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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good morning, and thank you for attending the Eversource Energy Q3 2024 Earnings Call. My name is Elisa, and I will be your moderator today. (Operator Instructions) It is now my pleasure to pass the call to our host, Rima Hyder, VP of Investor Relations. Please go ahead, Rima.

Rima Hyder - Eversource Energy - Vice President of Investor Relations

Good morning, and thank you for joining us. I'm Rima Hyder, Eversource Energy's Vice President of Investor Relations. During this call, we'll be referencing slides that we posted yesterday on our website. You can see on slide 1 these statements are based on management 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. Additional information about the various factors that may cause actual results to differ and our explanation of non-GAAP measures and how they reconcile the GAAP results is contained within our news release the slides we posted last night and in our most recent 10-Q.

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

I will now turn the call over to Joe.

Joseph Nolan - Eversource Energy - Chairman of the Board of Trustees, President, Chief Executive Officer

Thank you, Rima. Good morning, everyone, and thank you for joining us on this call. Let me begin today's call with the year-to-date progress we have made on our many priorities in what has been accomplished as highlighted on slide 3.

First, in the third quarter, we reached an important milestone with the sale of revolution wind in South Fork Wind to Global Infrastructure Partners. We have exited the offshore wind development business. We are now a pure play noted \$6 billion of transmission in over \$10 billion of electric distribution infrastructure investments through 2028.

These investments are necessary to meet increasing maintain safety and reliability and to achieve progress on the clean energy objectives of our three states. Third, we recognize that we have work to do to strengthen our balance sheet and improve our credit position. We have made good progress towards improving our FFO to debt ratio through timely cost recovery, proceeds from the sales of our offshore wind investments in our equity issuances.

As you expect, our financial strength is critical to continue providing safe, reliable service to our customers and to continue on the journey toward enabling the clean energy future. Additionally, we will continue to advance the sale of Aquarion, work with key stakeholders to advance the need for timely recovery of costs and maintain our continued focus on O&M cost opportunities to further enhance our cash flows.

Fourth, we are confident that our robust five-year capital forecast in our forecasted financing plan will enable us to drive our 5% to 7% EPS long-term growth rate through 2028. Lastly, we are a leader in clean energy transition with tremendous, regulated opportunities ahead of us. As the largest utility in New England, Eversource is well positioned to meet our state's mandated clean energy goals.

Turning to slide 4. Let me talk about some of the clean energy initiatives we are working on. Recently, working together with the six New England states we secured approximately \$90 million in federal funding for a clean energy hub in Southeastern Connecticut.

This Huntsbrook Offshore Wind Hub will support New England's clean energy transition while improving grid reliability across the region. We also received approximately \$20 million from the US Department of Energy to expand our battery energy storage project for Cape Cod area in Massachusetts. We're grateful to the DOE for this exciting opportunity to take our battery energy storage system to the next level to enhance electric reliability for our customers on Cape Cod.

Turning to slide 5. We are particularly pleased with our partnership with Massachusetts as it is clearly the leader in the New England region and connecting decarbonization goals with investment needs. Our electric sector modernization plan, our ESMP, was recently approved by the Massachusetts Department of Public Utilities.

This plan is the road map for clean energy in the state, and we believe it can become a model footprint for the nation. The ESMP provides for an additional \$600 million in distribution investment within our current forecast period and unlocks a significant amount of transmission investment for interconnection infrastructure to enable clean energy projects.

In developing our ESP, we analyzed expected electric growth down to the circuit level to identify grid investments needed over the next five years and beyond. These investments will increase electrification capacity by over 180%, thereby making Massachusetts, a leader in delivering clean energy to its homes and businesses.

And finally, as we have stated before, we are very pleased with the progress of our Massachusetts AMI program, which we and other stakeholders know is critical to enabling a clean energy future for our customers. We recently successfully implemented a new customer billing and information system in Massachusetts.

The program is on track, and we will begin the installation of the first smart meters next year. In Connecticut, we recently received a draft decision from PURA for AMI, while the draft decision is a step in the right direction towards deploying AMI in achieving the state's clean energy goals, we

have filed comments on certain provisions of the draft decision that would be challenging for us to move forward. We are hopeful that the final decision will provide a clearer path to allow us to make this important investments for our customers.

Turning to slide 6. I want to highlight one of the most innovative low growth solutions we are working on in Cambridge, Massachusetts. The \$1.5 billion to \$1.6 billion Cambridge underground substation, the first of its kind in the largest underground substation in the United States is another example of our progressive partnership with Massachusetts to address the growing electricity needs of greater Cambridge and the region.

This project has already received approval from the Energy Facility Siting Board. The project consists of a brand new 35,000 square foot underground substation incorporated into a residential and commercial project led by Boston Properties. It will be built 120 feet below ground and consists of eight new 115 kV underground transmission lines with capability for further expansion.

Construction is slated to begin in the first quarter of 2025. This unique investment opportunity would not be possible without the close collaboration between us and key stakeholders, including surrounding communities, and we believe this approach can be applied for future projects.

I am pleased with our progress to date on all fronts and the dedication of our hard-working employees. As a testament of this hard work, Eversource was recently recognized by Time Magazine as the number one utility in the United States in one of the best companies to work for in the world, we are honoured to receive the strong reinforcement of our position as an energy industry leader.

Thank you for joining us on the call today. Eversource is uniquely positioned to leverage its skills, expertise, and scale to invest in utility infrastructure that provides a long runway of low-risk regulated investment opportunities and earnings growth potential.

