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Eversource Energy (ES)

Q4 2024 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and thank you for standing by. Welcome to the Eversource Energy Q4 and Year End 2024 Earnings Call. At this time, all participants are in a listen-only mode. After the speakers presentation, there'll be a question and answer session. [Operator Instructions] Please be advised that today's conference is being recorded.

I would now like to turn the conference over to your speaker for today, Rima Hyder, Vice President of Investor Relations. Please go ahead.

Rima Hyder

Vice President-Investor Relations, Eversource Energy

Good morning and thank you for joining us today on the Fourth Quarter and Year End 2024 Earnings Call for Eversource Energy. During this call, we'll be referencing slides that we posted this morning on our website. As you can see on slide 1, some of the statements made during this investor call may be forward-looking. These 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. We undertake no obligation to update or revise any of these statements.

information about the various factors that may cause actual results to differ, and our explanation of non-GAAP measures and how they reconcile to GAAP results, is contained within our news release and the slides we posted this morning in our and in our most recent 10-Q and 10-K.

Speaking today will be Joe Nolan, our Chairman, President and Chief Executive Officer; and John Moreira, our Executive Vice President and Chief Financial Officer and Treasurer. Also joining us today is Jay Buth, our Vice President and Controller.

I will now turn the call over to Joe.

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

Thank you, Rima, and good morning, everyone. Thank you for joining us today for our year-end earnings call. It is my great pleasure to report on another year of success and growth at Eversource. Our fiscal year 2024 closed with strong results in three main areas of focus. First, providing top tier electric, gas and water service to our valued customers. Second, delivering steady and stable financial results with earnings per share up 5.3% year-over-year, exceeding the midpoint of our revised guidance. And third, strengthening our balance sheet, all reflecting our commitment and dedication to delivering exceptional value to our customers and shareholders.

Starting with slide 4, let me take you through some of our 2024 accomplishments. Throughout the year, we faced numerous challenges, but our unwavering focus on customers remains at the forefront of everything we do. Customer trust and satisfaction are paramount to us, and we have implemented several initiatives to enhance their experience and ensure we meet their needs. From hardening infrastructure to withstand severe weather conditions, to introducing innovative customer service solutions, we've made significant progress in strengthening our relationship with our customers and key stakeholders.

Strengthening our balance sheet was a top priority for us in 2024 and will remain a key focus area for us in 2025. We made progress toward improving our FFO to debt ratio through constructive rate outcomes, successfully issuing \$1 billion of equity through our ATM program, exiting the offshore wind business, and as you recently saw, entering into an agreement to sell Aquarion Water at an attractive multiple of 1.7 times rate base.

We were thrilled to announce the sale of this truly exceptional business. Its unique value and strategic importance made it a key asset in our portfolio. Under Eversource's ownership, we built on Aquarion's longstanding track record of superior customer service, reliability, and operational success, adding nearly 30,000 customers across 6 acquisitions. But this isn't just any transaction. It's a milestone that marks an exciting new chapter in our growth journey. We are pleased that the Aquarion organization will find a good home with the Aquarion Water Authority, a newly created authority alongside the RWA.

Proceeds from the sale will be used to reduce debt, allowing us to reinvest capital into our regulated utilities, enhancing reliability for customers while further strengthening our company's financial position. This sale also reinforces our commitment to our core electric and natural gas operations.

Another one of our proud accomplishments for the sixth year in a row was that Newsweek recognized Eversource as one of America's most responsible companies. This recognition highlights our excellence in environmental, social, and corporate governance areas. Also, Time named Eversource to its annual list of the world's best companies. We were distinguished particularly for our commitments to reduce greenhouse gas emissions, consideration of workforce diversity, and transparent disclosure through the Global Reporting Initiative standards.

As shown on slide 5, a few of our accomplishments in 2024 targeted at advancing energy diversification are all in Massachusetts. These include implementing AMI and receiving approval for Electric Sector Modernization Plan or ESMP, and constructing a geothermal pilot. We also completed the acquisition of the Mystic site in Everett, Massachusetts. With its strategic location, flexibility and existing infrastructure, this facility stands out as one of the most promising multi-use interconnection points for wide-scale energy resources in New England, representing a unique opportunity to support the region's energy goals, spur economic development, and create jobs. Purchasing this site will allow us to transform it into a premier energy interconnection hub that enhances reliability and energy supply diversity for the entire New England region.

Another great example of our successful collaboration in Massachusetts is the Greater Cambridge Energy Project that recently broke ground in Kendall Square, marking the start of an innovative \$1.8-billion energy initiative. This project, which is mostly a transmission investment led by Eversource, includes the construction of the first fully underground electrical substation in the United States. This 35,000-square foot substation will be located over 100 feet underground, beneath a newly designed public park. The project is a collaboration between Eversource, Boston Properties, the Cambridge Redevelopment Authority, and the City of Cambridge. It's an exciting development for the community and a significant step towards a more sustainable and resilient energy future.

In Southeastern Connecticut, working together with the six New England states, we were pleased to qualify for federal funding for a clean energy hub. The Huntsbrook Offshore Wind Hub will support New England's clean energy transition while improving grid reliability across the region.

