

02-May-2025

Eversource Energy (ES)

Q1 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and thank you for standing by. Welcome to the Eversource Energy First Quarter 2025 Earnings Call. At this time, all participants are in listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded.

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

Rima Hyder

Vice President-Investor Relations, Eversource Energy

Good morning and thank you for joining us today on the First Quarter 2025 Earnings Call. During this call, we'll be referencing slides that we posted this morning on our website. As you can see in 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 we posted last night and in our most recent 10-Q and 10-K. Speaking today will be Joe Nolan, our Chairman,

President and Chief Executive Officer; and John Moreira, our Executive Vice President and Chief Financial Officer and Treasurer. Also joining us today is Jay Buth, our Vice President and Controller.

I will now turn the call over to Joe.

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

Thank you, Rima. Good morning, everyone, and thank you for joining us today for our first quarter earnings call. I am pleased to share our results and discuss the progress we have made towards our key initiatives in the first quarter of this year. This quarter, we saw strong growth across our transmission and distribution businesses versus last year and we are pleased to reaffirm our 2025 EPS guidance as well as our long-term EPS growth rate of 5% to 7% through 2029.

As shown on slide 4, as a pure-play pipes and wires regulated utility, we are uniquely positioned to leverage our strengths in transmission and distribution investment opportunities. Our regulated status provides stability and predictability, allowing us to focus on long-term growth and sustainability that will continue to deliver on customer expectations. Over the five-year forecast period, we are projecting rate base growth at 8%, with numerous additional opportunities outside of this forecasted period. As shown here, the composition of our rate base is strategically shifting toward higher distribution spend in Massachusetts, primarily to meet the state's electrification goals set in the electric sector modernization plan, and conversely, the reduction of capital investment in Connecticut.

We are excited to partner with the Commonwealth of Massachusetts on its decarbonization strategy and to make necessary investments to meet these goals and enhance reliability. We have strong investment opportunities beyond our five-year forecast period. We were pleased to see that ISO New England recently issued a new RFP to solicit longer term proposals from transmission operators to address the region's future load growth in connection with their 2050 transmission study. We are examining numerous opportunities and we look forward to working with ISO New England on this unique opportunity to address the region's energy transition and maintain system reliability.

Another area of growth for us is the acquisition of the Mystic Site in Everett. With its strategic location, flexibility and existing infrastructure, this facility stands out as one of the most promising multi-use interconnection points for a wide range of energy resources in New England, representing a unique opportunity to support the region's energy goals, spur economic development and create jobs. These future transmission and distribution opportunities give us confidence for growth for years to come, as well as ensuring that our customers receive safe and reliable service.

At the heart of our operation is our commitment to customer innovation and affordability. We continue to invest in advanced technologies and innovative solutions that enhance the reliability and efficiency of our transmission and distribution networks. Our focus on affordability ensures that we deliver value to our customers while maintaining reasonable rates. We have launched several initiatives aimed at improving customer experience and reducing costs in the long term.

As shown on slide 5 in Massachusetts, our AMI project remains on track, with significant progress made on standing up, integrating and testing the necessary systems. We began deployment on AMI communication network in the western Massachusetts at the start of this year and it's now 40% complete. We expect to complete the AMI network before the first smart meter is deployed in July. We are excited about this technology and how it

will empower customers to make data-driven decisions about their energy usage and provide customers with more control than ever before.

Additionally, with feedback from our customers through our robust Voice of the Customer program we have implemented many user experience enhancements, including redesigning and streamlining the digital customer experience for managing their account needs. More importantly, we added greater functionality and created a new redesigned account overview page on our website, making it easier for our customers to compare their bills and better understand their usage. Helping our customers understand their bill, educating them on energy-related topics and making it seamless for customers to interact with Eversource is a key objective for us.

On the regulatory front, we continue to make progress across three states. Earlier this year, there was a call to action in Massachusetts from our customers, communities and state policymakers to address affordability, stabilize rates and provide transparency on energy bills. This was in response to high gas bills following the rate adjustments and increased demand due to a very cold winter. In collaboration with state leaders, we developed a plan to reduce winter rates for our gas customers by approximately 10% to smooth bill impacts during high usage periods, which went into effect beginning March 1.

We have also organized many events to work with and educate customers and communities we serve about the various options they have to manage their bills, including energy efficiency programs. We recognize there's more to do to address transparency and affordability, and we are actively working with the administration, legislators, communities and regulators on long-term solutions to smooth rate shocks and address affordability.

In Connecticut, PURA commissioners Marissa Gillett and David Arconti have been confirmed by the state legislature and we look forward to working with them to ensure customers continue to receive the safe, reliable electric, gas and water delivery services that they have become accustomed to over the years. In New Hampshire, we look forward to working with the new administration and partnering with them on meeting their energy goals. We continue to execute on many fronts to strengthen our balance sheet. One of our key strategic initiatives was to divest Aquarion Water, which is anticipated to close by the end of the year. Last month, we filed for regulatory approval in all three states. The Aquarion proceeds, along with our regulatory recoveries, will enable us to improve our FFO to debt ratio from 2024 levels.