We have spoken to many of you over the last few months, and we recognize the importance of sustainable growth, strengthening our balance sheet and continuing to return value to our investors. I look forward to seeing many of you at the EEI conference next week.

I will now turn the call over to John to walk through our financial results and progress made towards strengthening our balance sheet.

John Moreira - Eversource Energy - Chief Financial Officer, Executive Vice President, Treasurer

Thank you, Joe, and good morning, everyone. This morning, I will discuss our third quarter earnings results, including the impact from our offshore wind divestiture provides a brief regulatory update and review our financing activity. In the third quarter, we completed the sale of the offshore wind investment. As a result, we recognized an aggregate net loss on the divestiture of \$524 million.

Included in this loss was approximately \$365 million related to obligations under the sale terms with GIP. The majority of which is expected to settle once Revolution win reaches its commercial operation date in 2026. This estimate reflects the assessment of costs associated with the previously announced delay to the in-service date and higher projected construction costs of Revolution win, along with other components of the sales agreement with GIP.

Turning to the quarterly earnings results on slide 7, GAAP results for the third quarter were a loss of \$0.33 per share. These results include an after-tax loss of \$1.46 per share related to the offshore wind divestiture. Absent the offshore win after-tax loss recurring earnings were \$1.30 per share in the third quarter compared with GAAP and recurring earnings of \$0.97 per share for the third quarter of last year.

Breaking down the third quarter earnings results by segment, starting with electric transmission, which earned \$0.49 per share compared with earnings of \$0.46 per share in 2023. Electric transmission earnings increased due to our continued investment in infrastructure needs. Electric distribution earnings were \$0.57 per share for the quarter compared with earnings of \$0.50 per share in 2023.

Improved results were primarily driven by base distribution rate increases at NSTAR Electric and at PSNH offset by higher interest, depreciation, and property tax expenses. Our natural gas distribution business lost \$0.09 per share for the quarter compared with a loss of \$0.10 per share last year. The improved results were due to higher revenues from investments in natural gas infrastructure, partially offset by higher property taxes, depreciation, and interest expenses.

The Water Distribution segment contributed \$0.07 per share this quarter compared with \$0.05 per share last year. The increase in earnings was primarily due to lower depreciation expense and higher revenues from a water company acquisition that closed in late 2023.

Eversource parent and other companies, excluding the loss from offshore wind earned \$0.09 per share this quarter compared with recurring earnings of \$0.06 per share last year. The improved third quarter results primarily reflect a lower effective tax rate, partially offset by higher interest expense.

Overall, our third quarter earnings results were in line with our expectations. We are updating our full year 2024 recurring EPS guidance to a range of \$4.52 to \$4.6 due to higher-than-anticipated interest expense. We reaffirm our longer-term 5% to 7% EPS growth rate.

Turning to our regulatory update on slide 8, starting with Massachusetts. As Joe mentioned, we received a decision in August on our electric sector modernization plan or ESMP. As a reminder, we filed an initial draft of the ESMP with the Grid Modernization Advisory Council in September of 2023 and for their 70-day review.

We held stakeholder workshops in November, followed by our final ESMP filing with the Massachusetts DPU in January of this year, which incorporated feedback from the advisory council and stakeholder recommendations.

I'm pleased to report that this collaborative approach between the state utilities and key stakeholders to enable the clean energy future resulted in the approval of an incremental \$600 million of distribution investments to increase resiliency, and to interconnect clean energy resources. As a result, we have increased our five-year capital investment forecast to \$23.7 billion.

Also in Massachusetts in late October as per our settlement agreement when we acquired EGMA, we received approval for our first rate base reset filing. This filing will incorporate the infrastructure investments that have increased our rate base for approximately \$800 million to \$1.7 billion as of the end of 2023.

This rate base reset is subject to a cap on revenue change. With the application of this revenue cap, we will implement a revenue increase of \$77 million this year and \$62 million in 2025. As a reminder, the next rate base reset is expected to be November 1, 2027, covering investments through 2026.

Turning to New Hampshire. We are working through the (technical difficulty) review of our late 2022 through early '23 storm cost of \$232 million, where we expect a final decision in the first half of next year. As a reminder, the determination of the final storm parts or recovery will be incorporated into our June 2024 rate case filing, and we anticipate final rates will be effective next summer.

As part of the New Hampshire general rate case review, we have proposed to implement a four-year performance-based ratemaking plan, including a capital support mechanism that would adjust rates annually. Interim rates reflected a \$61 million increase took effect on August 1, providing rate stability for customers and enhanced cash flows for the company.

Moving to Connecticut. As Joe mentioned, last week, we filed written exceptions to PURA's draft decision in the AMI cost recovery proceeding. The schedule calls for a final decision later this month. and we are hopeful that the decision will provide the transparency needed to undertake this critical investment.

Also in Connecticut, we expect to file a rate case for Yankee Gas (technical difficulty), where we have an operating revenue efficiency of approximately \$210 million. This reflects core capital investments made since 2021 and projected investments through late 2026. Approval of our rate request will allow us to recover those costs and continue to make important investments in the future, keeping our systems safe and reliable for our 252,000 customers in Connecticut.

Turning to our balance sheet improvements. We have provided several major drivers that we expect to enhance our FFO to debt metrics as shown on slide 9. With the Connecticut rate adjustment related to public benefit costs in place effective July 1, our schedule distribution rate increases

and closing of our offshore wind sales in the third quarter, along with additional regulatory rate recoveries and tax benefits we continue to kick off a number of items to improve our cash flow position and make progress towards our FFO to debt target by 2025.