With all this innovation and investment to meet state energy goals, customer affordability is always top of mind for us. We are working alongside policymakers to develop and implement strategies to mitigate customer electricals. By leveraging advancements in technology, enhancing energy efficiency programs, and advocating for fair regulations, these partnerships aim to reduce the financial burden on consumers while ensuring a reliable and diverse energy supply. And by enabling more supply to come into New England, our customers will benefit from lower rates over time.

Turning to our financial performance on slide 6. We have continued to grow our earnings and dividend over the last three years on an average of 6%. We ended 2024 with over 5% growth. And we have recently increased our first quarter 2025 dividend by 5.2% on an annualized basis. John will discuss in greater detail our new five-year capital investment plan in a few minutes. This new plan increases our investment over the next five years by nearly 10%, with the majority of that increase aimed at transmission investments to address aging infrastructure needs.

We have tremendous growth opportunities ahead of us, both in replacing this aging infrastructure to make our system more resilient, as well as building new substations and other infrastructure needs under the ESMP to address increasing load demand.

Moving to our operational results on slide 7. We've not only achieved our financial goals, but also have made good strides in reliability to enhance our operational performance for customers. Our electric reliability metrics, once again, achieved top decile performance among industry peers. More importantly, our safety metrics for the year exceeded not only the industry average, but also improvement over last year's by 6%. These results reflect the Eversource brand to provide reliable and extraordinary service to our customers.

For example, in Connecticut, 12 years ago the average time between interruptions was 12 months. Now, it's nearly two years. This success is a testament to the investments Eversource has made in the past along with the hard work and dedication of our entire team. And I couldn't be prouder of what we've accomplished together.

Investing in our infrastructure to improve reliability has been a decade-long process and has paid huge dividends for our customers. When there was a degradation in our investment levels, we know that reliability will likely be adversely impacted. With a stable regulatory environment, we can maintain and even increase infrastructure investments.

Turning to slide 8. As we look ahead to 2025, we remain committed to maintaining our momentum in continuing to prioritize our strong focus on customers in every decision we make. Additionally, we are also laser focused on enhancing our ability to finance utility operations by achieving earnings growth during this period. John will cover our 2025 guidance and he will discuss how we build upon this year to gain momentum in raising our earnings growth rate within the 5% to 7% range over the long-term.

We will continue to engage with our regulators across our footprint to drive regulatory relationships that are mutually productive for customers, policymakers, and our investors, which starts with the ability to achieve top performance and reasonable rates for our customers. In particular, we've undertaken extensive efforts to improve our regulatory paradigm in Connecticut, seeking to identify areas for education, collaboration and consensus while seeking transparency in the regulatory environment.

In conclusion, let me reaffirm our commitment to driving consistent growth in earnings and dividends, investing in sustainable energy future, maintaining a solid financial position, and continuing our strong customer focus. Our continued effort to expand our diverse energy initiatives has positioned us as a leader in the energy transition landscape. Through strategic planning and key reliability investments such as the ESMP, and the innovative projects such as the geothermal pilot, and the underground substation in Cambridge, we are delivering long-term value to our stakeholders and contributing to a stronger and more resilient tomorrow for our customers.

I want to extend my sincere thanks to our dedicated team of over 10,000 employees, and our union partners for their unwavering support. By fostering a culture of excellence in innovation, we will ensure that we remain a trusted and reliable partner for the 4 million plus customers we serve. Together, we are powering a sustainable and more prosperous future.

I will now turn the call over to John to discuss our full year financial results, financial guidance, and capital investment plan and also provide an update on regulatory matters. Thank you.

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

Thank you, Joe. And good morning, everyone. This morning I will discuss the details of the Aquarion sale, review 2024 earnings results along with a regulatory update, share our updated five-year capital investment plan, and provide our 2025 EPS guidance, the five-year financing plan, and our long-term earnings growth expectation.

Let me start on slide 10 with a discussion of the details of the pending sale of Aquarion. As Joe mentioned, we are very pleased to have signed an agreement to sell this valuable asset. As we stated in the press release at the end of January, the aggregate enterprise value of the sale is approximately \$2.4 billion. This includes approximately \$1.6 billion in cash and approximately \$800 million of net debt that we will extinguish at the closing.

The aggregate value represents a multiple of 1.7 times 2024 rate base and is approximately 35 times expected 2025 earnings. This strong valuation will enable us to reduce parent company debt and thereby further strengthen the balance sheet. We expect to file change of control applications in all three states within the next 30 to 45 days, and anticipate a closing in late 2025.

Now, I'll review the 2024 results as shown on slide 11. Our GAAP results for 2024 earnings of \$2.27 per share compare with a GAAP loss of \$1.26 per share in 2023. Results for 2024 include an aggregate net after tax loss of \$2.30 per share related to closing the sales of our offshore wind investment recognized in the third quarter, as well as the expected loss on the pending sale of Aquarion. As a reminder, results for 2023 included an aggregate after tax loss of \$5.60 per share that primarily related to losses on offshore wind investments.