Turning to a brief update on offshore wind and Revolution Wind project, we are pleased to report that the construction of the onshore substation, which Eversource continues to oversee, is progressing very well. The onshore substation is the critical path to the project going into service. We continue to monitor the project's overall construction progress closely.

Currently, given the latest construction updates and cost estimates, we have been provided – we have concluded that we do not need to change the contingent liability that we recorded in the third quarter of 2024. In summary, our first quarter results reflect unwavering commitment to customer innovation, affordability, financial strength and sustainability. We are focused on our 2025 key priorities as shown on slide 6 and the first quarter results clearly demonstrate our successful execution of these goals, showcasing our commitment to sustained growth and strategic vision as a pure-play pipes and wires regulated utility.

We are confident in our ability to continue driving value for our customers and shareholders as we move forward. Our prudent and longstanding approach to financial and operational management ensures that we can continue to invest in critical infrastructure and innovation, while delivering consistent returns to our shareholders. Thank you for joining us today.

I will now turn the call over to John Moreira to discuss our financial results.

John M. Moreira

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

Thank you, Joe, and good morning, everyone. This morning, I will review first quarter earnings results, provide a regulatory update and also discuss our balance sheet, progress and credit metrics. I'll start with our first quarter results on slide 8. GAAP and recurring earnings results for the first quarter were \$1.50 per share compared with GAAP and recurring earnings of \$1.49 per share last year. Higher utility earnings were largely offset by a decrease in parent and other earnings.

Starting with transmission, higher electric transmission earnings of \$0.04 per share were due to increased revenues from continued system investments to address agent infrastructure, reliability and load growth, partially offset by the impact of share dilution. Higher electric distribution earnings of \$0.03 per share benefited from grid modernization and system improvement rate mechanisms. Additionally, base distribution rate increases in New Hampshire and Massachusetts provided timely recovery of investments. Partially offsetting these revenue adjustments were higher property taxes, interest, depreciation and share dilution.

The improved results of \$0.06 per share at Eversource's Natural Gas segment were due primarily to higher revenues from continued investments to replace aging infrastructure, resulting in base distribution rate increases at our Massachusetts gas businesses, including the EGMA rate base roll-in that became effective November 1, 2024 in accordance with the 2021 settlement agreement. Offsetting these higher natural gas revenues were higher O&M, interest, depreciation, property taxes and the impact from share dilution.

Water earnings were comparable year over year as the first quarter is typically a very low usage period. Eversource parent losses increased \$0.12 per share in 2025. Lower results were as expected, primarily due to higher interest expense and the impact from the absence of capitalized interest associated with our former offshore wind investment. Overall, our first quarter earnings were in line with our expectations and we are pleased to start 2025 with such a solid performance.

Moving to our key regulatory items as highlighted on slide 9. Starting with New Hampshire, where we currently have a pending rate proceeding. Hearings in this proceeding are scheduled to start next week. In addition to recovery of previous system investments and deferred storm costs, we have proposed implementing a four-year performance based ratemaking plan, including a capital support mechanism that would adjust rates annually. We anticipate a final decision in July for rates to become effective August 1.

In Massachusetts, on November 1, 2025, new rates will be effective for NSTAR Gas under the annual PBR adjustment and a rate base rolling. In addition, rates reflecting the second phase of the 2024 rate base rolling for EGMA of approximately \$62 million. Moving to Connecticut, we are pleased to report that the average CL&P residential customer will see a 6% reduction on May 1 due to the implementation of the annual rate adjustment mechanism. We appreciate the progress made by PURA from the proposed decision to the final decision to provide customers with this benefit.

Also in Connecticut, we have an ongoing Yankee Gas rate case where we seek to recover a revenue deficiency of \$209 million, reflecting critical investments and cost increases since our previous rate review in 2018. Hearings are scheduled for June, with a final decision scheduled at the end of October for rates effective November 1 of this year.

Next, let me reaffirm our five-year capital plan of \$24.2 billion, as shown on slide 10, which reflects our five-year utility infrastructure investments by segment. This plan is a 10% increase over the last five-year plan. As a reminder, this forecast includes only those projects that we have a clear line of sight on from a regulatory approval perspective. The plan includes nearly \$7 billion of transmission infrastructure investments over the next five years, greatly enabled by efforts in Massachusetts last year, including the state's clean energy bill that reformed siting and permitting of energy facilities as well as the Massachusetts Department of Public Utilities' approval of the Electric Sector Modernization Plan or ESMP.

It also includes the Greater Cambridge Energy Project that commenced construction earlier this year. As a reminder, this project consists of a 35,000 square foot underground substation at a projected capital cost of \$1.8 billion, with nearly 80% of this investment to be recovered through our transmission tariff. Turning to electric distribution, the capital forecast reflects over \$10 billion of planned utility infrastructure investments, with investments related to Massachusetts' operations making up 60% of this capital plan. This includes \$850 million for the AMI program in Massachusetts that Joe discussed.