On the sale of our acquiring water business, we have recently launched the second phase of the process, which would enable closing a sale by the end of 2025. Regarding our equity issuances, we have raised approximately \$1 billion of equity through our ATM program and issued approximately 15.7 million common shares to date through October 24. In addition, we have issued 1.1 million shares of treasury stock.

In summary, as you can see on slide 11, we have a proven track record of earnings and dividend growth, and we are confident that our updated \$23.7 billion five-year capital forecast and our forecasted financing plan will enable us to drive a 5% to 7% EPS growth rate through 2028 based off of our 2023 recurring EPS of \$4.34.

I will now turn the call back to Rima for Q&A.

Rima Hyder - Eversource Energy - Vice President of Investor Relations

Elissa, we are now ready to take our questions, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Shar Pourreza, Guggenheim Partners.

Shahriar Pourreza - Guggenheim Partners - Analyst

Joe, I just wanted to maybe start really quickly on Millstone. Just a lot of discussion in Connecticut the public benefits charges. Now it sounds like the state of Massachusetts involved in the dialogue. Are you involved in these conversations? Is the net positive for both sides with the state's bulk at pricing above the current \$50.

Joseph Nolan - Eversource Energy - Chairman of the Board of Trustees, President, Chief Executive Officer

Well, I think it's interesting. I will tell you that there's a very strong working relationship between Rhode Island, Connecticut, Massachusetts as it relates to Clean Energy. Everyone is trying to do their part to secure clean energy for the region given that we are capacity constrained here.

I've been involved only to the extent that I understand the objectives of these three parties, those three parties are my friends. So we do talk about what they're trying to achieve. I think you have government (technical difficulty) that would like some of the other states to participate in Millstone. In terms of pricing, I have not been privy to what the thought is around pricing.

I only have been privy to the fact that everybody is trying to bring something to the table. As you know, Massachusetts has 1,100 megawatts coming in from Clean Energy Connect in Canada, which they've passion about. They have wind. We also have the Seabrook asset, which is under contract, and we have obviously the dominion.

So those are some of the tools that we have available for a carbon-free New England. And what I'm -- I take great comfort in is the fact that these governments are all very mature, governors, they all get along very, very well. And I am very confident that they will come to a decision or a solution that is beneficial to all of the customers in New England.

Shahriar Pourreza - *Guggenheim Partners - Analyst*

Got it. Perfect. And then just lastly, Joe, I mean, (technical difficulty) this morning took another impairment on construction contingency and market prices with evolution, I think, for another \$250 million. I guess, what are your obligations costs here under the GIP agreement? Is this morning's Orsted impairment included in your net loss for offshore wind under the GIP agreement, are you going to fund the contingency cost increase?

Joseph Nolan - *Eversource Energy - Chairman of the Board of Trustees, President, Chief Executive Officer*

Shar, I'll turn it over to John.

John Moreira - *Eversource Energy - Chief Financial Officer, Executive Vice President, Treasurer*

It's John. As you know, in this quarter, we did take a very sizable charge, a loss on rev to the tune of \$900 million, if you exclude the gain for Sunrise. We were aware of the monopile issue that was highlighted in (technical difficulty) commentary this morning. And we have factored that concern into our intent change. We will continue to work very closely with the parties, including GIP and Orsted to monitor the progress that they will continue to make to mitigate this exposure.

Shahriar Pourreza - *Guggenheim Partners - Analyst*

Okay. Got it. So everything is embedded in your charge or just no incremental as of right now?

Joseph Nolan - *Eversource Energy - Chairman of the Board of Trustees, President, Chief Executive Officer*

As of now.

Operator

Carly Davenport, Goldman Sachs.

Carly Davenport - *Goldman Sachs Group Inc - Analyst*

Maybe just to start on the financing side. You've now done about \$1 billion of equity for the year. Messaging has been sort of up to \$1.3 billion over the next several years. I guess, can you just provide some color on the cadence looking into '25 and beyond on the equity side in the context of what you've now done so far in 2024?

John Moreira - *Eversource Energy - Chief Financial Officer, Executive Vice President, Treasurer*

Sure. Carly, let me start by answering the question in this fashion. It's really all about our balance sheet improvement. We are focused on that. And I think the fact that we did issue \$1 billion is a testament to how passionate we are about improving our balance sheet position. We will continue to update you as we progress, obviously, in the fourth quarter call, which is literally within months away.

We will refresh our plan, give you our revised capital forecast, align it with our financing plan and disseminate the equity needs over that forecast period. So be patient with us. We'll have more information in a couple of months.

Carly Davenport - *Goldman Sachs Group Inc - Analyst*

Great. We'll stay tuned there. And then maybe just a follow-up on the FFO to debt walk. I appreciate the update on the known cash flow enhancements moving higher here. Could you give us a little bit of a sense of when we look at that 3% to 4% benefit to FFO to debt from those enhancements sort of how far you can get with the known enhancements versus having the Aquarion sale that's still kind of TBD built into those numbers?

John Moreira - *Eversource Energy - Chief Financial Officer, Executive Vice President, Treasurer*

Carly, the purpose of this slide once again continues to be to highlight the major drivers of the enhancements to that 3% to 4% improvement. I would say all of the items, except for the one that we have highlighted as TBD are unknown and measurable. The rate adjustments was something that we were well aligned in this process in my formal remarks.

