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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Hello, and welcome to the Eversource Energy Q3 2023 Earnings Call. My name is Alex, I'll be coordinating the call today. (Operator Instructions) I'll now hand it over to your host, Robert Becker, Director for Investor Relations. Please go ahead.

Robert Becker - *Eversource Energy - Director of IR*

Good morning and thank you for joining us. I'm Bob Becker, Eversource Energy's Director for Investor Relations. During this call, we'll be referencing slides we posted on our website. And 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 risks and uncertainties, 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 this morning, and in our most recent 10-K and 10-Q.

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

Now I'll turn the call over to Joe.

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

Thank you, Bob, and thank you, everyone, for joining us on this call this morning. I look forward to our conversation today and to seeing many of you at the EEI conference next week.

First, let me start with a topic that I am certain is top of mind to all of you, which is an update on the sale of our offshore wind investment. We are very pleased to have closed the sale of our 50% stake in the uncommitted lease area to Ørsted in September, along with our South Fork Wind tax equity investment. We are delighted to have these transactions behind us. As for the sale of our interest in the three projects which are under development, we have substantially completed our contract negotiations with a buyer and continue to make good progress on this front. What remains to be completed is for the buyer and Ørsted to finalize several documents such as their new joint venture agreement. We expect this process to wrap up shortly, allowing us to execute our sales agreement with the buyer and announce the terms of the sale.

As you see on Slide 3, I'm very happy to report that our South Fork Wind project is expected to fully go into service in early 2024. The onshore construction is complete and connected to our export cable, while offshore construction is significantly advanced with the offshore substation and array cables installed and connected. Currently, the turbine installation is underway, and we expect to have seven to nine turbines operationally complete by the end of this year, with the remaining turbines installed in January. This project will spearhead the U.S. offshore wind industry and will be one of the country's first utility-scale offshore wind farms built by Connecticut labor from various unions.

On October 31, our joint venture announced that we have taken our final investment decision, or FID, on Revolution Wind. This is an important project milestone that allows it to advance to full onshore and offshore construction and installation and have this project in service in late 2025.

I'd like to now address the recent events in New York, which I know have been a source of great interest for many of you. On October 12, the New York Public Service Commission denied petitions for pricing adjustments from several renewable developers, including the petition for our Sunrise Wind project. The petition sought to address the extraordinary macroeconomic challenges from higher inflation and interest rates, along with supply chain disruptions that developed since our OREC agreement was executed in the fall of 2019.

These factors were incorporated by the New York State Energy Research and Development Authority, or NYSERDA, in their recent offshore wind solicitation. While we are disappointed with the New York PSC's decision, especially given that NYSERDA had publicly advocated for pricing adjustments, we support their commitment to a transparent competitive RFP process. We are very encouraged to see that New York is working to establish an accelerated rebidding process, which includes an accelerated track where winning bids could be announced as early as next year. Together with our JV partner, Ørsted, we responded to NYSERDA's request for information.

Together, we will work towards developing a bid that will reflect the attractive nature of this project. We feel confident that Sunrise Wind will deliver clean and reliable energy to New York and support economic development in the region, much earlier than many other projects. We will continue to evaluate ways to maximize project economics and to ensure project schedules remain on track.

We have begun limited onshore construction for Sunrise Wind and we have also identified solutions for our installation vessel, which many of you have been asking us about, to maintain the project schedule for Sunrise Wind and Revolution Wind. We expect both projects to be in service in late 2025. We're excited by the recent actions taken by the six regional governors who asked the Biden administration to clarify tax benefits for current U.S. offshore wind projects and provide relief on federal offshore wind lease costs, as well as encouraging accelerated permitting process for offshore wind projects.

And in October, Connecticut Governor Ned Lamont announced the first-of-its-kind partnership between Connecticut, Massachusetts and Rhode Island to seek offshore wind proposals that will expand the benefits for the region and help reduce costs. All three states have issued RFPs to procure over 6,000 megawatts with bids due in early 2024. Eversource will play a key role in providing the transmission and distribution infrastructure investment needed to connect these important resources to our grid.

Moving over to our core business. As you know, everything we do here at Eversource is done with a focus to continue to enhance our service for customers. As shown at the top of Slide 4, we continue to serve customers well, delivering top decile electric reliability performance at nearly two years between interruption and our gas Emergency Response are exceeding our internal target. These high-performance levels are the result of the investment we've made in our electric and gas systems over the past several years, investments focused on ensuring our system is strong and resilient and ready to adapt to the needs of our customers for years to come.

Looking at our clean energy focus, we continue to move forward on enabling clean energy in our region, and we continue to make good progress in reaching our carbon neutrality goal by 2030. In Massachusetts, we are investing nearly $2 billion in our electric transmission and distribution system to advance clean energy resources.

