragile point in time as we transition to this clean energy environment. And so consequently, we're going to need some relief, whether it's the Jones Act relief or other types of projects. Certainly, it's disappointing, you know how hard we worked on Northern Pass to bring hydro down, another great resource that this region could really use.

So, I do think -- I mean, we're all working collaboratively. We've -- we were up in Burlington, Vermont. We had all of the states along with the FERC, and we're looking at these issues. And listen, a lot of smart people at the table, a lot of people understand the seriousness of it. And so, I'm fully confident that we're going to be able to put steps in place that are going to allow us to transition uneventfully to a clean energy future. It's going to be challenging. It's going to be challenging. It's going to require a lot of work. But I know that the folks, the people at the table, can get this done.

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**Jeffrey R. Kotkin** - *Eversource Energy - VP of IR*

Next question is from Paul Zimbardo from Bank of America.

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**Paul Zimbardo** - *BofA Securities, Research Division - VP in Equity Research & Research Analyst*

Just a couple for me. Following on Jeremy's question, what interest rates are you assuming in the cost of debt on the offshore wind when you give those expected long-term average ROEs? And just -- has that evolved since you gave that original target?

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**John M. Moreira** - *Eversource Energy - Treasurer & CFO*

Well, the -- are you referring to next year?

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**Paul Zimbardo** - *BofA Securities, Research Division - VP in Equity Research & Research Analyst*

The expected long-term average ROEs from the slides.

**John M. Moreira** - Eversource Energy - Treasurer & CFO

Okay. Well, just looking at it from a long-term perspective, the interest costs associated with offshore wind post-close once we divest, those proceeds will be used to reduce our short-term, as well as our long-term debt. For 2023, we have \$1.2 billion of long-term debt that's maturing at the holding company, okay? So, the timing cannot align any better for us.

And then on another positive note, if you look at the total utility debt that's maturing, it's probably the lowest amount that I've seen in a long time. We only have about \$800 million of debt maturing at the utilities. So that sets us up very nicely. But we still nevertheless, we have to fund our capital program. So, I'm not seeing a huge headwind and I'm not seeing a huge movement in our long-term guidance as a result of this environment that we are in from an interest rate perspective.

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**Paul Zimbardo** - BofA Securities, Research Division - VP in Equity Research & Research Analyst

Okay. I was more referring to like the actual projects. I didn't know if the interest rates are pressure and there's an offsetting mitigation positive to keep the average ROEs intact.

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**John M. Moreira** - Eversource Energy - Treasurer & CFO

Well, number one, because these projects are under construction, the interest cost that we are incurring during construction is capitalized. So, we're not seeing any impact from a financing standpoint for these projects. And then once we get the proceeds from the divestiture that will be used to offset the debt that we currently are carrying.

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**Paul Zimbardo** - BofA Securities, Research Division - VP in Equity Research & Research Analyst

Yes. Yes. Understood. Okay. Great. And then briefly, I know you gave some commentary last call about pension. Just if you could give any updated thoughts there about pension returns or just your overall thoughts as we enter next year.

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**John M. Moreira** - Eversource Energy - Treasurer & CFO

Sure. Sure, glad to do so. So, pension returns, just like our peers, are not heading in the right direction for us. But even with that said, there will be some headwinds. But once again, not anything material, not anything that we cannot overcome.

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**Jeffrey R. Kotkin** - Eversource Energy - VP of IR

Next question is from Travis Miller from Morningstar.

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

Not to belabor the point here too much, but back to the idea about what might happen on a harsh winter environment. In the past, on a regulatory standpoint, you guys have had some headwinds when we had difficult weather events. Do you think something has changed? Are you trying to set up a scenario here where if there are issues in terms of energy delivery, resilience, reliability? Is there a way you can turn that into a positive from a regulatory standpoint and get approval for more capital investment instead of getting penalized for not meeting a certain requirement?

**Joseph R. Nolan** - Eversource Energy - President, CEO & Trustee

Well, I think what we're focused on with the regulators now, our solution is to deal with this current winter. I don't know that maybe that would translate into some longer-term types of investments. But right now, this fuel security program where maybe these generators get given funds to have, say, a seven-day supply of fuel on-site. Those are the types of measures we're looking at, short-term measures with our regulators.

But I think that during that dialogue is where you can demonstrate to the regulator that a particular transmission investment would unlock potentially a certain number of megawatt hours in a region and lower the cost. So, I think the fact is we have very good regulatory relationships. We have very good regulators that are very engaged, and we're engaged with them on these issues. So, any time you have engaged parties you get much better solutions.

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

Okay. Great. And then one more on the governor's race. Anything near term after the election that could be impacted either in programs that you're seeking approval for things you'd expect in the next year or so on the policy front, depending on the outcome?

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**Joseph R. Nolan** - Eversource Energy - President, CEO & Trustee

Yes. No, I think we have eyes on all of the states. I think we've got pretty stable regulatory climate, and we have multiyear plans. We don't expect that any -- but everyone's agenda around clean energy, around AMI, those are all consistent, no matter who the candidate is. I think everyone recognizes that we need to have a grid that can enable all sorts of resources to operate on it, whether it's you're charging your electric vehicle, your solar panels or any type of a distributed resource. So, I wouldn't expect any changes no matter who wins in what state.

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**Jeffrey R. Kotkin** - Eversource Energy - VP of IR

Well, that was the last question that we have this morning. So, we want to thank you all very much for joining us. We look forward to seeing many of you at the EEI Annual Finance Conference. If you have any more follow-ups today, please send me an e-mail or give me a call. Thank you.

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**Operator**

Ladies and gentlemen, this concludes today's conference call. You may now disconnect your lines.

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