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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Hello, and welcome to the Eversource Energy Q4 and Full Year 2023 Earnings Call. My name is Elliot, and I'll be coordinating your call today. (Operator Instructions) I'd now like to hand over to Bob Becker, Director for Investor Relations. The floor is yours. Please go ahead.

Robert Becker - *Eversource Energy - Director, Investor Relations*

Good morning, and thank you for joining us. I am Bob Becker, Eversource Energy's Director for Investor Relations. During this call, we'll be referencing slides we posted yesterday 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 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-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 will turn the call over to Joe.

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

Thank you, Bob, and thank you all for joining us on the call this morning and for your interest in Eversource. Let me begin with the pathway for a full exit of our offshore wind business on Slide 4. When we started down this path in 2016, we were very excited for the opportunity to bring much needed renewable energy to our region.

The high supply prices in the Northeast are not good for anyone, particularly our customers. Until we can reduce the region's reliance on gas-fired electric generation, price volatility will continue to cause difficulties for our customers. State mandates for offshore wind procurement provided a strong impetus for our engagement, along with the recognition that offshore wind is one of the few renewable resources that can be produced in quantity to reduce reliance on natural gas and dampen the volatility of our region's electric prices.

Unfortunately, our offshore wind investment experienced difficulties as early-stage projects. These difficulties were largely a result of the pandemic, supply chain disruptions, rising interest rates and uncertainty around available resources for installation vessels and fabrication of turbine foundations. We are not alone, as several other offshore wind developers have also experienced similar challenges. These challenges, coupled with the lack of pricing flexibility, inherent in contracts approved by state regulators, result in a projected investment returns substantially below our required thresholds.

At the same time, our core business is well positioned to deliver solid operational and financial results, as we move forward in supporting the region's transition to a cleaner energy environment. This led us to seek out a path to refocus our investment portfolio on our utility business, with its strong opportunities for growth. For this reason, I am pleased about our announcement that we have reached an agreement to sell our existing 50% interest in the South Fork and Revolution Wind projects, to Global Infrastructure Partners, our leading infrastructure investor that will generate approximately $1.1 billion of cash proceeds.

With the pending sale to GIP, our announcement last month, regarding the conditional sale of Sunrise Wind to Ørsted and the sale of the offshore wind lease area that closed last year, I'm pleased to say that we have the pathway in place to finalize a full exit from the offshore wind business.

For the year, we have taken a non-cash cumulative impairment charge of approximately $1.95 billion, after tax. John will discuss the impairment in more detail. However, I will say that the impairment reflects assumptions that our Board views as appropriate, given the uncertainty around the ultimate outcome of the Sunrise Wind re-bid process.

As John will discuss, the terms of the agreement with GIP are assumed and reflected in the impairment charge and our long-term financing plan. By taking this impairment charge, we are accounting for our full exit from offshore wind. We are pleased to be in the final stage of this long journey, and we feel confident that we are turning over the reins of the wind business to capable and committed parties. We will remain involved in managing onshore construction for all three projects and through our Tax Equity investment in South Fork.

I'll close my comments on offshore wind, with a brief update on the status of the project construction activity. As the first utility-scale, offshore wind farm in commercial operation in the U.S., South Fork Wind has been supplying power to Long Island since late November 2023, when the first turbine was installed. We are now in the process of installing the 12th and final turbine. We expect all turbines to be producing power by March.

We continue to advance on both onshore and offshore construction of Revolution Wind, after reaching a positive Final Investment Decision in October of last year. Work on the site of the new onshore substation in Rhode Island, has been underway since late last year. Seabed preparation for the installation of wind turbine foundations is currently in process.

Lastly on Sunrise Wind, we continue to get closer to the BOEM's Record of Decision, while we await the results of the latest submission into New York's RFP4. We made this submission jointly with Ørsted, on January 25. Next, let me discuss the water distribution announcement, we made last evening, shown on Slide 5. Our water business is a valuable, well-performing and well-managed company.

Although the water business is earnings accretive to Eversource, we see the potential sale of our water business, as an opportunity to reduce equity needs and improve our regulatory diversity. With its current $1.3 billion rate base and a national reputation for operational excellence, the water business has a strong potential to be of substantial value to another owner, as part of a larger water business, or strategic infrastructure platform.