I mentioned that just a couple of days ago, the mess DPU to approve the EGMA, which was \$77 million that's going -- that went into rates November 1st with a second rate adjustments happen in 12 months from now. So all of those items are known. And obviously, we have closed on both offshore wind transactions, and we highlighted the equity. That's also known. So I would say on these key major drivers, most of them are locked and loaded. The one that's still pending is the Aquarion sale.

Operator

Nick Campanella, Barclays.

Nicholas Campanella - *Barclays Bank PLC - Analyst*

Just wanted to follow up on Shar's question around the offshore wind costs. I just I recall that you kind of had the 50-50 sharing agreement with GIP. And obviously, some of the costs on revolution have changed. Can you just kind of confirm are you now taking on 100%, or is there still more to go there? And what's that level look like now?

John Moreira - *Eversource Energy - Chief Financial Officer, Executive Vice President, Treasurer*

Sure, Nick. We are at that point where we have reached that cap, so you are correct, any further exposure would be share at 50% by Eversource and 50% by Orsted.

Nicholas Campanella - *Barclays Bank PLC - Analyst*

Okay, that's helpful. And then on the 5 to 7, I just wanted to kind of confirm, you typically kind of rebase off of prior year actuals. So is that kind of the plan as we get into the fourth quarter so we would kind of take this new fiscal '24 guide and rebate off of that. And then does that 5 to 7 include the Aquarion proceeds? Or is that upside to the plan? And how should we think about that?

John Moreira - *Eversource Energy - Chief Financial Officer, Executive Vice President, Treasurer*

Sure, Nick. Well, let me start by saying that the Aquarion was a key component of our financing plan. So you can assume that, that's in there. We highlighted in that FFO to debt slide. It is part of the assumption, our financing plan. Right now, we have no reason to deviate from what we have done for many, many years, well over a decade, and that is to rebase as we move forward each year.

Operator

Durgesh Chopra, Evercore.

Durgesh Chopra - *Evercore ISI Institutional Equities - Analyst*

Just a couple of clarification questions. One, is that the Cambridge underground station investment, is that incorporated in the current five-year plan, or would that be incremental?

John Moreira - *Eversource Energy - Chief Financial Officer, Executive Vice President, Treasurer*

No. That has been incorporated in the five-year plan. So a lot of that spending will happen between '28, but the phase-in of the in-service phase will happen over, think of it as a three-year period '29, '30 and '31, but the bulk of the spend is on our current plan.

Durgesh Chopra - *Evercore ISI Institutional Equities - Analyst*

Okay. So it's in the plan, clear. How about the funding of the \$600 million higher CapEx, I guess, you that's -- you'll give us an update on the Q4 call, I guess. So let me now front run that, but maybe just then...

John Moreira - *Eversource Energy - Chief Financial Officer, Executive Vice President, Treasurer*

Exactly.

Durgesh Chopra - *Evercore ISI Institutional Equities - Analyst*

Okay. Yes. Understood. Okay. So then maybe just can you -- as you file this Yankee Gas rate case here in the back half of the month, maybe just talk to your strategy there? What to expect? Will you be filing for a sort of a PBR framework like you've done in the other states? I mean just how do you view the risk to ROEs given sort of some of the data points and decisions you've seen in the state?

John Moreira - *Eversource Energy - Chief Financial Officer, Executive Vice President, Treasurer*

Sure. I would tell you that we are introducing PBR. We like that construct from a rate stability that's worked very well for us in Massachusetts. We have recently introduced PBR in New Hampshire. So we would like to see that play its way through the Connecticut. So we are proposing a construct that we feel is appropriate. I would say in terms of Yankee and how it's viewed, we view, Yankee as a very well-run organization.

We make investments that are needed to continue to provide safe and reliable gas service to the Connecticut customers. Yankee Gas has been under earning for quite some time. So cash flows are very important to the company, and we would like to enhance the cash flow position for Yankee in order to continue to make these needed investments. Of course, we are practical in our plan. We will hope to plan for very constructive outcomes.

Operator

Bill Appicelli, UBS.

William Appicelli - *UBS Group AG - Analyst*

Can you maybe just expand upon the comments around the Connecticut draft decision in AMI docket. You mentioned some conditions that you'd like to see modified. Can you maybe just expand upon what you'd like to see to make that a more acceptable outcome?

Joseph Nolan - Eversource Energy - Chairman of the Board of Trustees, President, Chief Executive Officer

Sure. One of the things that I think is important for us as we make investments, not only in our (technical difficulty) Connecticut is to have a clear path for regulatory recovery of our costs as well as sound legal standards around any decision. It's a big investment. It's an important investment.

And the decision that we received, it was a significant improvement, but there are certain aspects of that decision and certain elements of that decision, that we need to get comfortable before we're willing to expend the capital for the AMI program in Connecticut.

So we have commented, obviously, it's a very comprehensive docket. There's a lot of -- obviously, the devils are in the details. But it's just -- the wind up is clear regulatory certainty on the recovery of our dollars that we spend as well as sound legal principles and contained in that order so that we can take comfort that when we invest the money on behalf of our customers that we will get our money back.

William Appicelli - UBS Group AG - Analyst

Okay. And so then how would it work after the final decision? I mean, do you -- is it potential to scale some of the investment up or down, or would you have to sort of make a decision to do the program or not?

Joseph Nolan - Eversource Energy - Chairman of the Board of Trustees, President, Chief Executive Officer

Well, I mean, we'd have to make a decision to move forward. I mean, a couple -- as you know, the elements of it, which has gone very, very smoothly here in Massachusetts I've been in this business for 40 years. I never thought that I would put in a billing system because, as you know, it always ends badly.