Excluding those after tax losses, our non-GAAP earnings were \$4.57 per share in 2024 as compared to \$4.34 per share in 2023, a year-over-year growth rate of 5.3%. As a reminder, our revised earnings guidance for 2024 was in the range of \$4.52 to \$4.60 per share.

Breaking down the 2024 full year earnings by segments. Electric transmission earned \$2.03 per share in 2024 as compared with earnings of \$1.84 per share in 2023. The improved results were driven by continued investments in our electric transmission system to address service reliability.

Our electric distribution earnings were \$1.77 per share in 2024 as compared with earnings of \$1.74 per share in 2023. The higher results were due primarily to increased revenues from base distribution rate increases for Eversource's Massachusetts and New Hampshire electric businesses, partially offset by higher O&M, interest expense, depreciation, and property taxes.

The natural gas distribution business segment earned \$0.81 per share in 2024 as compared to \$0.64 per share in 2023. Improved results were due to higher base distribution rate increases at Eversource's Massachusetts natural gas businesses and continued investments in our gas system to replace aging infrastructure, partially offset by high depreciation, interest and property tax expenses. Excluding the loss on the pending sale of Aquarion of \$0.83 per share, the water distribution segment earned \$0.12 per share in 2024 compared with a \$0.09 per share last year.

The increase in earnings was due primarily to lower depreciation expense as a result of final rate case decision, partially offset by lower authorized revenues. Eversource parent and other company, GAAP losses were \$1.63 per share in 2024 as compared to GAAP losses of \$5.57 per share in 2023. Non-GAAP losses were \$0.16 per share in 2024 as compared to non-GAAP earnings of \$0.03 per share in 2023. Lower non-GAAP results for the year were due to higher interest expense and the absence of a prior year net benefit from the sale of Eversource's interest in a clean energy fund, which was which was partially offset by lower effective tax rate.

That wraps up 2024, a very transformative year for us despite the headwinds we faced. We delivered another year of earnings growth and innovative solutions for our customers.

Moving on to the regulatory front, we had another very busy year with positive results. Our key 2024 regulatory items are highlighted on slide 12. Starting with Massachusetts, we received approval of our first rate base reset request for EGMA, implementing a revenue increase of \$77 million effective November 1, 2024, with an additional \$62 million of revenue increase that will be effective later this year. As a reminder, this adjustment was a key component of our 2020 settlement agreement when we acquired EGMA. We will have a second rate base roll in, in 2027. Also effective November 1, 2024 was the approval of \$12.7-million increase in revenues for NSTAR Gas under the annual PBR adjustment mechanism. Again, in Massachusetts under the annual PBR plan, we received approval of \$56 million revenue increase for NSTAR Electric effective January 1, 2025.

Turning to New Hampshire, we continue to work through the rate review filing made last summer, where we requested an increase in distribution rates of \$182 million effective August 1, 2025. As part of this proceeding.

The New Hampshire PUC approved the settlement agreement for an interim rate increase of \$61 million effective August 1, 2024. The permanent rate request of \$182 million includes the \$61 million of temporary rate increase. Also included in this request is recovery of \$247 million of deferred storm costs over a five-year period. A decision on the New Hampshire rate case is expected in July for rates to be effective August 1, 2025. As a reminder, the final rate decision will also provide a reconciling adjustment back to August 1, 2024.

In Connecticut, the Yankee Gas rate review application to recover a revenue deficiency of \$209 million, reflecting critical investments and cost increases since our previous rate review in 2018, continues to move along. We are in the discovery phase of the proceeding, with a schedule calling for hearings in May and a final decision expected in October.

Next, let me discuss our updated five-year capital plan. As you can see on slide 13, our new plan reflects a \$1.9-billion increase in utility infrastructure investments for the years 2025 through 2028, the period that overlaps with our prior plan. Please note that throughout this presentation, due to the pending sale of Aquarion, we have excluded those investments from our capital plan. The \$1.9-billion increase is primarily driven by higher electric transmission and higher electric distribution investments in Massachusetts, reflecting greater visibility in the work needed to serve our customers over the next four years.

Turning to our updated five-year capital plan that runs from 2025 through 2029 as shown on slide 14, which reflects our five-year utility infrastructure investments by segment. As a reminder, this plan includes only those projects that we have a clear line of sight on from a regulatory approval perspective.

Over this five-year period that runs from 2025 through 2029, we expect to invest approximately \$24.2 billion in our regulated electric and natural gas businesses. These investments will allow us to continue to provide customers with safe and reliable service, meet ongoing load growth, and achieve progress on our state's clean energy objectives. Excluding Aquarion from both timeframes, the 2025 through 2029 plan is an increase of \$2.1 billion or a 10% increase from our previous five-year plan of \$22.1 billion.

From a segment standpoint, starting with transmission, the plan includes nearly \$7 billion of transmission infrastructure investments over the next five years. These investments include replacement of aging infrastructure to harden the system and to increase resiliency during extreme weather events, as well as innovative substation and other infrastructure projects undertaken for reliability and electrification purposes, and interconnection projects adding diversified energy resources to the grid.

