

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

ES.N - Q2 2024 Eversource Energy Earnings Call

EVENT DATE/TIME: AUGUST 01, 2024 / 1:00PM GMT

OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

Matthew Fallon *Eversource Energy - Director for Investor Relations*

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

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

CONFERENCE CALL PARTICIPANTS

Shahriar Pourreza *Guggenheim Partners - Analyst*

Jeremy Tonet *JPMorgan - Analyst*

Nicholas Campanella *Barclays - Analyst*

Steven Fleishman *Wolfe Research - Analyst*

David Arcaro *Morgan Stanley - Analyst*

Julien Dumoulin-Smith *Jefferies - Analyst*

Paul Patterson *Glenmark Associates LLC - Analyst*

Anthony Crowdell *Mizuho Securities USA LLC - Analyst*

Travis Miller *Morningstar - Analyst*

Ryan Levine *Citigroup - Analyst*

PRESENTATION

Operator

Good morning and good afternoon, ladies and gentlemen. Welcome to the Eversource Energy Q2 2024 earnings call. My name is JaQuita, and I will be your moderator for today's call. (Operator Instructions)

I would now like to pass the conference over to your host, Matthew Fallon with Eversource Energy Director for Investor Relations. Matt, please go ahead.

Matthew Fallon - Eversource Energy - Director for Investor Relations

Good morning and thank you for joining us. I am Matt Fallon, Eversource Energy's Director for Investor Relations. During this call, we'll be referencing slides that we posted yesterday 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. Additional 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, the slides that 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, Matt. Good morning, everyone, and thank you for joining us on the call. Let me begin with an update on offshore wind. I am very pleased to report that we have closed the sale of Sunrise Wind project to Ørsted and that we anticipate closing the sale of our South Fork and Revolution Wind projects to Global Infrastructure Partners in the third quarter. Closing these sales delivers on our commitment to exit the offshore wind business and focus our resources on being a pure play regulated utility with tremendous low risk regulated growth opportunities to enable the clean energy transition for customers.

Turning to slide 3. We continue to be a leader on delivering energy solutions for our customers with our focus on resiliency investments to address aging infrastructure and minimize customer outages on blue-sky days and during storm events. We are also very busy preparing for the future of electrification to achieve our region's greenhouse gas reduction goals.

Moving to slide 4. Shown here are our states near term and long-term greenhouse gas reduction goals. To achieve these goals, we are planning investments to our grid to meet the demand growth from electrification of transportation and residential and commercial heating sectors. This effort requires us to upgrade and expand the electric system to handle the new demands that we will face, including more EV charging, more customers turning to heat pumps to warm and cool their homes, and expanded capacity needs to accommodate additional renewable energy resources.

In addition, we must make our system smarter and stronger to withstand Mother Nature and the forces of climate change, which are resulting in more frequent and intense storms. We are continuing to invest in our electric system with smart technologies to help the grid automatically adjust to disturbances on the system and empower customers with more information to control their energy use.

These increasing demands on the electric system, make it critical for us to work together with our regulators to obtain timely cost recovery and maintain a solid financial position for the company. A strong financial position enables Eversource to plan for and meet these increasing demands while continuing to provide high levels of safe, reliable service to our customers.

Turning to slide 5. Our nearly \$6 billion in transmission investments over the next five years is the largest program in our company's history and is key to achieving our collective greenhouse gas reduction goals. Based on system needs, our transmission investment program is moving from overhead line rebuilds and smaller reliability projects to much-needed new substations to meet electrification demands and work toward a carbon free future.

In our five-year plan, these new substations and substation upgrades will equal approximately \$1 billion of investment, and over \$600 million of transmission projects are planned to enable clean energy resources. Our five-year transmission investment program also includes over \$3 billion for investments to replace aging infrastructure. We are also evaluating additional infrastructure requirements that could materialize during this forecast, and we expect incremental projects will be needed as we move forward.

As we plan ahead, there are many areas of focus such as advancing the Electric Sector Modernization Plan in Massachusetts, increasing import capacity into Boston and enabling offshore wind and other renewables to advance regional decarbonization efforts that will drive transmission infrastructure investment for years to come.

To give you an example of the magnitude of the incremental transmission investments we are seeing over the next ten years, we are planning for over a dozen new substations in Eastern Massachusetts alone to meet demand, compared to just four new substations constructed in that service area in the past decade.