But we just put in a billing system, SAS billing system -- SAP, I mean, and we've got tremendous success to the point that we were won several awards for implementation. So I am very, very pleased with that. But that would be the first thing that we would need to invest. Obviously, we changed out the billing system, and there will be an implementation.

But AMI is not something you can do a piecemeal. You're either going to jump in and make the investment, or you're going to wait until such time as you have the regulatory certainty needed. But I will tell you that if you really want to enable the grid, you want to get to a clean energy future, AMI is really the answer to that.

The opportunities in AMI around allowing customers to understand how they're spending their money, folks that want to interconnect some of their distributed generation, whether it's solar panels, (technical difficulty) vehicle, those things are very, very important. AMI is critical for -- to enable that grid. So it's kind of all or nothing. I don't see any piecemeal there

William Appicelli - UBS Group AG - Analyst

Okay. And then just the second part on the higher interest expense, is that -- was that more timing related or rates being higher or just more debt being issued?

John Moreira - Eversource Energy - Chief Financial Officer, Executive Vice President, Treasurer

I would say, well, obviously, because of the delay in offshore wind, we did need to be a bit more aggressive with our debt offering. So it's a combination of rates and volume, higher debt outstanding.

Operator

Jeremy Tonet, JPMorgan.

Jeremy Tonet - JPMorgan Chase & Co - Analyst

Just want to dive into Aquarion a little bit more, if I could appreciate there's limitations to what you can say at this juncture. But just any other high-level comments that you could provide as far as, I guess, the level of interest how process is tracking versus expectations? And how do you think about, I guess, value achieved versus timing of sales execution here? Just any other color would be great.

Joseph Nolan - Eversource Energy - Chairman of the Board of Trustees, President, Chief Executive Officer

Sure. This asset received a lot of attention, significant interest in the asset, it's a two-step process. We completed the first step. We are down to the [biolist] that we're going to deal with. We feel very, very good about the process. The interest is -- exceeded our expectations. And we do expect that in the first quarter, we will -- by the first quarter, we'll have an announcement on the winner of that. And then in Connecticut, there is a statutory process of 6 months, and we feel very confident that we will close this transaction in 2025.

Jeremy Tonet - JPMorgan Chase & Co - Analyst

Got it. Great. That's very helpful there. And just wanted to touch on the equity a little bit more. Can you just remind us, maybe I missed it apologies for that, if any of the equity issued was forward sale or just wanted to make sure it was trait on that.

John Moreira - Eversource Energy - Chief Financial Officer, Executive Vice President, Treasurer

No. Those -- the equity issuances were not put on a forward. So the cash is in the door.

Operator

Ross Fowler, Bank of America.

Ross Fowler - Bank of America Merrill Lynch - Analyst

So just a couple of questions for me on sort of going forward looking at regulation. You've talked about Yankee and the deficiency here and moving that to PBR. Have you kind of -- have you got an initial estimate or a feel for how the PBR shift would sort of layer that into customer rates over time?

John Moreira - Eversource Energy - Chief Financial Officer, Executive Vice President, Treasurer

Well, one of the reasons that we like PBR, it does create a nice rate stability for our customers. You have these annual inflationary adjustments plus an additional performance at for the utility. So we really like that aspect of it. And I think that -- having that PBR in an annual rate adjustment, it does, in fact, mitigate the volatility that would be led from a general rate proceeding.

So we very much like PBR. We're not afraid of having those performance tied into targets that we can achieve that are reasonable and practical for us. So we are a performance-based culture, and we look forward to that proceeding.

Ross Fowler - Bank of America Merrill Lynch - Analyst

And maybe on that point, John, just kind of thinking about Massachusetts and what you've got there in terms of the regulatory setup. How do you give us maybe some color on the process of full electrification. We've seen some policy statements that are pushing that forward in Massachusetts. How do you think about 2 things.

One, there's probably some bill pressure coming from that, but you've got some PBR there as well, but how do we contextualize also the other side of that, which is some capital opportunity? You guys have already started on, but like I'm just trying to gauge the upside there as you continue that transition in the state.

John Moreira - Eversource Energy - Chief Financial Officer, Executive Vice President, Treasurer

Sure. I think the model that Massachusetts has deployed is one we are very supportive. And as Joe mentioned, we feel that that's something that other utilities could adapt to on a broader perspective. There was a lot of -- with the ESMP, and that's the mechanism that I'm referring to, there was a lot of stakeholder collaboration to balance the investment needs to achieve electrification.

We think that that's a very great model for all parties involved, very balanced. So when we file that ESMP with the DPU, the DPU know -- knew exactly what had happened before we filed that. They were support by key stakeholders of that filing. So it kind of makes the regulatory and the utility process from a rate-making standpoint, a bit more straightforward, if you will.

So we are very supportive of that. What the -- what we are implementing now is that think of it as that first wave in the first four, five years of spend, Massachusetts wanted to look beyond that period, look at what's going to happen in 10 years and beyond. So we think it's a very collaborative process, and we're very much supportive of it.

Operator

Steve Fleishman, Wolfe Research.

Steven Fleishman - Wolfe Research - Analyst

Just wanted to close the (technical difficulty) on the revolution, or is it also mentioned higher vessel costs their impairment. Just wanted to clarify that, that was also updated when you closed your sale.

John Moreira - Eversource Energy - Chief Financial Officer, Executive Vice President, Treasurer

Yes, we were aware of those issues when at the time that we did the change. And the vessel issue has been rectified, and we have that behind us. So we just need to keep monitoring the project development as we progress, Steve.