Moving to the bottom of Slide 4. Our customers continue to be burdened by high energy prices, particularly during peak winter months. While this winter's supply prices will be high compared to summer rates, they are expected to be significantly lower than last winter's, a welcome relief for our customers. To date, Connecticut is fully procured at prices significantly lower than last year. Massachusetts is at 50%. New Hampshire is procured through January. If current market conditions continue, the expectation is that the winter supply rates in all three states will be much lower than last year. So, prices across the region are lower than last winter.

We recognize that our customers are feeling the pinch of high costs in many areas. That's why we're doing what we can today to help our customers lower their bills this winter. Along with our industry-leading energy efficiency programs, we also launched a new outreach campaign in Connecticut to encourage customers to sign up with competitive suppliers to save money. We're also educating customers on new energy assistance options. I'm happy to report that Connecticut residential customers have responded. The share of residential customers receiving standard service from Eversource has dropped from over 90% last winter to 70% heading into this winter. To serve our customers and ensure they optimize their energy use, we continue to build out our industry-leading energy efficiency programs. In fact, Eversource ranks #1 as the best energy efficiency provider in the country.

As you can see on the left side of the slide, we invested over $600 million in these programs last year, avoiding lifetime greenhouse gas emissions of nearly three million metric tons. We'll continue to build on this great foundation moving forward. By enabling energy efficiency, encouraging customers to shop for supply and educating customers on energy assistance options, we're doing what we can to lower customer bills today. Longer term, we are working with our states to provide the infrastructure investment necessary to access reliable renewable energy like offshore wind and solar generation.

Turning to Slide 5. The shift to electric vehicles and zero-carbon heating will add tremendous incremental electric demand to our grid. As you can see here, New England electric demand growth is expected to more than double by 2050, and winter peak demand is expected [to more than triple by](technical difficulties) 2050. This is in stark contrast to relatively flat electric demand we have seen over the past decade. Along with the rest of the utilities across the country, we are aggressively planning for the clean energy future here at Eversource.

On Sept 1, we filed our Electric Sector Modernization Plan, or ESMP. This plan is a roadmap for our partnership with Massachusetts to enable the state's Clean Energy Climate Plan. The plan details how we'll continue to maintain safe and reliable service for our customers as we transition to a decarbonized future. In addition to our base investments necessary to increase distribution system capacity, including the implementation of AMI and other technology platforms, Eversource has proposed additional investment that goes beyond the nearly $2 billion of clean energy investment in Massachusetts through 2027. This investment will go towards improving the resiliency of our system, integrating additional solar generation, and implementing new technology to enable additional distributed energy resources.

Our proposed plan is expected to exceed Massachusetts' 2040 goals and achieve 70% of the state's 2050 greenhouse gas emission goals. By requiring electric distribution companies to submit in a fully transparent manner their long-term grid modernization plans, Massachusetts is taking a leadership role in enabling decarbonization. They're not just setting policies, but tying infrastructure, clean energy and customer engagement together. We're excited to engage with environmental justice and consumer and business advocates to establish the right framework for all Massachusetts customers to advance towards the clean energy future. We look forward to engaging with all stakeholders as we work towards a final decision from the DPU later next year.

Moving on to Connecticut. The regulatory environment remains challenging as evidenced by the Aquarion and United Illuminating rate case decisions which produce returns that are value destructive for investment. But we are encouraged by the recent actions by Governor Lamont supporting offshore wind investment in the region. We see the government's support as a realization that investment at a reasonable return is necessary to provide the clean energy future that our region and country are moving toward.

In closing, I couldn't be prouder of the effort that the Eversource team puts in every day, providing for our customers' needs. We have the experience and the expertise to guide our customers as we develop a bold, bright energy future for New England and the Northeast.

Thank you again for your time. I will now turn the call over to John.

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

Thank you, Joe, and good morning, everyone. This morning, I will review our results for the third quarter of 2023, discuss the status of our offshore wind investment and review our cash flow position. Let me start with Slide 6.

Our GAAP and recurring earnings were both $0.97 per share in the third quarter of 2023 compared with GAAP and recurring earnings of $1 per share and $1.01 per share, respectively, for the third quarter of 2022. GAAP results for 2022 include transition and transaction costs related to Eversource Gas Company of Massachusetts of approximately $2.2 million. As a reminder, results for the third quarter of 2023 reflect a negative $0.08 per share impact for NSTAR Electric's rate design change, as shown on Slide 7. Adjusting the earnings for the third quarter of 2023 by this amount would result in both GAAP and recurring earnings of $1.05 per share. As I have previously mentioned, this rate design change does not impact full year results.