Moving to electric distribution on slide 6, we are preparing for substantial growth in distribution investment. In Massachusetts, our current electric distribution investment plan is nearly double the previous five-year plan. As we move forward to prepare for significant electric demand growth in Massachusetts to meet the state's clean energy goals, we are constantly evaluating solutions that will provide the right balance in outcomes for our customers. In order to determine our distribution system investments needs in Massachusetts, we have carefully evaluated the factors that drive the needs in each specific area, allowing us to plan efficiently and cost effectively for future system needs.

Turning to slide 7, we are very pleased with our progress of our Massachusetts AMI program, which we and other stakeholders know is critical for enabling a clean energy future. As part of the Massachusetts AMI program, we recently completed successful implementation of a new customer billing and information system, replacing a nearly 40-year-old system.

This new customer system will provide a critical foundation for our AMI deployment. We are currently working on system design, building, and testing of our meter management and communication applications, which we expect to conclude this summer. Network construction is anticipated to start early next year with smart-meter installation beginning in the third quarter next year.

Our Massachusetts AMI program will deliver numerous day one benefits to customers, including improved grid management to enhance reliability and customer access to monitor electric consumption and control energy use. Further customer benefits include greater visibility on outages to enhance storm restoration response; and dynamic rate design to enable customers to adjust electric use and lower their bills.

Although we are very excited about the future transition to electrification, we are deeply committed to keeping the customer journey front and center. Affordability and fair and balanced rate design, along with the focus on environmental justice communities, is top of mind for Eversource.

A good example of Eversource's exploration of creative solutions to enable an equitable transition to clean energy is our first-of-its kind network geothermal pilot in Framingham, Massachusetts, which came online in June. We look forward to continuing our productive partnership with the state of Massachusetts as we deploy innovative technologies and pursue our carbon emission reduction goals.

Turning to Connecticut, I want to thank the Lamont administration for its collaboration with utilities to provide regulatory clarity to continue the electric vehicle charging program. The solution that PURA is now preparing to put in place benefits our Connecticut customers while ensuring timely and adequate recovery of program costs. As I have said before, it is critical to ensure that our customers receive safe, reliable, and affordable service and a balanced regulatory environment is the best way to get there.

Also, you may have heard the Governor Lamont has nominated David Arconti as the new PURA commissioner to take the place of Vice Chairman, Betkoski, who is retiring this coming January. We are encouraged that David is a nominee with keen interest in energy policy and valuable experience as a former member of the Connecticut General Assembly. We are hopeful that this is a step forward in bringing Connecticut closer to its state policy goals with recognition that investment is needed to support these goals.

Touching on New Hampshire, we continue to see positive momentum on the collaborative approach to plan for long-term energy needs with the signing of House Bill 1431 by Governor Sununu in July. This bill requires utilities to file integrated distribution plans with the Public Utilities Commission every five years, a ten-year forecast of electric demand, and an assessment of the distribution infrastructure needed to meet projected energy demands.

Moving to Eversource's focus on our company's specific emission goals and employee development. I want to highlight the release of our 2023 Sustainability Report and our Diversity, Equity, and Inclusion Report, as shown on slide 8. Eversource has been a leader in these areas for many years, and it's a part of our DNA. In this year's Sustainability Report, we've submitted our specific greenhouse gas reduction targets to the Science Based Target initiative.

We also highlight the progress made towards reaching our goals of carbon neutrality from our operations by 2030, with over 30% reduction in emissions from the 2018 baseline year. We are excited about the future. Eversource is uniquely positioned to leverage its skills, expertise, and scale to build utility infrastructure that will enhance system resiliency and transition to a clean energy future for our customers.

We have a long runway of low-risk regulated investment opportunities and earnings growth potential, focused on delivering long-term value to our customers and our investors. Thank you for your interest in Eversource.

I will now turn the call over to John Moreira to walk you 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 second quarter earnings results, provide a regulatory update, and review our financing activities. As shown on slide 9, our GAAP and recurring earnings for the second quarter were \$0.95 per share as compared with GAAP earnings of \$0.04 per share in the second quarter of 2023 and recurring earnings of \$1.00 per share in the second quarter of last year.

You will recall in the second quarter of 2023, we recorded the first of two impairment charges associated with our offshore wind investments of \$331 million, or \$0.95 per share. We also had other non-recurring charges of \$6.2 million, or \$0.01 per share, in the second quarter of 2023. Both items are included in our GAAP earnings results for 2023.