This five-year transmission plan is greatly enabled by efforts in Massachusetts last year, including the state's clean energy bill, which reformed siting and permitting of energy facilities, as well as the Department of Public Utilities' approval of the Electric Sector Modernization Plan or ESMP.

Our transmission capital plan now includes engineering and development for future ESMP substations, as well as significant ESMP substation investments towards the end of the five-year forecasted period. In fact, the ESMP gives us more visibility for transmission capital, allowing us to rate the back end of our transmission capital forecast. We expect this trend to continue beyond the forecast period.

Turning to electric distribution, our updated capital forecast now reflects over \$10 billion of planned utility infrastructure investments, with a continued focus on system resiliency and top tier electric reliability for our customers. Our planned electric distribution investments include \$850 million for AMI program in Massachusetts. This technology will enable near-real-time communications and includes an operating system and application

environment for distributed intelligence at the meter. These enhancements will allow customers to increasingly participate in the transformation of energy usage.

On the natural gas side, the plan reflects nearly \$6 billion of investments centered around reliability and safety. This plan is highlighted by the bare steel and cast iron pipe replacement programs in Massachusetts and Connecticut. Across the natural gas system, we'll continue to thoughtfully engage with our states to ensure investments enable an affordable transition to a clean energy future.

Rounding out our capital plan, our investments in technology and facilities forecasted at \$1.2 billion, including AI and cybersecurity investments, and tools to enable our employees to work more efficiently to serve customers.

We are excited about the regulated opportunities this plan brings to Eversource and the positive impact it can have for our customers. We do see opportunities that could provide additional investment in the range of \$1.5 billion to \$2 billion within this forecast period. These opportunities include Connecticut AML, solar generation, increased usage of EVs, and LNG facility upgrades.

As we have in the past, we will update our plan as these opportunities materialize. The resulting impact to rate base growth from the updated capital plan is shown on slide 15. The customer focused core business investments included in the capital plan results in an 8% growth in rate base from 2023 through 2029.

Next, I will turn to our 2025 earnings guidance on slide 16. We are projecting an earnings per share in the range of \$4.67 to \$4.82 for 2025. Positive drivers this year include transmission investment for system resiliency and to address increased electric demand, gas and electric distribution rate increases, rate case outcomes in New Hampshire and Connecticut, and a strong focus on reducing O&M expenses from 2024 level. These positive drivers are expected to be partially offset by higher depreciation and property taxes from increased investment, higher interest costs, impact of share dilution, and higher effective tax rate.

As Joe stated, we continue to be laser focused on improving our balance sheet. As you can see on slide 17, we executed on all our cash flow enhancing commitments for 2024 and 2025. As a result, we expect to see a significant improvement in our cash flows from operations of nearly 50% in 2025 as compared to 2024, primarily driven by timely recovery of regulatory deferrals and distribution rate increases that I previously discussed.

With the recent announcement of our sale of Aquarion, the \$1 billion of equity that we issued in 2024, along with the projection of minimal cash tax payments through 2028, and a higher level of storm cost recoveries, our forecasted equity needs for 2025 through 2029 are expected to be approximately \$1.2 billion. This \$1.2 billion includes the remaining \$300 million left on our previous equity issuance plan, or said differently, incremental equity needs of \$900 million from our previous equity guidance.

This equity forecast is driven by the growth in our updated capital plan. Given our solid execution on our cash flow enhancement commitments, including the expected proceeds from the Aquarion sale later this year, we expect to issue the majority of this \$1.2 billion of equity towards the back half of our five-year forecast period. This financing plan supports our FFO to debt ratio target, well above the Moody's downgrade threshold of 13% during the forecast period. Additionally, this financing plan assumes no incremental holding company debt issuances in 2025 and assumes paying off \$600 million of maturities in 2025 with internally generated cash and the expected proceeds from the Aquarion sale.

Turning to slide 18, we are projecting the five-year long-term earnings per share growth rate to be in the range of 5% to 7% based off of 2024 non-GAAP recurring EPS of \$4.57 per share. Given the headwinds in 2025, we

expect the results to be a bit muted. However, our EPS growth profile will continue to strengthen as we execute on our strategic plan, which includes growth in transmission and distribution infrastructure investments that we are able to recover through constructive rate mechanisms, as well as significant progress with the recovery of deferred storm costs throughout the system, and continued O&M cost discipline.

Before we get to your questions, I'll turn the call back over to Joe for his closing remarks.

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

Thank you, John. I am immensely proud of our team's dedication and commitment to excellence, which has yielded a strong performance this past year. As we look ahead, we remain focused on our strategic priorities, enhancing operational efficiency, investing in regulatory opportunities, and delivering value to our shareholders and customers.

I'll now turn it back over to Rima to begin the question-and-answer session.

Rima Hyder

Vice President-Investor Relations, Eversource Energy

Thank you, Joe. Lisa, we're ready now for the Q&A session.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question today will be coming from Shar Pourreza of Guggenheim. Your line is open.

Shahriar Pourreza

Analyst, Guggenheim Securities LLC

Hey guys. Good morning.

Q

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

Good morning, Shar.

A

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

Good morning.