Moving back to Slide 6 and looking at some additional details on the third quarter earnings by segment, starting with our Electric Transmission segment, which earned $0.46 per share in the third quarter of 2023, as compared with earnings of $0.44 per share in the third quarter of 2022. Improved results were driven by our continued investments in our transmission system.

Our third quarter 2023 Electric Distribution earnings were $0.50 per share compared with earnings of $0.65 per share in the third quarter of last year. The earnings decrease is due primarily to the timing of the rate design change at NSTAR Electric that I mentioned earlier, as well as higher storm-related costs, higher interest costs, depreciation, and property tax expense. These factors were partially offset by higher distribution revenues at NSTAR Electric and from capital tractors that we have in place.

Our Natural Gas Distribution segment lost $0.10 per share in the third quarter of 2023 as compared to a loss of $0.07 per share in the third quarter of 2022. The increased losses were due to higher regulatory and operating expenses, depreciation and interest expense and were partially offset by higher revenues from the base rate increases at NSTAR Gas and EGMA which took effect November 1, 2022.

Our Water Distribution segment earned $0.05 per share in the third quarter of 2023 which is the same level we earned in the third quarter of last year. Eversource parent and other companies recurring earnings were $0.06 per share in the third quarter of 2023 as compared to a loss of $0.06 per share in the third quarter of 2022. The improved third quarter results primarily reflect a lower effective tax rate that was partially offset by higher interest expense.

Turning to Slide 8. Based on our financial results to date and our strong cost discipline, we are narrowing our 2023 recurring earnings projection to between $4.30 to $4.43 per share, compared with our previous range of $4.25 to $4.43 per share. Looking at our longer-term earnings growth rate expectation, as you saw in our news release and can see on Slide 8, we are reaffirming our long-term EPS growth rate solidly in the upper half of the 5% to 7% range. We are also reaffirming our $21.5 billion five-year regulated capital program, as shown on Slide 9.

Current capital expenditures totalled approximately $3.2 billion in the first nine months of 2023. Now to further expand on what Joe covered, we reached an important milestone in our effort to exit our offshore wind business. On September 7, Eversource completed the sale of its 50% interest in the lease area that includes approximately 175,000 developable acres to Ørsted for $625 million in an all-cash deal.

We also closed on our tax equity investment in South Fork Wind with Ørsted. We used $528 million of the proceeds from the lease area sale for our tax equity investment. As a current 50% equity partner in South Fork, half of this tax equity investment or $264 million was returned to us in October. We expect to recover the tax equity investment primarily in the form of tax credits once the turbines are placed in service. These tax credits will be utilized to reduce Eversource's federal income tax liability, including refunds from prior years expected over the next 12 to 18 months.

As Joe mentioned, we continue to make good progress on advancing the sale of our existing 50% interest in our three offshore wind projects. On our second quarter earnings call, I discussed one of our contingent considerations with the sale of the projects, that we expected a positive outcome from the Sunrise Wind OREC reprice and petition, representing approximately $450 million in value to Eversource. Although we were very disappointed by the New York Public Service Commission's rejection of the pricing petition, we are encouraged by NYSERDA's quick reaction in its request to run an accelerated RFP process.

As I previously indicated, advancing the sales transaction was not contingent on a resolution of Sunrise's OREC repricing petition. As we assess our options for an OREC rebid for Sunrise, we could potentially see a scenario whereby we move forward with a sale for South Fork and Revolution Wind, followed by a transaction for the sale of Sunrise with the buyer. As we navigate through this accelerated RFP process, we will continue to look at every alternative to keep the sales process moving forward in an efficient and timely manner.

Now I'd like to update you on our expectations for qualification for the two additional 10% investment tax credit adders under the Inflation Reduction Act or IRA. We have previously assumed a positive outcome regarding one additional 10% adder for Sunrise Wind and Revolution Wind that represented approximately $400 million in value to Eversource.

Let me start with the energy communities. We do believe there is a good path around the prospects for qualifying for the energy communities provision of the IRA for both Sunrise and Revolution which would increase our potential ITCs to 40% of the eligible basis for these projects. Therefore, the energy communities qualification would cover this contingent value that we have recognized. Also, we will continue to explore opportunities to engage with the treasury department as they clarify the rules around the domestic content provisions of the IRA to qualify for an additional 10% investment tax credit.

As a reminder, the $400 million in value I just mentioned is based on achieving a single qualification outcome between either the energy communities or the domestic content adders. As assumed in our second quarter offshore wind impairment charge, we only assumed one additional 10% ITC adder as a contingent consideration. Should the projects qualify for both the energy communities and the domestic content adders, it would result in upside to Eversource.