We have already realized significant benefits for our customers from the new billing system implemented to support AMI and we look forward to providing customers with additional benefits as we begin meter installation later this year. In addition to our base capital investment forecast, we continued to see opportunities that could provide additional investments in the range of \$1.5 billion to \$2 billion within the forecast period and as Joe mentioned, we have other growth opportunities that could materialize towards the back end of our forecast period and beyond.

Let me now turn to the subject of potential tariffs and how they could impact our O&M and capital investment plan. First, we see minimal, if any, impact on our operation and maintenance expense. Secondly, we could potentially see cost increases resulting from the tariffs impacting our capital investment plan, but we expect them to be manageable. While tariffs are disruptive to our supply chain, we have been managing through supply chain disruption for the past five years, especially through the pandemic years.

The work we have done to expand and diversify our supply chain prior to the tariffs has positioned us well to mitigate this potential tariff risk. Through this strategic planning, we have almost no direct exposure to China, where the tariff impact is slated to be the highest. Overall, we believe the potential cost increase to our capital projects will be approximately 3% to 6%. Should these potential tariffs put pressure on inflation, keep in mind that in Massachusetts, where we currently have performance-based rates that include an inflationary adjustment, which would allow us to recover a portion of this inflation impact. In addition, we have proposed PBR rate mechanisms in the PSNH and in the Yankee rate filings.

Turning to slide 11, to efficiently finance our customer focused investments, we have taken a number of steps to enhance our cash flow position and improve our balance sheet profile. Our plan to enhance our cash flows is well balanced alongside our equity needs of \$1.2 billion, the majority of which we expect to issue towards the back half of our five-year forecast period. This plan also supports our FFO to debt ratio target, which we expect to improve significantly over 2024 actual results and certainly above the rating agency downgrade thresholds. We continue to expect our FFO to debt targets for 2025 to be well above 100 basis points over the rating agency thresholds. As you can see on the slide, we have provided you with the rating agency thresholds at both S&P and Moody's, as well as the actual 2024 results.

As we shared with you last quarter and as shown on slide 12, we have executed on all of the items necessary to improve our cash flows and strengthen our balance sheet. Next, I will turn to 2025 earnings guidance on slide 13. With the first quarter in the books, we are reaffirming our 2025 recurring earnings per share in the range of \$4.67

to \$4.82 and our long-term EPS growth rate of 5% to 7% off of a 2024 base. Our EPS growth profile will continue to strengthen as we execute on the strategic plan with customer-focused transmission and distribution infrastructure investments recovered through constructive rate mechanisms. In addition, the progress with the recovery of deferred storm costs throughout the system and continued O&M cost discipline provide a solid foundation for Eversource to return value to our investors for years to come.

I will now turn the call over to Rima to begin the Q&A session.

Rima Hyder

Vice President-Investor Relations, Eversource Energy

Thank you, John. Marvin, we are ready for question and answers now. Thank you.

QUESTION AND ANSWER SECTION

Operator: Thank you. At this time, we will conduct the question and answer. [Operator Instructions] Please limit yourself to one question and a follow-up. Please stand by while we compile the Q&A roster. Our first question comes from the line of Durgesh Chopra of Evercore ISI. Your line is now open.

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

Good morning, Durgesh.

Durgesh Chopra

Analyst, Evercore ISI

Hey, good morning, Joe. Thanks for [indiscernible] (00:36:44) time. Good morning, John. Guys, just appreciate the tariff commentary. We've been getting a lot of questions on the offshore project, obviously under construction. Can you just frame for us if you already have the equipment on hand? I know there's one monopile that is being manufactured. There's also some storage, some equipment you've stored in Canada. Maybe just a little bit more color on the tariff exposure to Revolution, please.

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

Sure. Appreciate the question. We have all items procured. There is, as you mentioned, there is a monopile that's being constructed that we do expect in the fall. But the remaining items, even the item that is the substation that's being stored in Canada, has already [indiscernible] (00:37:36) in the United States. It's already been here. So, we don't anticipate or expect any tariff-related challenges of anything around Revolution other than there is one monopile that is coming that's under construction, but we feel very good about it.

As we had mentioned, this project is very, very mature. It's going on very, very well, its construction. I'm very, very pleased with the progress. As you know, we do oversee the construction of that substation in Rhode Island and I will tell you that both John and I get daily updates on the progress. And I'm very, very impressed with the team down there and what they've been able to do to bring that station to fruition. So, we don't feel as though there's going to be anything that's going to challenge us around tariffs as it relates to Revolution. But Durgesh, I also want to talk you a little bit about our business and some of our capital investments.