Steven Fleishman - Wolfe Research - Analyst

Okay. And then simple question. I'm not sure I missed this, but just the guidance range for this year, just the midpoint down a couple of pennies, not a big deal. Is that -- is it fair to say that that's just the equity issuance maybe coming a little earlier in the plan, or is there some other driver this year?

John Moreira - Eversource Energy - Chief Financial Officer, Executive Vice President, Treasurer

No, I would say the equity issuance was exact -- pretty much right on plan as to what we anticipated. It was really more of the interest the assumption that we had in the plan. We were hoping for further Fed actions to be taken sooner in the year, and that came a bit later. So it's really interest related.

Operator

Travis Miller, Morningstar.

Travis Miller - Morningstar - Analyst

Just a little more on the ESMP and kind of higher level, linking it with the whole clean energy idea. If you were to kind of put it in a percentage basis, how far does this get you? Just that program, the \$600 million get you to kind of either where you need to be or where you want to be in terms of clean energy electrification.

And I guess another way to think about it is how much more is there to go to get to where you want to be, if that makes sense.

John Moreira - Eversource Energy - Chief Financial Officer, Executive Vice President, Treasurer

Yes. No, I know exactly where you're going. I think it's the starting point. But it's -- once again, I want to remind you that it's not just the ESMP. Prior to the ESMP being implemented, we already had another program that the DPU had previously approved, kind of the same investment needs, and that's interconnection of clean energy resources, primarily solar in Massachusetts.

We refer to that as the CIP program, C-I-P. And that program that we filed for, it was six clusters throughout the state of Massachusetts, predominantly in the southeastern part of Massachusetts. So with six individual clusters, the DPU has approved five of the six, and that program was approximately \$1 billion of a combination of T and D investments that we would make.

So that was kind of the first wave, if you will, and that was baked into our five-year plan. So ESMP is the second way, but there is more to come.

Travis Miller - Morningstar - Analyst

Okay. Beyond the ESMP, Okay.

John Moreira - Eversource Energy - Chief Financial Officer, Executive Vice President, Treasurer

Correct.

Travis Miller - Morningstar - Analyst

Okay. And then Connecticut, certainly now, you've been pretty forthright and public about the fact that you don't want to invest until you get better regulatory treatment there. Other than the AMI, what types of larger projects or are there even larger projects that are sitting on the sidelines right now that might come either gas or electric, if there were a positive at the gas -- Yankee Gas or on the electric side.

John Moreira - Eversource Energy - Chief Financial Officer, Executive Vice President, Treasurer

So I would say, obviously, the AML is one that we would like to see the pathway to move forward, but as it relates to other investment opportunities, obviously, we have to be very mindful that the recovery mechanism absolutely needs to align as to when and the extent of those investments that we make in the state of Connecticut. It's not about revenues.

It's not about net income. It's all about getting the cash in the door to pay for those investments, whether they're O&M or capital. So that is critical for us as any utility would operate. You really need that cash flow to be coming in a bit more timely.

Kicking the can down the road really doesn't accomplish net benefits for customers. It's shortsighted. And we just need to work collaboratively with Connecticut to be able to invest the necessary investments to continue to make the system reliable and safe.

Operator

Julien Dumoulin-Smith, Jefferies.

Julien Dumoulin-Smith - Jefferies Financial Group Inc. - Analyst

So just wanted to follow up on a couple of cleanup items here. I know earlier you were talking with Carly there about FFO to debt. Can you just give us a little bit of sense of where you stand as of your kind of year-to-date sense as you track towards that improvement. I know you listed out what the items are, but how are you doing against that target, if you will?

John Moreira - Eversource Energy - Chief Financial Officer, Executive Vice President, Treasurer

It's increased significantly from where we were in '23. So we have been making improvements. Just leave -- I would prefer to not go (technical difficulty), Julien.

Julien Dumoulin-Smith - Jefferies Financial Group Inc. - Analyst

Yes. Okay. I got you there. And then separately, a little bit of a cleanup item. You've talked a little bit about this elevated interest expense here. Can you give us a sense like what is that gross run rate kind of year-end exiting or starting into '25 if you will, just kind of nets against the parent positive here if you think about it. Is there kind of any way to kind of give us a gross magnitude that you're thinking about there at this point, or even as of the quarter run rate?

John Moreira - Eversource Energy - Chief Financial Officer, Executive Vice President, Treasurer

Just so I'm clear, can you repeat that question again?

Julien Dumoulin-Smith - Jefferies Financial Group Inc. - Analyst

Yes. You talked about elevated parent interest expense. Maybe can you give us a sense of like what that gross run rate is at this point, if you will, whether quarter end or entering '25 or what have you?

John Moreira - Eversource Energy - Chief Financial Officer, Executive Vice President, Treasurer

If you look at the debt at parent has, you can calculate that. But remember, we were out there issuing equity in the first half of the year, okay? We didn't get the wind proceeds. We didn't get the cash flow. We didn't get the equity, the cash from the equity issuance until the second half, and it was predominantly in the third quarter that we issued the bulk of that equity. So it did create a drag.

Obviously, having the \$1 billion in the door, that has gone to offset some debt and enhance the interest.

Julien Dumoulin-Smith - Jefferies Financial Group Inc. - Analyst

Awesome. Yes absolutely. And just quickly on the new substation, kudos there, interesting development there. Any -- like how do you think about the cost provisions and recovery mechanisms there? Just give us a little bit of a larger size figure I'd ask on that front.