We will continue to monitor both the RFP process and the ability to qualify for one or more of the ITC adders and evaluate their impact along with other potential impacts as part of our continual review of our impairment model. As a part of this evaluation, an important consideration will be the likelihood of success of any future bid award for Sunrise Wind from this accelerated RFP.

Turning to cash flows. First, let me say that maintaining strong credit ratings is very important to us. Therefore, we are disappointed with the recent credit rating action taken by Moody's as the timing was a bit unfortunate. Our short-term ratings were not impacted by this action, and therefore, we should not see any impact on our commercial paper costs. As it relates to future long-term financing costs, we see potentially minimal impact. We expect our cash flows will be enhanced and more specifically, an improvement in our ratio of funds from operation relative to debt or FFO to debt. Although we expect that our 2023 FFO to debt would be a bit weak, primarily given the delay in closing the offshore wind sales transaction, however, moving forward, we expect our cash flow position to increase significantly.

There are several factors we expect to contribute to enhancing our FFO to debt ratio well beyond the new threshold of 13% of FFO to debt by 2024 and beyond. A key factor driving an improvement in cash flows are the proceeds from the sale of our offshore wind projects, along with eliminating the project funding required. You may recall that as of June 30, 2023, the carrying value of our offshore wind investment was $2.1 billion, net of the $401 million pre-tax impairment charge and the proceeds from the sale of the lease area.

We have previously indicated that there are approximately $850 million of contingent considerations as part of the sale that is comprised of the $450 million pricing adjustment or now an RFP rebid for Sunrise OREC. If successful with the RFP award, this cash flow would be received when the transaction closes. In addition, as I previously discussed, a potential $400 million from the energy communities of a 10% ITC adder qualification would be received when the projects reach COD, which we expect in 2025.

Cash flows will be further enhanced from our core regulated businesses from electric and gas distribution rate adjustments primarily in Massachusetts and other cost recovery mechanisms. We anticipate additional deferred storm cost recovery of about $400 million to $500 million rolling into rates during 2024 that will be recovered over a five-year period. Also of note, we will fully monetize our $528 million of South Fork tax equity investment through lower tax payments and refunds which will further contribute to an improvement in our cash flow and provide the ability to pay down debt, including a portion of the $1.4 billion of parent debt maturing in 2024.

Lastly, we are committed to completing the $1 billion equity as part of our ATM program. As shown on Slide 10, we have issued no additional equity under this program through October. We also anticipate raising an additional equity through our dividend reinvestment and employee incentive programs through October, and we have issued 900,000 shares under that program.

Thank you for joining us this morning, and I look forward to seeing many of you next week. I will now turn the call back over to Bob for Q&A.

Robert Becker - *Eversource Energy - Director of IR*

Thanks, John. I'll turn the call back to the operator to begin Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question for today comes from Shar Pourreza of Guggenheim Partners.

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

Sorry, we just saw, obviously, your partner, Ørsted taking the total impairment of around $900 million for the three projects. Can you just talk a little more about why you didn't take an additional impairment this quarter? And maybe just provide more clarity regarding Sunrise and that accelerated RFP process in New York with the buyer? I guess, John, what alternatives were you referencing?

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

Great. Well, thanks, Shar. Let me start with the RFP. While the merits of our repricing petition were in line with the recent NYSERD RFPs, and the resulting price ask from our petition was lower than the average price of a recent New York awards, our repricing petition was denied, unfortunately, by the New York PSC.

The primary reason, Shar, they cited was the pricing adjustments would have been done administratively rather than through competitive procurement, which is what they did not want to do. However, you'll see that NYSERDA then issued an RFP right after the denial for a future RFP for additional offshore wind. We have responded to that recent New York RFI, and we'll evaluate the RFP terms. Given the maturity of Sunrise, in terms of the citing, permitting and early construction, this project is probably best positioned to win this RFP.

John, you can hit on the impairment question for Sharh, please.

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

Sure. So, if you look at the impairment charge that our partner took last week and what happened to us in Q2, the impairment charge that we took for pre-tax $401 million which was reflective of the gain on the lease area, it's pretty comparable. So, I would portray it this way that I think there is alignment between what has happened to us on these projects and what we saw just last week with Ørsted. So, for that reason, and also the assumptions are very comparable with what they assumed and announced and what we considered back in June.

And the last part of that question as from a structural standpoint, you heard in my formal remarks that it's still very, very early in the process. But there could be a scenario where we move forward with the buyer on South Fork and Rev and kind of have a second transaction with this buyer to wrap up Sunrise. Obviously, it should be no surprise to anyone on the call from a project financing standpoint, you need to be locked in on the revenue agreement. So, if there's an ability for us to enhance the revenue agreement, and that takes four or five months, we are very supportive of that project delay in closing.