When COVID hit, we made a concerted effort to go and kind of fill the warehouses with a lot of components and parts that might be challenging to get. So, fortunately, Eversource is blessed with a very robust warehouse operation that hopefully will insulate us from anything that's very, very challenging. But again, it is an issue we need to look at. We do look at it all the time, John. It does oversee the warehousing and procurement. So, it's in very, very good hands. And I know that he'll do everything he can to mitigate any risk that tariffs could have on the company.

Durgesh Chopra*Analyst, Evercore ISI*

Q

Got it. Got it, Joe. That's very thorough. Thank you. Sounds like you don't see it as a major risk. Okay. Really quickly shifting gears, Aquarion still on track for year-end and then what kind of regulatory approval timeline, as you think about approvals through different states should we be expecting, please? Thank you.

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

A

Sure. Yeah. The Aquarion filing has been made. We anticipate that that transaction will close in 2025. We don't see any bumps in the road. As you know, we will pass through Connecticut, Massachusetts and New Hampshire, the regulatory bodies. But it's a pretty straightforward filing. And I think that obviously when you look at the buyer of the assets, they're a very competent buyer that has – is already operating in the jurisdiction. So, we don't see any issues at all.

Durgesh Chopra*Analyst, Evercore ISI*

Q

Got it. Is there a specific timeline for Connecticut to rule on this?

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

A

Yes, they have. The timeline would be October. So, five months range.

Durgesh Chopra*Analyst, Evercore ISI*

Q

Thank you.

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

A

All righty.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Shar Pourreza of Guggenheim Partners. Your line is now open.

James Kennedy*Analyst, Guggenheim Securities LLC*

Q

Hey, guys. Good morning. It's actually James on for Shar. Happy Friday.

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

Good morning, James.

A

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

Good morning, James.

A

James Kennedy*Analyst, Guggenheim Securities LLC*

Good morning. So, maybe just starting off in Connecticut, a lot of moving pieces on the legislative front. I think one of them is securitization potentially for the storm cost rig assets. I guess if you receive that, would it change your thoughts on the timing, the quantum of the current ATM equity? I think you had said back half, but just any kind of thoughts there for us?

Q

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

Yeah. Hey, James, this is John. Yes. So, obviously, as I communicated in February, we did not assume securitization as part of our financing strategy. But certainly, if we get that and we get that cash in the door on an accelerated basis, we would revisit our equity needs at that point in time.

A

James Kennedy*Analyst, Guggenheim Securities LLC*

Okay, perfect. And then just any updated thoughts or expectations for movement in the AMI process at this point?

Q

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

Well, that docket, James, is under the final what we did file for reconsideration to try to get some clarity and some certainty around the recovery of dollars that we might spend. And so we'll see how that plays out there. But we just want to get comfortable. Obviously we will spend what Connecticut wants us to spend. But we do need to have line of sight on recovery.

A

James Kennedy*Analyst, Guggenheim Securities LLC*

Excellent. Thanks, guys. I will leave it there.

Q

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

Thank you.

A

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

Thank you.

A

Operator: Thank you. One moment for our next question. Our next question comes from the line of Carly Davenport of Goldman Sachs. Your line is now open.

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

Good morning, Carly.

A

Carly Davenport

Analyst, Goldman Sachs & Co. LLC

Hey. Good morning.

Q

John M. Moreira

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

Good morning.

A

Carly Davenport

Analyst, Goldman Sachs & Co. LLC

Thanks for taking the questions. Maybe just to follow up on Connecticut, just could you provide your latest thoughts just around some of the noise on the forward composition of PURA, just in terms of filling those other two seats, anything you can share and how you're thinking about the timing of when potentially we could get some certainty on that piece?

Q

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

Yeah, great question. We are indifferent on whether it's three or whether it's five. We do feel as though there's a movement that hopefully we will see some activity down there on that and get some clarity. But unfortunately, I cannot predict for you when we might see it or whether it's three or whether it's five. We are obviously eager for a stable regulatory climate in that jurisdiction. So, we'll continue to monitor it and we will hope that we do get a transparent regulatory environment that allows us to continue to operate in that state.

A

Carly Davenport

Analyst, Goldman Sachs & Co. LLC

Great. Appreciate that. And then maybe just shifting to the balance sheet and FFO to debt, appreciate the detail that you shared in the slides there. Just anything you can provide in terms of conversations, in particular with Moody's in terms of what they need to see to sort of shift from the negative watch and how you feel about the path to executing on that goal.

Q

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

Yes, Carly, I would say what they need to see is us to continue to execute on our plan that we have put before them. We're going through a refresh of that plan next month with all three agencies. But suffice it to say, as you'll see in our first quarter statement of cash flows, you'll see a significant improvement in our operating cash flows. And it's really execution of what we've been saying for the past year. The recovery of previously under-recovered regulatory costs have come in and will continue to come in. That in and of itself is probably will generate and benefit FFO to debt and Moody's of about 300 basis points. So, everything that we've been executing on, everything that we've been communicating to you all has materialized and will continue to materialize.