Breaking down the second quarter earnings results by segment, starting with electric transmission, which earned \$0.54 per share, compared with earnings of \$0.46 per share in 2023. Electric transmission earnings increased due to rate base growth. Our electric distribution earnings were \$0.42 per share for the quarter, compared with earnings of \$0.47 per share in 2023.

The earnings decrease was due primarily to higher O&M expense driven by higher storm restoration costs and the absence of a favorable prior year regulatory adjustment in New Hampshire, partially offset by higher revenues driven by NSTAR Electric's base distribution rate increase effective January 1st, of this year. Electric distribution earnings are expected to be higher in the second half of the year, driven by capital cost recovery and New Hampshire's, \$61 million interim rate increase effective August 1s.

Our natural gas distribution business earned \$0.08 per share for the quarter, compared with \$0.03 per share last year. The earnings increase was due primarily to higher revenues from NSTAR Gas November 1, 2023, rate increase and lower O&M, partially offset by higher depreciation, interest and property tax expenses.

The water distribution segment contributed \$0.02 per share for the quarter, compared with \$0.03 per share last year. The decrease in earnings was primarily due to higher O&M and interest costs. Eversource parent and other companies lost \$0.11 per share in the quarter compared with recurring earnings of \$0.01 per share last year. The main driver of this decrease was higher interest expense.

Overall, our second quarter earnings results were in line with our expectations, and we are reaffirming our 2024 EPS guidance range of \$4.50 to \$4.67, as well as our longer-term 5% to 7% EPS growth rate.

Turning to our regulatory update on slide 10, starting with Massachusetts. As you may recall, we filed our Electric Sector Modernization Plan with the DPU in January, which is a roadmap to address growth from electrification needs. We expect a decision on our plan later this month.

As a reminder, our Electric Sector Modernization Plan calls for \$600 million of distribution capital investments for interconnection of clean energy resources and resiliency initiatives through 2028. This \$600 million is incremental to our \$23.1 billion five-year capital forecast we announced back in February.

Next, I'm pleased to report that in early June, the DPU approved four additional capital investment projects to enable the interconnection of large-scale distributed generation resources on our system. Combined with the first project approved in December of 2022, these projects represent approximately \$1 billion of total capital investment with \$600 million of distribution investment and approximately \$400 million of transmission investment. This \$1 billion of investment is included in our five-year capital plan. In May, as per our settlement agreement related to the acquisition of EGMA, we filed our first rate base reset for rates to be effective November 1, 2024. This filing reconciles our rate base, which has increased from \$770 million to approximately \$1.7 billion as of the end of 2023. This rate base reset is subject to a cap on the revenue change. With the application of this revenue cap, the proposed revenue increases are \$78.7 million this year and \$67.5 million effective November 1, 2025.

Closing out the Massachusetts regulatory items. We were pleased to receive final approval from the Massachusetts Energy Facilities Siting Board for the Cambridge substation project. This is a \$1.6 billion investment of which \$1 billion of investment is included in our five-year capital plan and the remaining balance in 2029 and 2030. This project consists of a new underground substation that will address the growing electricity needs of the city of Cambridge and the surrounding area.

Turning to New Hampshire, PSNH filed a rate case in early June to recover more than \$765 million of investment since our last rate case in 2019. The filing requests a rate change of \$182 million in base distribution rates that will take effect in two steps. The first rate adjustment will go into rates today, reflecting an increase of \$61 million, with the remainder to go into effect on August 1st of next year.

Interim rates will provide enhanced cash flows to the company until we receive a final rate decision next year. The filing proposes to recover investments made to improve reliability and includes recovery of increased costs associated with storm response and vegetation management due to the more frequent and more intense storm events.

On blue sky days, the company's reliability investments in New Hampshire have certainly paid off for our customers. For example, thanks in large part to the investments in distribution automation technology, that percentage of New Hampshire customers restored in non-storm events in less than five minutes, has improved from 30% in 2018 to over 50% in 2023.

In addition, the company has rigorously controlled O&M costs since our last rate case. We have also proposed to implement a four-year performance based rate making plan, including a capital support mechanism that would adjust rates annually to be approved by the commission. This mechanism enhances cash flow, supports resiliency investments, replacement of aging infrastructure, and investments for the integration of customer distributed generation while maintaining the additional transparency that comes with PBR. We anticipate a final decision in this case in 2025. In Connecticut, discovery is underway on the storm cost prudence review for \$634 million. We are also preparing to file for storm prudence review later this year for storm restoration costs related to events in 2022 and early 2023. As Joe mentioned, we received a decision from PURA allowing us to continue supporting the Electric Vehicle Charging program for customers under a constructive cost recovery framework that will enhance our cash flow position.