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

Got it. And then, John, you mentioned that the sale process could be split with Sunrise later, which is kind of helpful. I guess what could that look like? How should we think about the implications for investing in the project and timing? Basically, will you be on the hook for it and any contingencies?

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

Sure. So, yes, we'll continue to have a funding requirement but the negotiations that we already have with the buyer, we would be reimbursed for that extra funding at the time that we close. And Shar, I think it's important to realize that based on what we have heard come out of NYSERDA, this is a very expedited RFP process. There's actually two and so we can actually see a decision in advance of us closing the transaction on South Fork and Revolution, so I don't want to lose sight of that. But in case there's a further delay by NYSERDA in clarifying the bidders of those RFP processes, there is a scenario where we would still move forward on the path that we have in front of us for those two projects, followed by Sunrise.

Operator

Our next question comes from Steve Fleishman of Wolfe Research.

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

So, I guess on the comment on the Moody's action, the timing unfortunate. Can you just maybe give a little more color on kind of like your thoughts on that comment? And just from a corporate standpoint, ignoring the rating agencies, how should we think about the FFO to debt you're overall expecting and targeting going forward?

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

Sure. Sure. As I said in my formal remarks, we pride ourselves in having very strong credit ratings, and that's important to us. And my remark on the [it being unfortunate timing](added by company after the call) is the fact that we do see a significant enhancement in 2024, that would get us well above the 13%. And quite honestly, probably exceeding the 15% threshold. But we fully understand the predicament that Moody's, they've been in with a negative outlook for quite some time. Storm activity, as I've mentioned in the past three years have created a headwind for us from a cash flow perspective. But we do see that enhancing in the years to come.

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

Okay. And then you mentioned you maybe could have gotten to the 15% in '24. Just like do you have a sense, John, kind of what you're targeting going forward now for the FFO to debt as we're thinking about your overall financing plan?

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

Well, Steve, let me start by saying that being at the 13% right now does give us a little bit more flexibility where we can be opportunistic from an equity standpoint. But as I've said, I don't want to lose sight of the fact that we strive on maintaining a very strong credit rating. And right now, based on our plan, I do see everything else being equal, I do see us getting to 15% by the end of 2024.

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

Okay. And then so from that standpoint, given that, do you not see then any need for more equity in the plan beyond what you've already talked about?

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

That's what I confirmed in my formal remarks, that is correct.

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

Okay. Great. And then just could you maybe, I remember early in the year, you talked to about the plan being kind of, you thought kind of conservative on interest rate exposure and how you judge that. Just could you talk to just -- I know you had a slide going through some of the stuff, but just overall, how to think about the plan in terms of interest rate exposure?

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

Yes. I mean, we've done a great job in managing to the current year exposure, and we will continue to be focused on that. We are very disciplined in our O&M strategy, and we've been very successful. And as a matter of fact, as a result of that cost discipline, we've been able to narrow our guidance range, our EPS guidance range. So yes, I would say, to frame it, when I started the year, I didn't think the Feds were going to move as rapidly as they did with increase in rates. So, it has put some further pressure on us. And we have a plan that would get us to where we need to be.

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

And is that true not just for this year but for the long-term growth rate?

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

That's correct. That is correct.

Operator

Our next question comes from David Arcaro from Morgan Stanley.

David Arcaro - *Morgan Stanley, Research Division - Executive Director & Lead Analyst of Utilities*

Let's see, maybe just following up on Steve's last question. If rates stay where they are, do you continue to see the ability to hit solidly in the upper half of your guidance range? And maybe could you elaborate on some of the cost-cutting initiatives, where the opportunities are that you see going forward?

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

Sure. Thanks, David. So yes, I mean, in our longer forecast, based on what consensus had interest rates moving and where the Fed is likely to be, we have factored that into our long-term growth prospects. The question is when will the Fed start to turn the corner, either stabilize or perhaps even go start reducing rates. So that's what we're looking at in our '24 plan but right now, as I've said, the cost cutting that we have been very successful to implement has compensated for that. From a cost-cutting measure, we look at a multitude of things, right? We have done a great job in introducing technology that has lower operational costs. We look at on the shared services side, what can we do there. So those are some of the items that we are very focused on.

David Arcaro - *Morgan Stanley, Research Division - Executive Director & Lead Analyst of Utilities*

Okay. Great. That's helpful. And then also, just looking out at the FFO to debt trends. You've got a couple -- or I guess I'm thinking of the tax equity payment in 2024, that's a bit of a one-time boost, but then post 2024, is there a trend off of that year where you expect FFO to debt to trend naturally just based on the core business outlook? Does it fall below 15% after that? Or are there ways to maintain it in that rough range?