A

Carly Davenport*Analyst, Goldman Sachs & Co. LLC*

Great. Thank you for the color.

Q

Operator: Thank you. One moment for our next question. Our next question comes from the line of Jeremy Tonet of JPMorgan Securities. Your line is now open.

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

Hey, Jeremy.

A

Jeremy Tonet*Analyst, JPMorgan Securities LLC*

Hi.

Q

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

Good morning, Jeremy.

A

Jeremy Tonet*Analyst, JPMorgan Securities LLC*

Good morning. Thank you for the color here today. Just want to pick up with the FFO to debt commentary that you provided in the slide there. Just wondering if you had thoughts you could share with regards to where you think you would land in 2026 FFO to debt and both agency metrics there?

Q

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

Sure. I mean, the groundwork that we've laid to get us to a much better spot in 2025, that will continue with the reduction of about \$2.4 billion of debt just related to the Aquarion sale. That's going to continue to persist. And what I think is very, very important for you all to understand is that this huge under-recovery, what's really important and what I feel so optimistic about and confident is that the future costs and rates have been set to align with those costs. So we should not see significant swings in under-recoveries in the future. So that – having that sustainable cost incurred with the revenues to match it is a major, major benefit for us.

A

Jeremy Tonet*Analyst, JPMorgan Securities LLC*

Got it. And so I guess, do you expect FFO to debt will improve from the numbers outlined in 2025, the 100 bps cushion?

Q

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

Our FFO to debt will continue to enhance. Obviously with the debts contingent, we have to look at where our capital forecast is over a five-year period. As I've communicated to you as well, there's potentially \$1.5 billion to \$2 billion kind of sitting on the sidelines and that we'll hope to have clarity certainly within the next 6- to 12-month period. And as we typically do, we'll update you all in our financing plan annually.

A

Jeremy Tonet*Analyst, JPMorgan Securities LLC*

Q

Got it. Thank you. And then just as it relates to the RevWind cost estimates, just wondering, I guess, how the process works with Ørsted there? You guys kind of work together in formulating those estimates – those expectations of tariff impacts. And we would expect them to kind of stay the same or are they independent processes. Just wondering if how that process works.

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

A

No, it's a collaborative. We get updates, as Joe mentioned from them. They share their forecast update routinely. So, we're much aligned. Obviously, the deal that we struck with GIP gives us that line of sight and clarity. So, we have access to Ørsted and we're constantly engaged with GIP.

Jeremy Tonet*Analyst, JPMorgan Securities LLC*

Q

Okay, great. Thank you. I'll leave it there.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Sophie Karp of KBCM. Your line is now open.

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

A

Good morning, Sophie.

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

A

Good morning.

Sophie Karp*Analyst, KeyBanc Capital Markets, Inc.*

Q

Good morning. Thank you for taking my question. I was wondering about the upcoming Millstone recontracting, right. So, kind of along the lines of would that present an opportunity to either maybe improve affordability for ratepayers or at least make it clearer to ratepayers from Connecticut what they're paying for? Because I think right now, it's rolled into something called public benefit charge and from the PR standpoint, would that benefit you in any way?

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

A

Yes. I mean, as that contract is up in 2029, obviously, having 1000 megawatts of clean energy and baseload generation in the region is helpful and in a region where we are actually losing generation. So, it's very helpful. But I think it's too early right now, Sophie, to be looking at that contract and maybe what's going to happen going forward. As you know, this was a desire of the administration, the previous administration, to contract for this power. And we'd have to work collaboratively with the administration on what's important to them.

Sophie Karp

Analyst, KeyBanc Capital Markets, Inc.

All right. Thank you very much. That's all for me.

Q

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

Welcome. Thank you.

A

John M. Moreira

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

Thank you, Sophie. Operator: Thank you. One moment for our next question. Our next question comes from the line of Anthony Crowdell of Mizuho. Your line is now open.

A

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

Good morning, Anthony.

A

Anthony Crowdell

Analyst, Mizuho Securities USA LLC

Hey. Good morning.

Q

John M. Moreira

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

Good morning.

A

Anthony Crowdell

Analyst, Mizuho Securities USA LLC

Hey, good morning. Let's go Knicks, right? I think I heard that in the background.

Q

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

We'll see what happens on Monday.

A

Anthony Crowdell

Analyst, Mizuho Securities USA LLC

Hey, I don't think the Knicks have a chance. But just some odds and ends, in Connecticut, the securitization, the public benefit and the storm cost recovery, are those rolled up together in same legislation or it's not decided yet?

Q

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

Well, yeah, no, it is it is rolled up. I mean, not that it would be allowing securitization for storm cost, but in [ph] SB 1560 (00:49:53), all of those issues are discussed and contemplated. So, but again, that's just to allow the recovery of storm cost. As you know, we do have a prudence review underway at PURA and we'll continue to work through that process. But it's going very, very well.