I'll now provide an update on some of the items shown on slide 11 that will enhance our FFO-to-debt ratio from 2023 to 2025. First, a 2024 annual rate adjustment in Connecticut became effective July 1 of this year, recovering approximately \$900 million of several costs including public benefits related costs.

The July 1 rate adjustment is recovering under collections from 2023 and has reset rates to a level of matching incurred costs that we expect in 2024. Public benefit costs include the cost of energy supply contracts with the Millstone and Seabrook nuclear power plants and uncollectible hardship costs.

Second, with the closing of our sale of Sunrise Wind to Ørsted, we received net proceeds of \$152 million that will be used to pay down debt.

Third, the closing of our sale of Revolution and South Fork Wind to Global Infrastructure Partners, we anticipate receiving gross proceeds of approximately \$1.1 billion, subject to adjustments for capital expenditures. These proceeds will also be used to pay down debt. As a reminder, there is no impact to our financing plan from these capital expenditure adjustments. In addition, the filings for distribution rate increases at PSNH and at EGMA will provide additional cash flow enhancement.

And lastly, regarding our equity issuances, we have raised approximately \$250 million of equity through our ATM program and issued approximately 819,000 treasury shares in the first half of this year. We continue to anticipate equity needs of up to \$1.3 billion over the next several years as shown on slide 12.

We are making progress on our efforts to sell Aquarion Water Company. I'm happy to report that we have recently launched the initial phase of this process. All of the above actions give us a clear roadmap for improvement of our FFO-to-debt ratio in 2024 and give us confidence in achieving our 14% to 15% FFO-to-debt target at S&P in 2025.

In summary, as you can see on slide 13, we have a proven track record of earnings and dividend growth, and we are confident that our robust \$23.1 billion five-year capital forecast, and our forecasted financing plan will enable us to drive our 5% to 7% EPS growth rate through 2028 based off of our 2023 recurring EPS of \$4.34.

I'll now turn the call back to Matt for Q&A.

QUESTIONS AND ANSWERS

Matthew Fallon - Eversource Energy - Director for Investor Relations

Thank you, JaQuita, we are now ready for Q&A.

Operator

(Operator Instructions)

Shahriar Pourreza, Guggenheim Partners.

Shahriar Pourreza - Guggenheim Partners - Analyst

Good morning. Joe, just maybe starting with Connecticut, I mean, some constructive outcomes on the EV side. Sounds like the governor brought everyone together there. You're still kind of working through how to recover AMI. Are these like kind of green shoots in your view? Could we see some of that \$500 million in capital you allocated elsewhere flow back into the state?

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

Yeah. Well, thank you. As you know, I had committed to folks that we will work diligently on our relationships in Connecticut. This is one of the areas of focus. As you know, we talked about our exit from wind. I think you're seeing that we're successfully executing that strategy, working on Connecticut, the sale of Aquarion. With regard to Connecticut, and I wish I could say that I had a high degree of comfort right now, the jury is still out.

We are grateful for Governor Lamont's leadership that he's done a good job and we'll continue to work at that. You have my commitment that I will continue to work on that relationship so that we get a stable regulatory environment for us to make any investments down there, especially on AMI because I got to tell you what's taking place in the energy markets, AMI today is more important than ever that we have a system that allows customers to make informed decisions around their use of energy.

I think it shows what took place in the PJM markets. And this is the type of technology that we're going to need to deploy in our states, in order to allow our customers to make those decisions around spending their dollars on energy.

Shahriar Pourreza - Guggenheim Partners - Analyst

Got it. And sorry, just the PURA size, there's some noise there, like is three the magic number or can we see the governor sort of expand to five?

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

Yeah, sure. So, the governor is now at four, but will go down to three in January. I think the governor is committed. I mean, I certainly any discussions I've had with him, he wants to strike a balance, and that's what he's told me that he wants to strike a balance in Connecticut. So yeah, he may go to five. I think he is going to continue to work at it. It's a work in progress to make sure that you bring stability and regulatory certainty to the state of Connecticut but again, you know, it's we're taking a wait-and-see approach.

Shahriar Pourreza - *Guggenheim Partners - Analyst*

Got it. Okay. Got it. And then just lastly, the Aquarion, I mean, some data points around the Muni legislation this spring and trade press on the process. I guess any finer points you can put on the sale timeline, is it kind of your goal at this point to roll forward the plan next February without anything for Aquarion in it? Thanks, guys.