Joseph Nolan - Eversource Energy - Chairman of the Board of Trustees, President, Chief Executive Officer

Yes. Again, the (technical difficulty) on Massachusetts on the public utilities gives us clear line of sight. We've got solid estimates on that, and this is a transmission asset as well. They're predominantly transmission, so FERC regulated, and we feel good about it. We've been working at that for several years in terms of estimates and pricing. And so we don't anticipate any lag in terms of the recovery of even \$1 of that expenditure over there.

Operator

Andrew Weisel, Scotiabank.

Andrew Weisel - Scotiabank Global Banking and Markets - Analyst

First question I have for you is on the South for tax equity investment. You're still showing the \$500 in the cash flow walk. My question though is given the timing of some of the losses and the write-downs, do you still expect that full benefit to show up in -- by year-end '25, or might some of that spill into 2026 or later?

John Moreira - Eversource Energy - Chief Financial Officer, Executive Vice President, Treasurer

Andrew, I actually think that, that will spill into beyond '26, and let me explain why. And then the reason that we've left that number, \$500 million, is not for the lack that we haven't found other tax benefits that we want to utilize prior to happen into the ITC bucket.

So we have been fortunate to utilize other tax credits before tipping into that bucket. So that 500 million, although there will be a shift out, but we replaced that with other tax attributes.

Andrew Weisel - Scotiabank Global Banking and Markets - Analyst

Okay. Got it. So the dollars will be -- they'll be replaced with other dollars. So the mess still works, it will be -- you'll be able to use those credits in later years in other words, is that right?

John Moreira - Eversource Energy - Chief Financial Officer, Executive Vice President, Treasurer

Correct. And that's one of the items that we'll give you an update on the fourth quarter call.

Andrew Weisel - Scotiabank Global Banking and Markets - Analyst

Okay. Great. That's helpful. Then more broadly on that walk. I always appreciate the details, even though there's a lot of moving part, well, because there's a lot of moving parts. When I look at the bottom line there, obviously, you're now showing \$3.75 billion. That's up quite a bit from \$2.6 billion last quarter. The punch line is still 14% to 15%.

You -- how do you trend though? Or does that mean that you're more confident in that? Are you may be thinking more of the higher end versus low end? Or is it just more better visibility in getting to that range?

John Moreira - Eversource Energy - Chief Financial Officer, Executive Vice President, Treasurer

Well, I would say that we didn't quantify. We had it as an item that says TBD, equity needs, the acquiring on sale and rate cases. So we've just included more known and measurable items, such as the \$1 billion of equity needs and the rate increases. But I would say that we're still in that 14% to 15% range.

Andrew Weisel - Scotiabank Global Banking and Markets - Analyst

Okay. That's very helpful. Then last one, high level in Connecticut. You talked a lot about the AML. And more broadly, obviously, it's a tough environment, not only in terms of approvals, but there's a lot of concern about affordability. My question is when you think about putting capital to work in Connecticut versus other states, what should we expect when we see the CapEx update in three months?

I'm not looking for numbers. I know we have to be patient, but how do you think qualitatively about putting capital to work there versus in other more constructive states? And is there a potential to maybe move more capital away from Connecticut like you did a few months ago?

Joseph Nolan - Eversource Energy - Chairman of the Board of Trustees, President, Chief Executive Officer

Yes. That's -- I mean, a few months ago, as you know, we took \$500 million out of that plan, and we will continue to monitor it. And obviously, if things change down there and they decide they want to provide timely cost recovery and follow legal standards we will redeploy the \$500 million. But I will tell you, (technical difficulty) comfort that there's a significant amount of opportunities for investment across the Eversource portfolio.

We've got two jurisdictions, New Hampshire, and Massachusetts, that there's no shortage of opportunities for investment that give us timely recovery of our costs. So again, we're staying very, very close to it. And I am an internal optimist, the glass is half full, and I hope that we do see a change down in Connecticut so that we can make the investments that are needed for our customers.

John Moreira - Eversource Energy - Chief Financial Officer, Executive Vice President, Treasurer

I would just add that our focus is to get the balance sheet to where we need to be is really for the benefit of customers, and we're very focused on that. So it's important that we get timely recovery of these investments in our operating costs. Otherwise, utilities is just going to be forced to kind of pull back on both buckets.

Operator

Angie Storozynski, Seaport.

Angie Storzynski - Seaport Global Holdings LLC - Analyst

So lots of questions. Just one question about your earnings benefit from the NEC transmission line. I remember in the past when we had waited for that project to come online. There was like an earnings benefit associated with the interconnection into the transmission line eventual.

And I'm just wondering if that if you could quantify that benefit? And also, if that benefit changed depending on the capital cost of this project given the recent increase that was approved in Massachusetts.

John Moreira - Eversource Energy - Chief Financial Officer, Executive Vice President, Treasurer

So Angie, just to be clear, that's not one of the projects where we were seeking opportunities from an interconnection standpoint if that's what you're referring to. The benefit that we get from executing the PPA agreement is the remuneration.

Angie Storzynski - Seaport Global Holdings LLC - Analyst

That's right. Okay. So there's no like benefit just -- okay.

John Moreira - Eversource Energy - Chief Financial Officer, Executive Vice President, Treasurer

No, there is, there is. The earnings benefit is because of the size of the PPA over a long period of time in order to preserve and strengthen our balance sheet, we get a remuneration on the annual billings for that project. So it's about 2.25% that we gave. That's what helps meet -- maintain and the earnings that we were able to recognize from that project.