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

No. No. If you my recall formal remarks, I said, look, right now, our prospects is we turn the corner in 2024 and beyond. So, our core business is going to be a significant contributor to that. And the biggest driver of that will be the rate adjustments that we have in Massachusetts locked in and the pathway that we see to start recovering the nearly $1.6 billion of deferred storm costs.

In Massachusetts and New Hampshire, as I've mentioned, we have about $400 million to $500 million kicking in into rates in 2024. That will be recovered over a five-year period. And then we will be focused on the Connecticut deferred storm costs. And as we've said in the past, we look to file our prudency, a cost review and get that filing into PURA later this year.

Operator

Our next question comes from Nicholas Campanella from Barclays.

Nicholas Campanella - *Barclays Bank PLC, Research Division - Research Analyst*

I just wanted to follow up on Connecticut. I think you started to hit it there, but obviously, the Governor you're saying has been more supportive, but it has been a challenging backdrop from a rate-making standpoint. Just how are you kind of thinking through the timing of the next CL&P Rate Case?

And then secondly, just a strategy for deferred storm balances. I think you said that you're going to file later this year with recovery thereafter. But can you just kind of give us some more detail on what that process looks like?

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

Sure. Thanks, Nick. I'll take a crack at it and then John can pipe in. A couple of things. We have no plans of filing a rate case in Connecticut. The settlement precludes that until 2025. So that would be the earliest, although not required at that point. Our storm cost filing is in very good shape, and the filing is imminent. At any time, we will make that filing as well. Again, that is a filing that we need to go through first a review of it. So, they'll go through all the documents and make sure that everything is in order. So that is something that you want to deal with outside of a rate case. We'll get that behind us, get the amount established. And then that way makes for a simpler or less complex rate case. So, that's the current thinking right now. John, if you want to add any color, feel free.

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

Sure. I mean, as you can very well appreciate, it's a sizable amount that we will seek prudency review. Right now, it's about $650 million that we're looking to put in front of PURA. So, from a timing standpoint, I would imagine that, that would take quite some time, probably ten to twelve months. It's a lot of information, a lot of due diligence that the regulator has to go through, Nick.

Nicholas Campanella - *Barclays Bank PLC, Research Division - Research Analyst*

That's helpful. And then just one follow-up on the assumptions underlying the 5% to 7% EPS CAGR here, acknowledging that you're continuing to point to the high end of that range. You do have the ATM outstanding, and you haven't issued a lot of that and multiples are lower. So, I'm just trying to understand, is this like a true mark-to-market of if the stock price stays where it is, you still see this as an executable 5% to 7% CAGR?

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

Sure, sure. Yes. Yes, we do. Yes, we do. I mean, I'm hoping that the market and the whole sector doesn't stay at this level much longer. And I'm hoping that things will start to move forward in the right direction for all of us, quite honestly. But yes, we haven't issued any equity, it's not a mad dash to issue equity. So, we will continue to monitor things and be opportunistic as we can.

Operator

Our next question comes from Durgesh Chopra from Evercore.

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

First, just can you tell us what's the expected spending on the offshore projects this year? I think you're targeting roughly $1.5 billion.

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

Yes, Durgesh, I think we will be. We will come below that significantly. I think you'll recall that early in the year, we moved $500 million out of '23 and into '24 and beyond. And currently, we are behind. So when you see our 10-Q, you're going to see a balance for offshore wind at the end of 9/30 of about $2.5 billion but keep in mind that we got in a little bit over $300 million in mid-October so which puts our year-to-date balance net of the impairment charge at about roughly $2.2 billion to $2.3 billion, as compared to about a $2 billion balance at the end of the year.

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

Got it. Okay. And then just going back to the equity question, just of the remaining amount that you've got, kind of the $1.2 billion, any help you can give us on timing of how you might execute on that equity?

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

We'll have to wait and see where valuations are, but it's not right now, it will be over the next several years to put it in the two to three [year](added by company after the call) window time frame.

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

Okay. So not this year, right, obviously?

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

No, no.

Operator

Our next question comes from Jeremy Tonet of JPMorgan.

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

Just starting off here. Coming back to the sales process announcement and realize there are elements that are outside of your hands here. But if we're thinking about timing here, is this a matter of like days, weeks or months and are you able to identify any material gating items at this point or other risks around these negotiations? Just trying to get a sense for how the process could unfold at this point?

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

Yes. Well, thanks. Obviously, this is on everyone's mind. It's a process we've been working through. And as we've mentioned, we have completed the terms with the buyer. The buyer now is working with our partner, Ørsted. As we've mentioned, this buyer is very familiar to Ørsted. They've done transactions with them. And we just need to see that play out. So, I can't give you a day, a week, or a month, unfortunately. All I can tell you is that all the terms associated with transaction with Eversource have been completed and that we feel very good about that. The buyer is still very eager on these projects, and we are going to work through it. And John and I will remain focused and disciplined around the execution of our divestiture of the wind business.