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

Yeah. Well, you know, I got to tell you first, in terms of the legislative process and there was a lot of discussion on that. That one particular piece of legislation was designed to allow a bit of that in the absence of that legislation would not have been able to participate in our sale process. So, it doesn't give them any more of a leg up than anybody else. We have a very robust group. So, that was encouraging that this is a player that wanted to be the other a known entity in Connecticut. So, the process will move forward. And we, John, if you want to talk about with respect to timing?

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

Sure, as I mentioned in my formal remarks, we recently have launched the process. Actually we're still working our way through finalizing some NDAs. In our forecasted financing plan, we assume that that transaction would wrap up by the end of '25. So that's no change in that timeframe.

Shahriar Pourreza - *Guggenheim Partners - Analyst*

Okay, guys. Excellent. Thank you so much.

Operator

Jeremy Tonet. JPMorgan.

Jeremy Tonet - *JPMorgan - Analyst*

Hi, good morning, I just wanted to go back to the FFO-to-debt slide if I could, just want to make sure that I have seen that right specifically on the under-recoveries in the bridge, it looked like the \$600 million it is listed twice. So just wanted to kind of clarify what's happening there?

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

Well, if you look at the table, Jeremy, the way this was designed is to highlight where it'll end up in the FFO-to-debt calculation. So, the \$600 million will be impacting the enhanced numerator of the math there and the \$2.6 billion will offset debt. So, that was the purpose of that table in there. So sorry if that added any confusion. But that was the kind of the design. And Jeremy I think it's important to keep in mind that these numbers only reflect '24 and '25. Obviously, there's certain recoveries that will continue well beyond '25.

Jeremy Tonet - *JPMorgan - Analyst*

Got it. That's helpful there. And then just wanted to go back to the offshore wind sale timing. Could you just update us there on, I guess when everything was closed, and I guess the timeline shifted a little bit. Just wondering if there's anything to note there.

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

Well, Jeremy, I know the timeline has not shifted. We were all guiding that this potentially would close late Q2 or early Q3. And what we've said is we've already closed Sunrise Wind we did that on July 9, and we expect to close on the GIP deal in this quarter.

Jeremy Tonet - JPMorgan - Analyst

Okay. Understood. I'll leave it there. Thank you.

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

Thank you.

Operator

Nick Campanella, Barclays.

Nicholas Campanella - Barclays - Analyst

Good morning. Yeah, so I just wanted to just follow up on Jeremy's question on the offshore wind. Can you just maybe give us a state of the construction status on Revolution where you stand on those costs and capital expenditures? And then just how much does Eversource actually incur an offshore wind CapEx for this year before you sell the assets to GIP? Thank you.

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

Well, I would say, the construction activity is progressing very, very well. As of a week ago when we connected with Ørsted, the monopiles, or the foundations, they're probably at 50% installed, which is a remarkable task, knowing that we had a time of year restrictions. From a capital deployment standpoint, Jeremy, obviously that is sensitive information as you -- I'm sorry, Nick, as you know, we haven't really disclosed that.

Nicholas Campanella - Barclays - Analyst

Okay, no problem.

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

But knowing that the sale process is imminent, it may happen in the third quarter. So, you'll have line of sight.

Nicholas Campanella - Barclays - Analyst

And you guys still feel good about that underlying IRR that you have to kind of deliver to GIP as per the contracts?

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

Yes, we do. I mean, it's as I just stated, Nick, the construction activity is going very well thus far.

Nicholas Campanella - Barclays - Analyst

I appreciate that. Thank you. I appreciate it. And Jeremy and I are friends. So that's a totally, okay. So just on storm cost recovery, the \$200 million that you have in the FFO-to-debt enhancements, I know you're in the discovery phase right now and there's been some shift in that proceeding over the last year. But just mechanically, do you have to file a rate case to get that cash recovery and ultimately back and get that regulatory asset wound down? Or what's the rate case outlook in Connecticut for you currently? Just maybe you can walk us through that. Thank you.

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

Yeah. So let me start with the \$200 million, Nick. The \$200 million, it does not reflect any recovery of Connecticut storms. The \$200 million is all related to Massachusetts and New Hampshire. And keep in mind, this is only two-year recovery, in both of those jurisdictions the recovery period is five years. As it pertains to the \$634 million request that we have in front of PURA from a prudency review, as the schedule currently is laid out, which we're hoping to have a bit more of an acceleration there, will take us through September-ish timeframe of 2025. So, that really would align with the expectation that potentially we could file a rate case around that time. The historical process is you do the prudency in Connecticut, you do the prudency review and then you file a rate case. And then once the rate case has been buttoned up and that new rate goes into effect, that's when we would roll in the storm costs.