A

Shahriar Pourreza

Analyst, Guggenheim Securities LLC

Morning, Joe. Morning, John. Joe, let me just start off with Connecticut if it's okay. There's obviously a lot of back and forth to kick off the legislative session. Seems to be some bipartisan support at this point for an expansion of PURA. Do you support three or five commissioners? And what do you see as the pathway forward from here for the broader set of reforms like making PURA independent of DEEP tweaking the public benefits, et cetera? Thanks.

Q

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

A

Yeah. So, the current law, as you know, Shar, calls for five commissioners. We don't have a position either way whether it's three or five. From our perspective, we just want a fair, transparent and lawful process. That's all we've ever asked for. Right now what we know is similar to what you know to-date that the governor has nominated the chair, Marissa Gillett and David Arconti to serve as PURA commissioners through March of 2028.

Under the Connecticut law, nominees must appear before the Joint Executive Nominations Committee for a hearing. And their executive nomination reports out to the House and the Senate, which is typically a 4-4 vote. As of today, the process is pending and no date has been set for that exec nominations hearing. So, we are awaiting the same news as everyone else in terms of what the schedule looks like. But, again, we are indifferent on whether it's three or five. We just want to be treated fairly.

Shahriar Pourreza

Analyst, Guggenheim Securities LLC

Q

Got it. Hopefully we get some positive changes there. John, just I know – just a quick one for you. I know we're getting this credit question this morning, it's putting a little bit of pressure on the shares. But, I guess, what's the FFO to debt target for 2025 to 2029? Sounds like there's a change versus the previous 14% to 15% target. What are you embedding in that \$1.2 billion of equity for CT storm recovery? All of it? None of it? Thanks.

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

A

Sure. Sure. First, let me start by saying, really, nothing has changed. As I shared with you in slide 17 of my presentation, you can see that all of those major cash flow enhancements are still intact from what we previously shared with you. We have now added the \$1.6 billion that we anticipate receiving from the Aquarion later this year.

So in addition to that, in the formal remarks that I made this morning, I've indicated that our expectation is that we should see a significant improvement. I said in my formal remarks, nearly 50% increase in cash flows from operation, which is primarily driven by the regulatory deferrals coming in, which includes very little storms in 2025. So, to answer your question on the longer term perspective, yes, we have a sizable portion of those storm costs coming in throughout the forecast period, which has led to the determination of our equity needs at that \$1.2 billion.

So – but going back to your [audio gap] (00:38:46-00:38:58) FFO to debt over the Moody's downgrade threshold. Right now, as you know, Moody's is the only one that has us on negative outlook. So, my focus is going to continue to improve that and hopefully get that outlook to a more stable setting then from where we are right now. So, continue to be very laser focused on maintaining a very healthy FFO to debt ratio.

Shahriar Pourreza

Analyst, Guggenheim Securities LLC

Q

Okay. Perfect. Appreciate it, guys. Thanks so much. I'll see you soon. Pass this to someone else. Thanks.

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

A

Thank you.

Operator: Thank you. One moment for the next question. The next question will be coming from the line of Carly Davenport. Your line is open. From Goldman Sachs.

Carly Davenport

Analyst, Goldman Sachs & Co. LLC

Hey, good morning. Thanks so much for taking my questions.

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

Good morning Carly.

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

Morning Carly.

Carly Davenport

Analyst, Goldman Sachs & Co. LLC

Maybe just to stick on the sort of balance sheet and financing point, I appreciate the comments on the equity financing. Just as you think about the timing and methodology, I know you said back half of the plan, but would you expect that to be -put a new ATM program in place as you kind of work through the initial \$1.3 billion? Or do you see potential to execute more from a block sale perspective as you reach the latter parts of the plan?

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

Thank you, Carly. A very good question. We've been very, very pleased with the ATM program. I love the fact that we can control our destiny as to when we go to the market. You should expect us to use that vehicle for a future – to accommodate our future equity needs.

Carly Davenport

Analyst, Goldman Sachs & Co. LLC

Got it. Great. That's helpful. Thank you. And then, maybe just as you think about the potential for that \$1.5 billion to \$2 billion of incremental investments on top of the new five-year plan. How should we think about the potential timing of some of those buckets coming into play here?

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

Well, the biggest component of that incremental investment opportunity is Connecticut AMI, and we continue to await PURA's action as they reconsider the final decision. So, I don't – we don't have a date as to when that proceeding is going to happen. So – but I would say that certainly, you can expect something hopefully later this year some guidance there. And then, I think the bulk of that, the remainder piece of that, we should see more transparency in in the coming 12 to 18 months.

Carly Davenport

Analyst, Goldman Sachs & Co. LLC

Great. Thanks so much for the color.

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

Thank you, Carly.

A

Operator: Thank you. One moment for the next question, please. The next question will be coming from the line of Steve Fleishman of Wolfe. Your line is open.

Steve Fleishman

Analyst, Wolfe Research LLC

Hey, good morning. Thanks. Thanks for the updates.

Q

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

Morning.

A

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

Morning.

A

Steve Fleishman

Analyst, Wolfe Research LLC

Hey. I don't know, my phone might have gone out just briefly there just on – did you actually give an FFO to debt number target in the answer to the question before? My phone went out for like 10 seconds.