A

Anthony Crowdell*Analyst, Mizuho Securities USA LLC*

Q

Great. And then if I move to Massachusetts, I think on Wednesday, there was a Berkshire Gas decision that maybe changed some of the rules on [indiscernible] (00:50:26) GSEP. Does that impact you guys or what kind of exposure do you have with the new rules on the GSEP?

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

A

Well, the GSEP filing impacted NSTAR Gas and EGMA, Anthony, where they lowered the ceiling from 3% cap to 2.5%. So, in and of itself, I don't see that as something that's devastating. We can certainly manage to that. Obviously, our focus will continue to make sure that we provide safe and reliable gas services to our customers. That's first and foremost. I mean, once again, I think, we're still going through that review process and we haven't determined what action we would take. So, I think it's a bit early in that process. So, there's more to come, but we don't see that as a major impact to us. It's not as though they don't want us to make the investments. They continue to support it, which is – but they're basically saying, hey, consider all their non-pipe alternatives. So, that's really what the message and what they've communicated to us and we're very supportive of that concept.

Anthony Crowdell*Analyst, Mizuho Securities USA LLC*

Q

Great. And if I could just squeeze one more in. It follows up off Durgesh's question earlier. Have you guys stated what percentage of the Revolution project is complete? 50%, 40%, 30%? Have you guys quantified what percent of the project is completed?

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

A

We have not. I will just tell you that construction is going very, very well.

Anthony Crowdell*Analyst, Mizuho Securities USA LLC*

Q

Great. Thanks for taking my questions and Knicks in 7.

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

A

Thank you.

Operator: Thank you. One moment for our next question. Our next question comes from line of Travis Miller of Morningstar. Your line is now open.

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

A

Good morning, Travis.

Travis Miller*Analyst, Morningstar, Inc. (Research)*

Q

Thank you. Good morning, everyone.

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

Good morning.

A

Travis Miller*Analyst, Morningstar, Inc. (Research)*

Sticking on the regulatory under-recoveries, I wonder if you could just give a little bit of a list here, what you got in in the first quarter and the ones you expect or what you expect to get in over the next, say, two quarters or even through the end of the year? The New Hampshire one is outstanding. Connecticut's a bit outstanding, but...

Q

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

I would say the most significant one, Travis, is the [indiscernible] (00:52:52), which recovered some of the Millstone, Seabrook, kind of all the public benefits charge, some bad debt recovery. As you know, we had a \$900 million rate increase to collect those under-recoveries and to set rates for the current year at a much more reasonable level. So, that was a \$900 million rate increase that went live July 1. Okay. So – and that runs from July through April 30 of this year.

A

And then recently, as I may – as I stated in my formal remarks, we just got the final decision on the RAM for this year that will go live May – that went late May 1, which lowered the recovery by \$142 million. So, we have very good line of sight. But suffices to say in that 300-basis point that I just mentioned, that includes the bulk of the RAM decision on recovery of those costs.

Travis Miller*Analyst, Morningstar, Inc. (Research)*

Okay. And then the New Hampshire and then any kind of result...

Q

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

Yeah. I think...

A

Travis Miller*Analyst, Morningstar, Inc. (Research)*

...for Connecticut.

Q

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

I would characterize it in this fashion. Massachusetts and New Hampshire, we have timely recovery. So, they could, within a very short period of time, readjust rates, whether it's no recovery or under-recovery and they're not significant balances, Travis.

A

Travis Miller*Analyst, Morningstar, Inc. (Research)*

Yeah. Yeah. Okay. Very good. And then just real quick, that \$1.5 billion to \$2 billion CapEx opportunity, anything different or changed in that bucket since last quarter or since February?

Q

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

A

Well, there's – we always continue to progress and look at it. It's a little bit early and obviously embedded in that is the AMI in Connecticut and I think Joe addressed that.

Travis Miller*Analyst, Morningstar, Inc. (Research)*

Q

Okay. Very good. Thanks a lot.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Julien Dumoulin-Smith of Jefferies. Your line is now open.

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

A

Good morning, Julien.

Julien Patrick Dumoulin-Smith*Analyst, Jefferies LLC*

Q

Hey. Good morning, team.

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

A

Hey.

Julien Patrick Dumoulin-Smith*Analyst, Jefferies LLC*

Q

Hey, how are you guys doing?

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

A

Great.

Julien Patrick Dumoulin-Smith*Analyst, Jefferies LLC*

Q

Good. Excellent. Thank you for the time. Look, I just wanted to come back to where Jeremy was a second ago. If we could talk a little bit more about the FFO to debt numbers and just trying to understand like the numerator and denominator a little bit because clearly hearing your comments about the 100 basis points of latitude. Just wanted to understand a little bit more about how you're seeing that happen. Because if I remember right, I think last quarter, you guys were talking about this – I think it was a 45% number on improvement in operating cash flows. So, it's a good – I think that was a good proxy for thinking about the numerator improving. But is that still the case or how do you think about the debt moving versus the CFO to get to that 100 basis points of latitude you talk about from the 9%?