Nicholas Campanella - Barclays - Analyst

That's super helpful. I appreciate the clarification, and thanks for the time.

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

Thanks, Nick.

Operator

Steve Fleishman, Wolfe Research.

Steven Fleishman - Wolfe Research - Analyst

Hey, good morning. Thank you. Just to kind of maybe close the loop on a prior question, just whatever the latest cost estimate on Revolution, is that still a good cost estimate?

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

As of right now, I mean, we will always continue to work with Ørsted on further updates. But as of right now, yes.

Steven Fleishman - Wolfe Research - Analyst

Okay. And then on just on the equity plans. So back at the beginning of the year, I think that was before you had the go-ahead on Sunrise and I think not only did you get this \$230 million, but you avoided potential breakage costs, if I recall, when you kind of came up with the current plan?

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

That's correct, Steve

Steven Fleishman - *Wolfe Research - Analyst*

And so kind of given that is now done, I guess I'd like to get more color on how that plays into the up to \$1.3 billion and obviously, you still have other things in flux, but maybe just a little more color since we now have that specific update.

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

Sure. I think you just nailed the answer to that question. We do have a lot of things in flux. Our forecast -- our financing forecast when we pulled that together and disseminated it as part of our guidance in February, had a lot of puts and takes a lot of assumptions, and we're still navigating our way through that. So, I think it's a bit too early to give further guidance on our equity needs. Where we are today as we stand here, \$1.3 billion is the right number until certain things reach closure.

And can you just remind me the \$1.3 billion, like what the time frame was for that? Was that over the whole four-year period or --

That was the guidance that we've said over the next several years.

Several years. Okay. And yes, I think that's it for now. Thank you.

Thank you, Steve.

Operator

David Arcaro, Morgan Stanley.

David Arcaro - *Morgan Stanley - Analyst*

Good morning. Hey, thanks so much for taking my questions. Wanted to circle back on the FFO-to-debt enhancement slide. I was just wondering if like, have there been any changes in the underlying enhancements there or is this mostly just pulling in some of the known items and breaking them out more specifically here or has anything changed to the upside or downside?

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

Yeah, these are the major, I would say headlines, right. However, you know, things always change. One of the items that's not included in this slide that has materially developed is some of the tax benefits that we've been able to harvest has generated some cash refunds. So that 2024 alone, we had an inflow of tax refunds of about \$120 million.

The other thing that's noted that has not been quantified, but in my formal remarks I did give you a lot of our intel, is the rate increases. We have EGMA going in with a very sizable increase to start recovering the significant level of investments that we've made to that utility. And then we have the normal PBR rate mechanisms kicking in, and just yesterday we got the approval to increase rates at PSNH, \$61 million of interim rates, and within the next 12 months we hope to have the final decision with another rate change effective August 1, 2025. So that quantification would be further upside to this table that shown, David.

David Arcaro - *Morgan Stanley - Analyst*

Great. That's helpful color. Thanks. And the \$120 million that's not included in here currently. So that would be an upside?

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

Correct. That would enhance the numerator and enhance our operating cash flows.

David Arcaro - Morgan Stanley - Analyst

Okay, awesome. Thanks for that. And then I was just wondering on EGMA to, any issues that you would anticipate with this rate base step up? It's a pretty big increase, obviously, given all the investments that you've made in that system. I'm just wondering what your expectations would be with how challenging this case might be. And then to the extent you hit the cap subsequent increases?

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

Yes, we do expect that the cap and I would say what gives us comfort is the fact that this was all assumed as part of our settlement agreement when we acquired the company. We worked through with the regulators, the key stakeholders as to what the investments that that entity needed. And that's why we needed this rate base roll-in. This is the first of two rate base roll-ins that will kick in, the first one is we, as I just announced on the call this morning kicks in on November 1 of this year. And then the second one will kick in November 1, 2027.

David Arcaro - Morgan Stanley - Analyst

Okay, great. Thanks so much. Appreciate it.

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

Thanks, David.

Operator

Julien Dumoulin-Smith, Jefferies.

Julien Dumoulin-Smith - Jefferies - Analyst

Thank you guys very much, I appreciate it. Nice to chat with you guys again. Look, let me follow up on a couple of things that have been flagged here. Speaking of returns here, how do you think about the green shoots in Connecticut? I want to talk a little bit more on that thesis for a quick second. I suppose of the Yankee Gas filing at some point here, maybe late this year in December.