Q

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

No, it's not – I did not give a target, and I'm not going to give a target other than to say that we are trying to get to a better position, change the negative outlook in Moody's to more stable in the coming months. And right now, our downgrade threshold at Moody's is 13%. And, Steve, what I said is our financing plan provides with the \$1.2 billion of equity over the five-year period, we are very solidly above that 13% level.

A

Steve Fleishman

Analyst, Wolfe Research LLC

Okay. And where did it end up for end of 2024?

Q

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

Yeah, we landed, I would say, in the low-single digits between like 10.5%, 11%. I'm sorry, low-double-digits.

A

Steve Fleishman

Analyst, Wolfe Research LLC

And then – low double, yeah.

Q

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

Yeah.

A

Steve Fleishman

Analyst, Wolfe Research LLC

Okay. And then, on a – could you – you didn't really talk at all about Revolution. And there was like nuance from Ørsted's call where they had said it was – they previously said it would be on by 2026 and then they said second half of 2026. Did anything really change there or is it still on the same timeline that it was?

Q

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

Yeah. Yeah. Steve, nothing has changed on Revolution. We continue to make great progress. They just defined that second half of 2026, but I will tell you that the 20th turbine is being loaded now with New London we're making great progress. We feel very good about executing there, so.

A

Steve Fleishman

Analyst, Wolfe Research LLC

And you don't see anything like in your K or anything where you'd have to take another write-off there or anything like that?

Q

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

No, no. We're filing our 10-K. We issued – we released earnings, as you know, and we're filing our 10-K hopefully by Friday.

A

Steve Fleishman

Analyst, Wolfe Research LLC

Okay, great. And then, I know you filed the lawsuit recently in Connecticut about the actions of PURA. Just is there like a timeline on that lawsuit to be decided or?

Q

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

There's no timeline and – for the court to act. We have asked the superior court, along with Avangrid we filed this complaint. Just looking for transparency from PURA around orders that came out of the department. So, no, we do not have any timeline as to when the court will make a decision around that.

A

Operator: Thank you. And one moment for the next question. And our next question will be coming from the line of Bill Appicelli of UBS. Your line is open.

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

Good morning, Bill.

A

William James Appicelli

Analyst, UBS Securities LLC

Good morning.

Q

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

Hey, Bill.

A

William James Appicelli

Analyst, UBS Securities LLC

Just a follow up question there on the -some of the cash flow items. So, you mentioned the minimal cash tax payments through 2028. Can you just maybe expand upon that and on what's driving that?

Q

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

Sure. As I've mentioned previously, we've had some nice tax credits that we've been able to utilize. We took advantage of that in 2023. Took advantage of that in 2024. And there is a bit more that we will take advantage of 2025. So, we really haven't tapped into the South Fork ITC bucket yet. So when you look at what we've taken and what is yet to be taken, that probably puts us at a very minimal – minimal tax cash payer between now and 2028.

A

William James Appicelli

Analyst, UBS Securities LLC

Okay. And I guess the other credits that you utilized ahead of the South Fork is – what are they?

Q

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

R&D related tax credits. And Bill, the way you should think about it, on a normal basis, our tax obligation would be around \$150 million to \$170 million annually. So, you can see that if you take that, divided by the \$500 million that we have available for ITC, that would likely get us through certainly 2027. And we think that there's opportunity to continue to harvest that into 2028. So, that's our primary driver.

A

William James Appicelli

Analyst, UBS Securities LLC

Okay. And then, when we think about the 5% to 7% growth rate, obviously, the guidance for this year is somewhat below that. But can you just sort of outline the drivers of some of the acceleration to get you back into that 5% to 7% as we think of – into 2026 and 2027 and 2028?

Q

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

Sure. One I've already spoken to and that is the recovery of deferred storm costs. Right now, we have \$2 billion on our balance sheet. And over this forecast period, I'm hoping that we get substantially all of that in the door, and that's part of our financing plan. And then as I also mentioned in my formal remarks, recovery of our investments through a constructive rate mechanism is in place as we continue to expand to help the states meet their energy objectives. Part of that is in Massachusetts with ESMP, which we are executing.

A

As you know, we just broke ground last month on the Cambridge underground substation. A lot of that spend is happening within this forecast period. However, the in-service will be towards the tail end of our forecast period. So, it's timely recovery in our O&M. 2024 was a pretty healthy O&M year.

And the last one, which we continue to be extremely focused on, and that's offloading debt, offloading our holding company debt. I mentioned that my expectation is we will not be in the debt capital markets this year for the holding company. They have \$600 million of maturities that are coming due this year. Actually, half of that has already happened. And then, the remaining \$300 million will happen in August. So, the use of the cash proceeds from the Aquarion sale will significantly drive that.

So, that's our growth and our CapEx plan that we just rolled out this morning. All of those components will help gain momentum to continue to build upon that 5% to 7% growth rate.

William James Appicelli

Analyst, UBS Securities LLC

Okay. All right. Thank you very much.

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

Thanks, Bill.