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

A

Julien, I would say that the enhancement in cash flows is obviously [indiscernible] (00:55:51) when you look at the calculation, it's much more impactful to have \$1 come in in cash flows than it is to have \$1 reduction in debt. So, the improvement and I stated in my formal remarks that we are looking to be well over 100 basis points, not only for 2025, but on a sustainable basis throughout our forecast period, driven by enhanced cash flows from operations.

Julien Patrick Dumoulin-Smith

Analyst, Jefferies LLC

Is the 45% still – is still relevant, though, right?

Q

John M. Moreira

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

Yeah. I mean...

A

Julien Patrick Dumoulin-Smith

Analyst, Jefferies LLC

Or is it better than that now?

Q

John M. Moreira

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

Like, I mean, I haven't done the math recently, but it's probably slightly enhanced. And as I said, you'll see when we file our 10-Q on Monday, you'll see that there's been about a \$750 million improvement quarter over quarter in our cash flows from operations. So that's very sizable and that moves the needle quite a bit.

A

Julien Patrick Dumoulin-Smith

Analyst, Jefferies LLC

Got it. All right. Awesome. Thank you guys for that. I appreciate it. And then quickly, if I can come back just a little bit nitty-gritty here, but [indiscernible] (00:56:54) cleanup. On the corporate drag, just to talk about that super quickly. [indiscernible] (00:56:59) \$0.16 drag. And I think for full year 2024, you had about \$0.16. How do you think about 1Q being a run rate versus what's in there that you should be excluding? Right. Like, there's a lower tax rate, some other dynamics here. What should we be watching from the – taking away from that? I know you mentioned in some – in the prepared remarks, but I'm curious if there's anything you'd flag, like kind of what to glean from the 1Q for full-year corporate?

Q

John M. Moreira

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

So, let me start by saying that items that run through the parent and other category, that segment is becoming less items that are impacting. It's really two. It's interest and taxes. For the \$0.16 impact in Q1 of 2025, let me remind you, in Q1 of 2024, we were still capitalizing interest on the offshore wind. That has now tailed off effective Q3, with the sale – the final sale to GIP. So, we will see a bit more of an impact in the first couple of quarters until we catch up. In addition to first quarter, we didn't have the full impact of the \$1.4 billion holding company debt that we issued in mid-April. So, this quarter, you're seeing the full brunt of both of those items. As we progress through the year, year over year, quarter over quarter, it'll be far less significant. The only item that will create that is the tax benefits. And as I said, those tax benefits are typically recognized in Q3 and Q4.

A

Julien Patrick Dumoulin-Smith

Analyst, Jefferies LLC

Q

Got it. So, is there a good full year tax rate you'd be running with given those benefits that you talk about in the back half of the year?

John M. Moreira

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

A

Yeah. So, our tax rate for 2025 is in the range of 22.5% to 23.5%. Last year it was in the upper teens.

Julien Patrick Dumoulin-Smith

Analyst, Jefferies LLC

Q

Yeah, no, absolutely. Okay. That includes everything [indiscernible] (00:59:06). All right. Excellent, guys. Hey, thank you so much for your time and patience today. Have a great day, guys. Great job.

John M. Moreira

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

A

Thanks.

Julien Patrick Dumoulin-Smith

Analyst, Jefferies LLC

Q

Thank you.

Operator: Thank you. One moment for our next question. And our next question comes from the line of Paul Patterson of Glenrock Associates. Your line is now open.

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

A

Good morning, Paul.

Paul Patterson

Analyst, Glenrock Associates LLC

Q

Hey, good morning. So a lot of questions have been answered, but just really following up on the PBR, assuming that these guys get it done by the end of the year, as you mentioned in the prepared remarks, when do you think that the first practical impact on rates would be experienced? If – I mean, if you can, if you have a sort of a rough estimate as to when we might see it actually impacting you, if you follow what I'm saying, as opposed to just the...

John M. Moreira

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

A

Yes, sure, sure thing, Paul. So, the first thing is you have to file a rate case, number one. Right. And in the Yankee case, we currently have proposed a PBR structure, so we were proactive. So, we need to see how things continue to pan out. We did see a revise to our proposal at the end of February, so we hope to see a draft and a final decision kind of mid-year, July timeframe, July, August timeframe. So I think we still have more to come.

Paul Patterson

Analyst, Glenrock Associates LLC

Q

Right. So, and then for the Yankee case, just to refresh my memory, with the PBR is, [Technical Difficulty] (01:00:40) or whatever, when would those be – would those be – I apologize now for being [indiscernible] (01:00:46). But when would those potentially impact the Yankee case? Would those impact the Yankee case or would that be at a later time, do you think?