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

Got it. Very helpful there. And then just pivoting back to equity, just wanted to clarify a couple of points here to make sure I got it right. The $1.2 billion of external equity needs, is this kind of embedding, I guess, offshore wind sales price at a certain level? And does this assume higher New York price and success on one of the two ITC adders? Just trying to get clarity on what is factored and then just to confirm, I guess, what you talked about earlier, the planned reaffirmation is based on current stock price levels? Or does that need to be kind of re-evaluated later for the 5% to 7% growth?

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

Sure. Let me take -- there's a lot of items in there. So let me start with what we have left in our ATM is not $1.2 billion. We've already executed $200 million. So, we have is $1 billion left. And that assumption was reiterated on the call today, does assume that we would prevail on that $850 million contingent consideration that I highlighted. So, we've assumed that that would come in and we feel very good about it to the points that we made on the call.

So going now on the stock price, I mean, we haven't issued any equity this year for the simple fact of where values are. So, we will continue to monitor that valuation as we move forward. As I've said, we have flexibility not looking to issue at all this year or next year, as I said, over time.

Operator

Our next question comes from Anthony Crowdell from Mizuho.

Anthony Crowdell - *Mizuho Securities USA LLC, Research Division - Executive Director*

Just a couple of questions first on Sunrise. I think Ørsted last week lowered their probability of being successful on a rebid. I mean, you guys seem very optimistic on a rebid. Just curious if there's any change in your thinking on Sunrise versus maybe last quarter?

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

Yes. No. I mean, we still feel very good about Sunrise given where it is in the gestation process. And the fact of the matter is the significant demand and appetite for offshore wind. And the pricing that we were seeking in our filing is less than what the average price was for others selected. The project is a great project. It's got so much economic development benefit, jobs benefits, location, pointed interconnection in New York that we feel very, very good about it. So, that's our feeling on it. We feel it's a winner.

Anthony Crowdell - *Mizuho Securities USA LLC, Research Division - Executive Director*

Great. And just curious on the pricing. I don't know if you want to disclose it, but as you said, the pricing you submitted to the New York Public Service Commission was attractive. On the rebid, could we assume that, that price would exist on the rebid or through the rebid, there's a chance that the pricing could even go up higher or lower? I mean, could the pricing change?

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

As you might imagine, this is a highly competitive process. There are other players in there, and that's something that we're not comfortable disclosing.

Anthony Crowdell - *Mizuho Securities USA LLC, Research Division - Executive Director*

Great. And then just lastly, a whole bunch of moving pieces in the story, big improvement in FFO to debt we should start seeing in '24. Just when we think about when all the dust settles, I mean, does '24 look like it becomes a transition year and the offshore wind clears up? Or do you think that happens sooner or does the clean up to a fully regulated story happen more in '25?

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

No, I feel very, very confident that '24 is our year for a transition to a clean, pure regulated utility, seeking singles and doubles and keeping everybody on this call very comfortable.

Operator

Our next question comes from Julien Dumoulin-Smith of Bank of America.

Julien Dumoulin-Smith - *BofA Securities, Research Division - Director and Head of the US Power, Utilities & Alternative Energy Equity Research*

Just as a clean-up on a couple of things if you guys don't mind. I'm just -- can we talk about capitalized interest year-to-date? Where are we at the end of the day on the offshore wind projects? Can we talk about just what your expectations as you think about that like new normal, you talked about singles and doubles, what is that parent level ongoing drag, if you want to call it that, in a kind of post-offshore world, if you will?

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

Sure. Sure, Julien. So, the capitalized interest right now, it's about, I don't know, I would say, $25-ish million and that's all at the parent company, $25 million, $30 million.

Julien Dumoulin-Smith - *BofA Securities, Research Division - Director and Head of the US Power, Utilities & Alternative Energy Equity Research*

Got it. Okay. All right. Right. I capitalize tied to the offshore, $25 million, $30 million. And then how do you think about going forward for the kind of that new normal, if you will, at the parent here?

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

Well, with the cash inflows that I've mentioned, including some of the utilization of ITC, we can't lose sight over that. I feel we would be able to harvest in the next 12 to 18 months. That's close to $500 million coming in the door, plus the proceeds from the offshore wind. We will turn the corner in 2024 and beyond. So, as Joe mentioned, '24 is the pivotal turning period for us.