Operator: Thank you. One moment for the next question. Our next question will be coming from the line of Gurdes (sic) [Durgesh] Chopra of Evercore. Your line is open.

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

Morning, Durgesh.

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

Morning.

Durgesh Chopra

Analyst, Evercore

Hey. Good morning, Joe and John. Thank you for taking my questions. I have two. Just as I think about 2025, John, right, this is – year-over-year it's 4% growth below the target. And I do the math on your equity issuance, it's about \$0.10 the amount of equity you issued in 2024. Is that really the driver? I guess what I'm asking you is if you – because you've front run that equity, you're below that 5% to 7%. Absent that, you would have been in that 5% to 7% range. Is that the right way to think about it? Or there were other pieces like...

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

Everything just – Durgesh, you're absolutely right. I mean, as I mentioned in my formal remarks, the equity that we issued is dilutive to our 2025 earnings. And you're in the zip code in that quantification. But I think one of the things I want to highlight to you all is the Aquarion sale is going to bring in \$1.6 billion of cash. I'm really not going to get the full benefit of that in 2025 because of when we get – when we expect the closing. So the full value of

that cash utilization is going to happen in 2026. So, it's a combination of the dilution, and I'm not able to offload \$1.6 billion of debt and enhance my interest expense.

Durgesh Chopra*Analyst, Evercore*

Q

Got it. Okay. And then just on that interest expense topic, just as you think about your long-term growth rate, what are you modeling for interest rates? Are you modeling the current rate levels or do you see interest rates going up? Maybe just help us with your thought process there?

John M. Moreira*Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy*

A

I think as we always do, we look at multiple consensus that's in the market. And I'm very comfortable with what we have assumed in 2025 and beyond.

Durgesh Chopra*Analyst, Evercore*

Q

Okay. Thank you for taking...

John M. Moreira*Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy*

A

Durgesh, it does assume that the feds will move in the right direction.

Durgesh Chopra*Analyst, Evercore*

Q

Well, let's hope they do. Thank you.

Operator: Thank you. One moment for the next question. And our next question will come from the line of Ross Fowler of Bank of America. Your line is open.

Joseph R. Nolan*Chairman, President & Chief Executive Officer, Eversource Energy*

A

Morning, Ross.

John M. Moreira*Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy*

A

Morning, Ross.

Ross Fowler*Analyst, BofA Securities, Inc.*

Q

Morning, Joe. Morning, John. Joe, just a couple of questions on a couple of things at the state level that are happening. In Massachusetts, we've seen the DPU has put out this proposal to end most gas line extensions. Does that shift your capital plan sort of under the surface away from gas and more towards electric? Or are you kind of already doing that in anticipation of things like this coming as you go through the full electrification runway in that state? And then, the follow on to that is, how do you think about customer bill impacts as we switch from

less gas surface? Going forward, should this proposal be accepted towards more electric use service in the future?

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

A

Yeah. This is so – it literally just came out and we're actually going to provide comments to it. So, I think it'd be premature right now to kind of have any discussion around that as we formulate our response to the DPU.

Ross Fowler

Analyst, BofA Securities, Inc.

Q

Okay. Fair enough, Joe. And then, I guess there's some legislative efforts in Connecticut to talk through or at least think about the statutory changes that were made around the Aquarion sale. How do you like contextualize the risks related to that? Or have they actually moved forward with legislation there?

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

A

Yeah. Like every legislative arena, there are hundreds and hundreds of bills that are filed. This happens to be one there. Obviously, we will be active in that proceeding. But keep in mind that this legislative body is the one that enacted the law. Not even seven months ago that it allowed this particular buyer to bid. So, we feel confident that things are on track there and the governor did sign that. So, we'll obviously play an active role. But I'm not concerned about that at this point.

Ross Fowler

Analyst, BofA Securities, Inc.

Q

Okay, Joe. Fair enough. And, John, maybe if I can squeeze in one for you, taking out some earlier questions and just trying to fine tune the detail on slide 17 on the cash flow. So, if I think about that green box to the right of beyond 2025, would it be fair to say – equity we know kind of what you've given us, that's the \$1.2 billion towards the end of the plan, plus the DRIP and employee programs. And then I can kind of get my head into an assumption of what deferred storm cost recovery looks like and what distribution investment incremental looks like. So, if I take sort of your 13% FFO to debt, I can sort of back into what you're assuming for rate increases. Would that be fair?

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

A

That's a fair assumption, correct.

Ross Fowler

Analyst, BofA Securities, Inc.

Q

Okay, perfect. Thank you, guys.

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

A

Thanks, Ross. Have a good day.

Ross Fowler

Analyst, BofA Securities, Inc.

Q

You, too.

Operator: One moment for the next question. And the next question is coming from the line of Jeremy Tonet of JPMorgan. Your line is open.

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

Morning, Jeremy.

Jeremy Tonet

Analyst, JPMorgan Securities LLC

Hi. Good morning.

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

Hey, Jeremy.

Jeremy Tonet

Analyst, JPMorgan Securities LLC

Just wanted to dive into 2025 EPS a little bit more if I could, and just headwinds and tailwinds there. What you see for headwinds and how do you think about, I guess, filling the \$0.12 of Aquarion earnings in kind of growth within the plan?