As a result, we plan to launch a process for evaluating market interest in a transaction for the water business, with the objective of delivering value to both customers and investors. If successful, the proceeds from the sale will provide a source of cash without going to the equity market, thereby enhancing our balance sheet.

Moving forward, Eversource will focus on the delivery of clean, safe, reliable energy to our customers and preparing for the clean energy future that our states, our customers and our investors expect. Now I'll turn to our excellent financial and operating performance results on Slide 6.

Starting with the financials. We delivered another strong year with recurring earnings of $4.34 per share in 2023, representing growth of nearly 6% over 2022. Our Board has approved a dividend increase for the first quarter 2024 of $0.715 per share. Which amounts to $2.86 per share on an annualized basis. This reflects an increase of 6% over 2023's dividend level.

Moving to operations, I am extremely proud of our team once again for delivering reliable electric, natural gas and water service to our 4.4 million customers. As you can see, our electric reliability ranks in the top decile among our peers. We're focused on providing reliable electric service to our customers, who on average have gone nearly two years without an outage.

In 2023, Eversource again outperformed its target injury rate. Our teams are keeping a strong focus on safe work practices not just during major storm events, when conditions are tough, but every day on every job. On natural gas safety, once again, the team delivered another strong year, replacing 145 miles of natural gas pipeline and delivering on-time emergency response times of 98% within 45 minutes. A performance that well exceeds our regulatory requirements. I want to congratulate the Eversource team on these accomplishments. I am very proud of the skill and commitment of the entire team and the way that our employees are aligned in our shared vision of providing the highest level of safety, innovation, service quality and financial discipline for the benefit of our customers.

Turning to Slide 7. At Eversource, we know our customers expect us to not only deliver energy today, but also to be prepared for the future. To that end, we are actively engaging with our states to enable the clean energy future that our customers and our communities envision. At the end of January, we submitted our Electric Sector Modernization Plan, or ESMP to the Massachusetts Department of Public Utilities. After extensive input from the Grid Modernization Advisory Council and stakeholders across the Commonwealth.

The ESMP is the road map for building out the electric infrastructure and technology platforms to enable a reliable transition to a Clean Energy future in alignment with the state's Clean Energy Plan. The filing specifically addresses the coming five and ten years with a vision toward an 85% reduction in Greenhouse Gas emissions by 2050.

Eversource has taken a leadership role in this endeavor and is viewed as a trusted partner at the table in planning the clean energy future for Massachusetts. We expect that the Department of Public Utilities to issue a final decision on our plan in August of 2024, addressing approximately $600 million of proposed incremental investment, among other components.

In Connecticut, we are continuing to work on our comprehensive outreach plan with participation from across the company. We are leveraging our internal talent to educate Connecticut stakeholders on the importance of infrastructure investment to our customers and the broader Connecticut economy, as well as the affordability programs that we offer to customers. This approach has proven to be productive, in terms of raising awareness on the value of utility investment. And on the point that Eversource is the partner that is ready, willing and able to help Connecticut meet its clean energy goals.

Lastly, in New Hampshire. We are gearing up for a number of regulatory initiatives, including a potential PBR proposal and evaluating ways to help the state advance clean energy projects, such as large-scale solar development. We're excited about the role Eversource will continue to play to enable a clean energy future that's affordable and equitable for all customers. We'll continue to engage with all stakeholders to move this massive, complex effort forward.

Turning to Slide 8. As you may know, Eversource is an industry and market leader in Environmental, Social and Governance. We continue that focus in 2023. We expanded the charter of the Board's Governance, Environmental and Social Responsibility Committee, to extend this oversight to include climate-related matters. The full Board receives regular reports on our climate-related goals, key industry updates and policy activity through the Eversource Climate Scorecard.

We continue to make progress on reaching our carbon neutrality goal by 2030, and we submitted our application for a new Science-Based Target in December. I'm pleased to report that due to our continued leadership on ESG, last week, Eversource was named one of America's Most JUST Companies, as announced by JUST Capital and CNBC, for the fifth consecutive year. We have a very exciting future here at Eversource, focused on what we do best. I will now turn the call over to John Moreira.