John M. Moreira

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

A

I think that's to be determined, Paul, to be quite honest with you because we have proposed our PBR structure that we're very familiar and we've had it for nearly a decade in Massachusetts. So, the timing is going to be a bit tight. We do expect a decision in the Yankee case in October timeframe. So, if PURA issues its guidance in the July or August timeframe, that's really, really close. So we just – we're getting a little bit ahead of ourselves here. So, yet to be determined how that would ultimately shake out.

Paul Patterson

Analyst, Glenrock Associates LLC

Q

I appreciate that. And then in Massachusetts, it seems like the governor, for the most part, has been oriented towards sort of expanding low-income assistance and sort of the phase-in issue or the avoiding rate shock approach, if I understand it correctly. Is there anything else we should think about? And just one of the things I have heard sort of in the past is sort of an income determination, energy burden approach. Do you think that would be expanded greatly or do you just see this as sort of what I just talked about or just expanding low-income assistance and the avoidance of rate shock?

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

A

Yeah. I mean, I guess the one thing I will tell you about Governor Healey and this administration is that they're very collaborative and thoughtful. I was – I participated in in many a discussion around the table. We were looking at opportunities to try to help customers that are in need. And I think it's been very, very productive. We continue to look at that. And I think if you look at the 10% reduction we were able to help our customers achieve, that's just another example of, when you collaborate, when the utilities collaborate with regulators and administrations, you get very positive outcomes that are a win-win for everybody. So, I think everything is on the table. I'm not saying that that particular one, I do remember it being discussed, but how it plays out, it's still pretty early on in that.

Paul Patterson

Analyst, Glenrock Associates LLC

Q

Okay, great. I really appreciate it. Have a great one.

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

A

Thank you.

John M. Moreira

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

A

Thank you.

Operator: Thank you. One moment for our next question. And again, [Operator Instructions] And our next question comes from the line of Andrew Weisel of Scotiabank. Your line is now open.

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

Good morning, Andrew.

A

Andrew Weisel*Analyst, Scotia Capital (USA), Inc.*

Hey. Good morning, everyone. First to follow up on the FFO to debt, just to clarify, which threshold are you referring to when you talk about the 100-basis point cushion? Is it the 12% at S&P? So, you're talking about 13% or higher?

Q

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

I'm talking about the both thresholds at S&P and Moody's.

A

Andrew Weisel*Analyst, Scotia Capital (USA), Inc.*

Okay. So each of them on a corresponding calculation basis.

Q

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

Correct, Andrew. Correct.

A

Andrew Weisel*Analyst, Scotia Capital (USA), Inc.*

Okay, great. Thank you for clarifying. Next, maybe I needed a little bit of a reminder, but when you talk about tariffs in the Massachusetts mechanism around performance-based ratemaking and inflation, please just remind me how would that work and would you expect to fully pass on the effect? I think you mentioned an estimate of 3% to 6% impact. Is your expectation that that would be fully passed on or just some portion of it?

Q

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

Well, the reference to the 3% to 6% that I mentioned was on our capital program. So, that would be capital projects-related. I also said in my formal remarks that we see very little impact on O&M, our O&M. What I'm trying to – the reference that I made about the PBR mechanism, if these tariffs put inflationary pressure on the commodities that we purchase from materials from an O&M perspective or general inflation that we've seen across the board, the PBR mechanism that we have in Massachusetts and we've had it for, as I said, nearly a decade now. The first layer of that mechanism is an adjustment for inflation using the [indiscernible] (01:05:02) mechanism. That adjustment – that inflationary adjustment is capped at 5%. So last, in our last year's PBR adjustment for NSTAR Electric, for example, that took effect January 1 of this year. That inflation adjustment was about 3%, 3.25%. So, if inflation were to creep up to 6%, we would at least get up to 5% of that rate impact.

A

Andrew Weisel*Analyst, Scotia Capital (USA), Inc.*

I see. Thank you for clarifying that. So, two different things, the O&M versus the capital, different buckets.

Q

John M. Moreira

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

Correct.

A

Andrew Weisel

Analyst, Scotia Capital (USA), Inc.

Thank you for clarifying. Got it. And one last one, if I may. Can you just give us your latest thoughts on timing of a potential CL&P rate case? Would that be something for 2025?

Q

John M. Moreira

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

We're still assessing. As I've continuously communicated to you, the earliest we would likely file would be in the fall. But we're still assessing the timing of that.

A

Andrew Weisel

Analyst, Scotia Capital (USA), Inc.

Okay. Thank you very much.

Q

John M. Moreira

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

Thanks, Andrew.

A

Operator: Thank you. I'm showing no further questions at this time. I'll now like to turn it back to Joe Nolan for closing remarks.

Joseph R. Nolan

Chairman, President & Chief Executive Officer, Eversource Energy

Great. Well, thank you all for taking the time to join us this morning. We really appreciate it. And you've got 8 minutes to get on the Ameren call with my good friend Marty Lyons. So enjoy.

John M. Moreira

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

Thank you, everyone.

Operator: Thank you for your participation in today's conference. This does conclude the program. You may now disconnect.

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