Julien, we have, as I mentioned in my formal remarks is $1.4 billion that will mature at the holding company in 2024. And that's all-back end kind of half year, those maturities will take place June and October.

Julien Dumoulin-Smith - *BofA Securities, Research Division - Director and Head of the US Power, Utilities & Alternative Energy Equity Research*

Right, indeed. And just coming back to trying to compare notes between Ørsted and yourselves, and I'm sorry to just -- I think they quoted a number like $450 [million](added by company after the call) here for breakup fees as Sunrise doesn't have a positive ID. Again, I'm not sure what's in or out of that bucket. Where do you guys assess that metric here on your side as far as you're concerned? What's your understanding? And also maybe what are the offshore proceeds assumed in the plan with the EPS CAGR reaffirm?

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

Okay. So, the breakup fees that Ørsted announced on their call, we're 50% partner. So, we would be on the hook for that 50% as well.

Julien Dumoulin-Smith - *BofA Securities, Research Division - Director and Head of the US Power, Utilities & Alternative Energy Equity Research*

Got it. And the proceeds just in the plan just to kind of think through super quickly?

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

The proceeds from the sale?

Julien Dumoulin-Smith - *BofA Securities, Research Division - Director and Head of the US Power, Utilities & Alternative Energy Equity Research*

Yes. Well, I mean, what are you reflecting in your plan as a placeholder, if you will, right? I know you're reaffirming the CAGR here today, and maybe it's too close to a sale to be able to disclose, but how do you broadly think about that as a big piece of the puzzle?

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

Yes. I mean, we haven't disclosed that, but I think you can certainly kind of assess that as to where we stand. And the reason is that it's a moving target as to when the transaction closes because we still have this funding commitment. But if you draw the line in the sand as of [6](corrected by company after the call)/30, I mentioned that our total investment was $2.1 billion, and we have $850 million of contingent consideration that covers that balance. So, the balance would kind of be in the range of what you would expect.

Operator

Our next question comes from Travis Miller of Morningstar.

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

Jump on to Massachusetts, the ESMP and then the investments, the clean energy investments that you have planned there. What's your thinking around either rate design or rate filing? Do you foresee all of these investments going into just traditional rate cases like you've done in the past? Or are you going to think about some unique rate design or you could wrap these in more timely?

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

Travis, we're so excited about that plan that we filed because it does differentiate Massachusetts as being very progressive in that regard, and we're working with the key stakeholders, as Joe mentioned in his formal remarks. I would say from a cost recovery mechanism, I think it's far too early for us to speculate as to what that would be. We need this process to continue to kind of play out a bit more. Right now, as per legislation, it's before this council, this grid mod council, that's made up of key stakeholders and policymakers of Massachusetts. So that is still being reviewed by the council and we'll file that early '24 with the DPU. So, I think it's a bit premature to start speculating on the recovery mechanisms.

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

Okay. And about what's the rough mix in terms of O&M or variable cost, operating costs and capital costs in terms of your thinking about that?

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

I would say, 70-30, 30 being O&M.

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

Okay. Yes. Perfect. And then real quick on the dividend, still 60% payout ratio kind of target the way you're thinking about going into next year?

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

Yes. I mean, consistently, we've been at 62% and our dividend policy supports that payout.

Operator

Our final question for today comes from Paul Patterson of Glenrock Associates.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Just really -- I guess really -- almost all my questions have been sort of answered, but I'm sorry to be a little bit slow on the timing here. It sounds like before -- we may get a final transaction sort of crossed t's, dotted i's by the end of the year. And I'm just wondering, you mentioned the NYSERDA rebid process. If you could just go over again, I apologize for being a little slow on this, the timing you're expecting on that and how that might impact this potential for splitting up the South Fork versus the other projects and what have you?

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

Sure. I guess a transaction announced by year-end would be ideal. And obviously, we wouldn't close that until 2024. And then with regard to NYSERDA, they are the ones that are asserting that it would be a very quick turnaround. So, that is why we have contemplated this idea that we may, in fact, have not even transacted with the buyer when we already have line of sight on pricing around Sunrise, obviously, which would be beneficial for any buyer to understand what we're dealing with here. So, it's very near term, it's the end of this year, we would be optimistic that we could make an announcement and then a closing in 2024 and then some clarity around Sunrise pricing.

Operator

Thank you. I'll now hand back to the management team for any further remarks.

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

Yes, I want to thank everybody for taking the time to join us this morning on our earnings call. Looking forward to seeing many of you next week in the desert at the EEI Financial Conference, and we can spend some more time digging into any of the details that are important to you. And also, as you know, our investor relations team is always available to answer any questions that you might have in the interim. So, thank you again for you time and have a wonderful day.

Operator

Thank you for joining today's call. You may now disconnect your lines.