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

Thank you, Joe. And good morning, everyone. This morning, I will cover our 2023 financial results, the offshore wind impairment, the 2023 regulatory update, an update of our five-year investment forecast for our regulated businesses. And I'll wrap up with our 2024 recurring earnings guidance, long-term financing plan, and five-year earnings and dividend growth guidance.

I'll start with 2023 results on Slide 10. Our GAAP results for the year were a loss of $1.26 per share, compared with GAAP earnings of $4.05 per share in 2022. In the fourth quarter, results were a loss of $3.68 per share, compared with GAAP earnings of $0.92 per share in the fourth quarter of 2022.

Results for the full year 2023 include an after-tax impairment charge of $5.58 per share, related to our offshore wind investment and $0.02 per share after-tax charge related to our nonrecurring costs. Results for 2022 include a $0.04 per share charge, primarily related to transition costs associated with a completed integration of EGMA.

Excluding these charges and the offshore wind impairment, our non-GAAP recurring earnings were $4.34 per share in 2023 as compared to $4.09 per share in 2022. Breaking down our 2023 full year non-GAAP recurring earnings of $4.34 into segments, electric transmission earned $1.84 per share for 2023, as compared with earnings of $1.72 per share in 2022.

Improved results were driven by continued investments in our transmission system and lower income tax expense. Our electric distribution earnings were $1.74 per share in 2023, as compared with earnings of $1.71 per share in 2022. A base distribution increase at NSTAR Electric was partially offset by higher interest expense, property taxes and depreciation.

Our natural gas distribution segment earned $0.64 per share in 2023, as compared to $0.67 per share in 2022. Increases in depreciation and interest expense, higher effective tax rate and the impact of certain reconciliation charges exceeded the revenues we received from capital trackers and base rate increases at NSTAR Gas and EGMA that became effective November 1, 2022.

Our water distribution segment earned $0.09 per share in 2023, compared with $0.11 per share in 2022. Lower results were driven by higher depreciation, O&M expense and interest expense. The results reflect the impact of a very disappointing decision in Connecticut from PURA for the Aquarion water rate case, which is under appeal.

Eversource Parent and other companies' earnings were $0.03 per share in 2023, as compared with a loss of $0.12 per share in 2022. The improved results reflect a lower effective tax rate and the gain on our planned liquidation of a renewable energy fund, partially offset by higher interest expense and a contribution to the Eversource Charitable Foundation.

Let me now turn to offshore wind, starting with the highlights of our sale of South Fork and Revolution Wind to GIP. With South Fork Wind expected to be in service before the transaction closes, our construction contingency is primarily related to Revolution. The terms of the transaction include a capital cost sharing agreement. Under this agreement, capital expenditure overruns incurred for the 50% interest in the project, up to approximately $240 million will be shared equally between Eversource and GIP.

Above this threshold, 50% of any project cost overruns would be borne by Eversource. If the final project costs come in under the current construction forecast, Eversource will receive a payment for this difference. The terms and pricing of this agreement with GIP are assumed in the impairment charge and in our long-term financing plan.

Let me review the offshore wind impairment, as shown on Slide 11. In 2023, we recorded impairment charges on our offshore wind investment of approximately $2.17 billion pre-tax or $1.95 billion after tax. As you can see on this slide, the impairment charge was driven by a lower-than-expected sales value of approximately $400 million for the three projects, after completing our strategic review in the second quarter of last year.

As a result of adverse developments in the fourth quarter, including the further reduction in the expected sales price driven by higher project costs and the October 2023 denial of the OREC pricing petition for Sunrise Wind, we realized an additional impairment charge in the fourth quarter of approximately $1.77 billion.

The Sunrise Wind project drove about $1.22 billion of the impairment charge. In large part due to the OREC repricing denial, which led to lower assumed revenues and ultimately, an evaluation of the potential abandonment cost of Sunrise, if it is unsuccessful in the New York RFP4 solicitation.

As a reminder, to participate in the process to submit a re-bid in the solicitation NYSERDA required any existing projects to terminate their current OREC agreements. This potential loss of both a contract revenue stream and ultimate project viability and any related termination costs was factored into our impairment analysis. Therefore, we assume that if Sunrise is not successful, in the re-bid. This would result in no sales proceeds and no value attributable to the ITC adder.