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

Well, for 2025, let me be clear, we are assuming the Aquarion earnings up to the expected closing date, so which is a good portion of the year.

Jeremy Tonet

Analyst, JPMorgan Securities LLC

Okay. Got it. I didn't know if that was moving to discops.

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

No, it's not moving to discontinued ops. No.

Jeremy Tonet

Analyst, JPMorgan Securities LLC

Got it. Okay. I guess in the subsequent year, thinking about offsetting that headwind, just everything as you laid in the plan, anything else explicitly, just trying to get a feeling for the shape of the earnings trajectory as Aquarion rolls off.

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

Yeah. I mean, I think it's important to keep in mind that when Joe and I made the decision to sell Aquarion, that represented a very accretive transaction for us. So, having the \$1.6 million to offload some of the interest, that should more than replace the earnings from Aquarion. And as I said, that benefit will happen in 2026.

Jeremy Tonet

Analyst, JPMorgan Securities LLC

Got it. Okay. Thank you. I'll leave it there. Thanks.

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

Thanks, Jeremy.

Operator: Thank you. One moment for the next question. And the next question will come from the line of Andrew Weisel of Scotiabank. Please go ahead.

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

Morning, Andrew.

Andrew Weisel

Analyst, Scotia Capital (USA), Inc.

Hi. Good morning. Thank you for taking my question. First one on Mystic. It seems a great opportunity with a lot of flexibility, a lot of optionality. I guess my question is, what do you think about what that might become and what are the odds it might turn into a sizable investment opportunity, something that might be in the billion plus dollar range? And is that included in your CapEx plan?

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

No, it's not.

[indiscernible] (00:57:30)

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

Yeah. Just [indiscernible] (00:57:34). I mean, we just acquired the property in December. So, our planning organization is going through and looking at the opportunities, seeing what RFPs potentially can materialize. So, it's really broad. We're very excited about that property because it gives us tremendous flexibility from a strategic location for the – not just for Massachusetts but for New England. Okay, I think that's important.

So, we'll have to see as these opportunities come about as to what we -what that would entail. It could materialize within this forecast period, but likely more beyond. I think it's also important to recognize that adjacent to that parcel of land, we currently own a very critical substation that's on the drafting table that we need to modify and upgrade to accommodate this load requirement. So, still too early in the process to put anything in our plan.

Andrew Weisel

Analyst, Scotia Capital (USA), Inc.

Okay. Would you be comfortable making \$1-billion plus investment there?

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

Well, we certainly would feel very comfortable here not only for the FERC regulated assets, as well as the regulatory climate we enjoy here in Massachusetts. So, both of those are the proper formula for us to make investment decisions of that nature, yes.

Andrew Weisel

Analyst, Scotia Capital (USA), Inc.

Okay, great. And then just to clarify one other financing one, the dividend reinvestment and employee compensation programs, I see 1.3 million shares in 2024. Can you just give round numbers what we should expect for 2025 and beyond, whether in shares or dollars or both?

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

I think you should assume that to go up slightly. The guidance that we've given is around \$100 to \$120 million on an annual basis of cash, of savings, of value.

Andrew Weisel

Analyst, Scotia Capital (USA), Inc.

Okay, very good. Thank you so much.

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

All right, Andrew.

Operator: Thank you. One moment, please. And our last question for the day will be coming from the line of Angie Storozynski of Seaport. Your line is open.

Angie Storozynski

Analyst, Seaport Global Securities LLC

Thank you.

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

Good morning, Angie.

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

Hey, Angie.

Angie Storozynski

Analyst, Seaport Global Securities LLC

Thank you. Thanks for squeezing me in. Hello. So, I – just one question about Aquarion. So, clearly a very strong outcome of the sale process. Just wondering, given that this transaction needs to be approved by PURA, if you are anticipating any roadblocks there, especially as far as the other customer benefit is concerned. When I think about it for a municipal utility, it's hard to see any meaningful cost efficiencies or – there's obviously that issue of taxes as well, which I understand can be replaced by the payments in lieu of taxes. But I'm just, again, wondering the regulatory standard for approvals of deals like that.

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

A

Sure. I mean, we feel very good about the regulatory process. It's – as long as the laws are followed, we feel comfortable that this transaction will be approved. And with regard to taxes for cities and towns, the fact of the matter is the rates currently include taxes for every one of those cities and towns. So, there's no reason going forward that this authority is not able to pay those taxes to those communities, and that's something that we think is very, very important.

Angie Storozynski

Analyst, Seaport Global Securities LLC

Q

Okay. Thank you. Thanks.

John M. Moreira

Executive Vice President, Chief Financial Officer & Treasurer, Eversource Energy

A

Thanks. Angie.

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

A

Thanks, Angie.

Operator: Thank you. And I would like to now turn the call back over to Joe Nolan for closing remarks. Please go ahead.

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

Yeah. Thanks, everybody, for taking the time this morning for our year-end earnings call. And we hope you have a great day.

Operator: This concludes today's conference call. Thank you all for joining. You may now disconnect.

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