Angie Storzynski - Seaport Global Holdings LLC - Analyst

And that percentage over the cost of power delivered, or just, again, is it linked to the capital cost of the.

John Moreira - Eversource Energy - Chief Financial Officer, Executive Vice President, Treasurer

It's the value that we bill our customers. So that contract is all utilities in -- all electric utilities have to execute the PPA. So if we bill \$1 to customers, we get \$1.02.

Angie Storzynski - Seaport Global Holdings LLC - Analyst

I understand. Okay. I might follow up in the past. And also, I mean, and I understand that the SAC associated with those [precision] lines over the last couple of decades, actually. But how are you, I mean, looking at these projects going forward?

I mean, would you consider maybe reviving your transmission line from Canada? I mean, how would you actually see that the supply backdrop for your -- well, for New England and overall, given the low growth that we're seeing in granted. I understand that most of the other data centers are not going to be in New England, but I'm just wondering how you think about the supply-demand dynamics in New England.

Joseph Nolan - Eversource Energy - Chairman of the Board of Trustees, President, Chief Executive Officer

Yes. Well, I'll just tell you that where we sit today, we are a pure-play regulated utility. I've promised all of you on the call and many others in the world that we are not going to swing for the fences anymore. We're looking for the singles and the doubles, we'll look at it in the regulated space.

So I don't want anyone to worry that we are going to go and pose a transmission line in Canada as a merchant project because that's not something that we would do that would definitely deviate from this company's plan to be a purely regulated (technical difficulty) company.

Operator

Paul Patterson, Glenrock Associates.

Paul Patterson - Glenrock Associates - Analyst

Last but not least, hopefully. So really quickly on the AMI. When I look through your exceptions, I mean I understood pretty much all of it. The only thing is with the O&M, it seemed to me that this is -- and correct me if I was wrong, you guys were concerned about just the ability to institute the rate increases, that more of the issue than then with respect to the incremental O&M than there being a dispute about the incremental O&M. Am I correct in that?

John Moreira - Eversource Energy - Chief Financial Officer, Executive Vice President, Treasurer

Yes, Paul, do you -- why don't we have my Investor Relations team kind of take you through some of those details, if you don't mind.

Paul Patterson - Glenrock Associates - Analyst

Okay. No problem. And then with respect to one of the things that we're -- and I know this is necessarily directly associated with you guys, but there is this discussion about offshore wind, some concerns about the impact of offshore wins costs on Connecticut.

And I know this isn't specifically you guys are getting out to business, obviously, and what have you. But there's a discussion about swapping Millstone, again, not your facility with perhaps offshore wind and what have you.

And I was just wondering if you -- how you guys from their perspective are either seeing this sort of longer-term regional questions about offshore wind in Connecticut's participation, maybe in it, what have you having any potential impact or just any comments you have about how you see the -- sort of maybe Angie's kind of question here about the outlook for power prices and what have you in the state, even though they may not be directly associated with your business.

Nonetheless, you guys are delivering the power to people and you guys are concerned about affordability, I know. So just what are your thoughts about the discussions that we're hearing about offshore wind and potentially the swap with nuclear?

Joseph Nolan - Eversource Energy - Chairman of the Board of Trustees, President, Chief Executive Officer

Yes. Well, I just will tell you that, as I mentioned earlier in the call that you've got three governors that are very actively engaged around the clean energy story. And it's kind of like a pot like suffer. You've got Connecticut wants to bring nuclei at the table and Mass has the hydro coming in out of Canada. You've got a nuclear plant in New Hampshire.

So there's a lot of folks that want to bring certain energy resources to the table. The Governor of Connecticut would like to have some of the other states pay for the Millstone assets. I think Massachusetts would like Connecticut to pay for some of the wind assets. So all I'll tell you is that what I take confident is that this very strong working relationship between the New England governance.

I mean, they all -- they're all very, very cordial. And I have no doubt in my mind that we'll come up with a solution that will benefit all the customs of New England. I mean we are in a tough situation given our location, and we are capacity constrained, and we're not seeing new resources other than, say, the wind and the hydro coming.

Those are really the only injections that are taking place at this point. So I'm optimistic we'll see how it plays out, but just know that there is very constructive dialogue going on that everyone has to kind of take a piece of everyone else's recipe.

Paul Patterson - *Glenrock Associates - Analyst*

Got it. And then just respect to the climate bill.

Joseph Nolan - *Eversource Energy - Chairman of the Board of Trustees, President, Chief Executive Officer*

Yes, (technical difficulty) Massachusetts. Obviously, we're very pleased. We were -- certainly had a major seat at the table there. And I think it's -- I want to understand that everyone sees electrify. Infrastructure needs to be cited in a timely manner. You kind of wait five years or something in 10 years. So one of the things that I'm most proud of is that we are -- we have a very active presence in environmental justice communities.

We want to make sure that nobody is adversely impacted. And I think that's what allowed us to get the siting so smoothly in Cambridge is that when they went around the room as to who had a seat at the table, I think everyone felt that everyone got to see at the table and everyone's voice was heard and consequently, we had a very favourable outcome.

Operator

Thank you. I would now like to turn the call back to Rima for closing remarks.

Rima Hyder - *Eversource Energy - Vice President of Investor Relations*

Thank you, Elissa. Thank you, everyone, for joining us this morning. We will see many of you next week this ends today's call. Thank you.

Operator

This does conclude today's conference call. Thank you all for your participation. You may now disconnect your lines.

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