How do you think about that foreshadowing any elements of that cause for the 4Q '25, CL&P case, anything that you'd be watching any items there again, I get it electric versus gas, but curious on that front and then related, any items that you'll be watching on the PBR front, right. Given that's been kicked out here a little bit presumably a year or so. How do you think about the items that you'd be looking at there for those presumed green shoots as well. So, thank you guys, very much. Nice to chat.

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

Yeah, well, listen, I just will tell you that we have been spending a lot of time, significant outreach to over 100 communities that we serve there. We've spent a lot of time down there. We continue to work it. I think it's important and I think folks are beginning to understand just the type of

impact Eversource has in Connecticut. I mean, we employ over 5,000 people in that state, pay over \$300 million in taxes, and our reliability numbers are extraordinary. You know when we first did that merger deal, our months between interruptions was in 12.

Now we're over 24 months between interruptions. We're probably best in class down there in terms of reliability. So, I feel very good about that. But, you know, I wish I could tell you with certainty that, you know, everything is hunky dory, but it's not. We are taking a wait-and-see approach on it, but I will commit to you that my efforts as we have exited the wind business, you know it's narrowing down to my focus is Connecticut.

I spend a lot of time. I was there last week. Had an opportunity to spend some time with key decision-makers. I will continue to do that until such time as those relationships improve and that we can get some regulatory certainty on behalf of our customers and also our investors.

Julien Dumoulin-Smith - *Jefferies - Analyst*

Fair enough. I hear you on that one. And then maybe related here, how do you think about just the amortization period, to the extent which you get that \$600 and change in Connecticut here, presumably in that next rate case, how do you think about the time period that that recovery would entail. Again, I'm thinking with the FFO-to-debt to add on as you roll in out of that case?

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

Sure. So, the historical amortization period in Connecticut has been six years.

Julien Dumoulin-Smith - *Jefferies - Analyst*

Okay. So about \$100 million a year of uplift after you get that approved here.

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

Correct. As I mentioned in my formal remarks, we're also preparing to file our second prudency request for incremental storms that we've incurred. That's not part of the \$634. So we hope that filing goes in later this year.

Julien Dumoulin-Smith - *Jefferies - Analyst*

Exactly. And presumably, that would be also tried up in the next case such that would be incremental for kind of a '26 run rate?

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

That is correct.

Julien Dumoulin-Smith - *Jefferies - Analyst*

Okay, excellent. Thank you. See you guys soon.

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

Yes, hope so.

Operator

Paul Patterson, Glenrock.

Paul Patterson - *Glenmark Associates LLC - Analyst*

I wanted to follow up on the prodigal son's, Julien's question on Connecticut. The delay in the PBR case, what do you attribute that to? Is that just simply the complexity of the case? Or is there something else we should be thinking about?

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

Yeah, we're glad that it did get pushed out. We've been pushing for this it allows for us to bring in key stakeholders and collaborate with these key stakeholders in Connecticut to reach a very constructive PBR structure. We are very familiar with the PBR, what we have in Massachusetts. And recently, as I mentioned in my formal remarks, we're looking to introduce the same type of structure in New Hampshire.

Paul Patterson - *Glenmark Associates LLC - Analyst*

Okay. And then with respect to the transmission and everything, there's as you know, at FERC, the White House, et cetera, there's a lot of talk about the implementation of grid enhancing technologies, and a lot of lawmakers from New England, what have you, seem to be pushing for this as well, DOR or what have you. And I'm just sort of wondering how you think about those technologies, I guess and what kind of opportunities do you see there or issues or any color that you might give with respect to that given your build-out and everything that you're looking at doing?

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

Sure. I mean, we've been active participants in these forums. And I think as you know the one attractive piece of Eversource is that over 40% of our business is FERC related and transmission. So we're very good at it. I think we probably have the best engineering talent in the industry and any type of technology, or deployment of technology, or opportunities I can promise you that Eversource will be at the forefront of them.

Paul Patterson - *Glenmark Associates LLC - Analyst*

Okay. I appreciate it. Thanks so much my question's been answered. Thank you.

Operator

Anthony Crowdell, Mizuho.

Anthony Crowdell - *Mizuho Securities USA LLC - Analyst*

Good morning. I feel like the prodigal son older brother that got nothing. I guess just quickly apologize to just keep going back to slide 11 and just for clarification, is the right way to look at this, the \$600, the top four plus two, you're saying goes in the numerator on FFO and what's on the bottom below that green line or the green table there, the 2.6 goes on the denominator?

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

Correct, which would be permanent as we offload our debt with that. And then on the numerator side of it, once again, as I previously mentioned, those numbers only reflect cash inflows for '24 and '25. Obviously, these deferrals will continue beyond that period.

Anthony Crowdell - Mizuho Securities USA LLC - Analyst

Great. That's all I had. Thanks for taking my questions.

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

Thank you.

Operator

Travis Miller, Morningstar.

Travis Miller - Morningstar - Analyst

Yeah, I'm just going to go one quick clarification here on slide 11, again. The \$200 million for the storm cost recovery, that primarily is the New Hampshire numbers, right? Or is it something else?

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

New Hampshire. No it's both Massachusetts and New Hampshire.

Travis Miller - Morningstar - Analyst

Okay, that's being debated. That's part of the prudence review right now.

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

No, there's multiple things happening in Massachusetts. So, we do have a prudence review happening in Mass. These costs have already been approved and in rates for Massachusetts. The one in New Hampshire, yes, a good chunk of that. We filed for \$240 million. That's going through the prudence review there. That will kick in right around the time that permanent rates goes into effect, which will be in 2025. So there is a piece of that in here. And as I mentioned, both Massachusetts and New Hampshire have a five year recovery window.

Travis Miller - Morningstar - Analyst

Got it. Okay. So that kind of goes into that bucket of the filed rate increases to come?

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

Only, right.

Travis Miller - Morningstar - Analyst

Correct. Yes. Okay, very good. And then just high level, the New Hampshire legislation, the IDP, what's your thought on how that changes your planning, how that might enhance growth CapEx, just some high-level thoughts on how that could benefit either your financing plan or your CapEx growth over the next five plus years?

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

Yeah, we were very pleased. I mean that legislation goes hand in glove with our entire operation. I mean the integrated planning and the type of clarity that's needed as we begin to advance our investments, I think that was really a very, very positive step for us. And it's something that, it's what we're all about. We're about collaboration, and that's what's so refreshing up there in New Hampshire, as well as Massachusetts around collaboration that we understand what's important to those administrations, and that's what we're delivering on.

Travis Miller - Morningstar - Analyst

Okay, great. And I appreciate your question.

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

And as I mentioned Travis, our New Hampshire customers, have experienced the benefit from those investments that we've made.

Travis Miller - Morningstar - Analyst

Sure. Okay. Thank you.

Operator

Ryan Levine, Citi.

Ryan Levine - Citigroup - Analyst

And just two quick clarifying questions in terms of the GIP deal in your comments, should we assume that there's no earn-out or call back that will be triggered based on the cost estimates that you laid out and then in terms of the free cash flow metrics, part of the disclosure talks about gross proceeds. Is there any material adjustments that we should be looking at to get to a net number that would actually reflect the actual FFO-to-debt metric?

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

As I mentioned in my formal remarks, Ryan, as we saw with the Sunrise, we have to reconcile to the CapEx that was embedded in the original purchase price. But that in and of itself will not have any impact on our financing plan. We spend less than what we thought the purchase price comes down, we spend more than what we had agreed to the purchase price increases.

So really no impact whatsoever. As it relates to the Revolution, as we've been saying right along, there is a potential contingency that we would be subject to, from a construction standpoint that we have to be mindful. But as I mentioned so far the construction activity has gone pretty well.

Ryan Levine - Citigroup - Analyst

Okay. And then in terms of the gross versus net receipt disclosure in your FFO-to-debt targets for the next three years or a three-year window there, is there any material adjustment to the gross proceeds that could be reflected?

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

Not as of right now we don't see that had never, no, no, not nothing. Because once we close the transaction the funding obligation flips to GIP.

Ryan Levine - Citigroup - Analyst

Okay. So, no tax taxes or anything along those lines. Appreciate it.

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

Okay.

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

Thank you.

Operator

Thank you, there are no additional questions waiting at this time. So I'd now like to pass the conference back over to Matthew for closing remarks.

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

Yeah, thank you, everybody, for joining us this morning. And I know you had a lot of opportunities for other earnings calls, and I'm grateful you joined the Eversource earnings call, and I hope you all get a chance to recharge the batteries, and I get a chance to see all of you at EEI in the fall. Have a great day.

Operator

That concludes today's conference call. Thank you for your participation. You may now disconnect your lines.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All Rights Reserved.