These items, coupled with estimated cancellation costs for the project, net of any salvage value, drove the additional impairment charge. Although we have factored this downside set of assumptions and probabilities into our impairment analysis, if Sunrise is ultimately successful in the RFP, Eversource would then sell its ownership interest in the project to Ørsted, under the terms of our recently announced agreement. With the completion of that sale, our interest in Sunrise would be terminated. We would not be subject to any further construction contingencies or project cancellation costs.

If we are successful selling Sunrise to Ørsted, it would provide a full exit for the offshore wind business. Turning to Slide 12. I'll walk you through the carrying value of our offshore wind investment, as of December 31, 2023. The carrying value that I will discuss reflects the impact of our fourth quarter impairment charge by project.

As you can see, the value of both Sunrise and Revolution were impacted by the fourth quarter impairment. The value of South Fork was not impacted. The fourth quarter impairment charge assumes a set of scenarios regarding potential construction contingencies for Revolution Wind. The charge also assumes that Sunrise Wind would be abandoned. We are very disappointed by the financial impact recognized on these early-stage offshore wind projects.

However, we are comfortable with the impairment charge assumptions. We have reflected these assumptions in our long-term financial plan, which I'll cover in a minute. As we move forward and finalize the sale of these projects, including the result of the recent New York RFP4, the ultimate carrying value of our offshore wind investment, could change accordingly.

On the regulatory front, we had another busy year. Our key 2023 regulatory items are highlighted on Slide 13. Starting with Massachusetts, we completed proceedings on our 2018 to 2021 storm cost recovery request, of approximately $136 million. I'm pleased to report that the Massachusetts DPU conducted a very thorough review, and we received approval to recover 100% of our request. This approval highlights the importance of our storm response and acknowledges the tremendous effort from my Eversource colleagues and our contractors to restore customers as quickly and as safely as possible.

Also in Massachusetts, we received approval of our first annual revenue adjustment under NSTAR Electric's PBR plan. This adjustment included an increase of a capital adjustment factor or k-bar as we call it. Turning to New Hampshire, we received the final order approving $47 million of storm cost recovery, for weather events occurring in 2020 and in 2021. Again, we were granted nearly 100% of our request. We expect to file a general rate review in New Hampshire later this year, to recover the cost of investments that we have made over the last four years to significantly improve reliability for customers in New Hampshire. In total, we are now recovering approximately $400 million in rates, over the next five years for storm costs in Massachusetts and New Hampshire.

In Connecticut, at the end of December, we filed our request for a prudency review of approximately $635 million of storm costs, relating to weather events that occurred from 2018 through 2021. The Connecticut filing contains more than 10,000 pages of support for costs incurred for these significant weather events. We look forward to working through the prudency review with PURA in 2024.

Lastly, in our Aquarion's appeal of its March 2023 rate decision, oral arguments were held on January 11, and we expect the court decision over the coming months. Turning to our regulated utility capital plan. Slide 14 reflects our five-year utility infrastructure investments, by segment updated through 2028. As a reminder, this plan reflects projects that we have a good line of sight on from a regulatory approval perspective.

Over this five-year period, we expect to invest approximately $23.1 billion in our regulated electric, natural gas and water businesses, to continue providing customers with safe and reliable service to meet ongoing load growth and to achieve progress on clean energy objectives.

Starting with transmission, our plan includes nearly $6 billion of transmission infrastructure investments, over the next five years. These investments include replacement of aging infrastructure to harden the system and increase resiliency during extreme weather events, innovative substation projects undertaken for reliability and electrification purposes, and interconnection projects adding clean energy resources to the grid.

Our transmission capital plan includes a large-scale, innovative project to build a substation in Cambridge, Massachusetts, completely underground. We are working closely with the city on this project, which includes nearly $1 billion of investments to interconnect four existing transmission lines. This project will increase capacity to enable electrification and improve the reliability of electric service for customers.

Turning to electric distribution, our updated capital forecast now reflects nearly $10 billion of planned utility infrastructure investments, with a continued focus on system resiliency and our top-tier reliability for electric service. Our planned electric distribution investments include over $0.5 billion of our AMI program, in Massachusetts. The AMI program will allow customers to save money through heightened control over their own energy consumption and to experience higher service levels through faster outage restoration and other service functions.

On the natural gas side, our five-year plan reflects nearly $5.5 billion of investments and is centered around reliability and safety. The plan is highlighted by our bare steel and cast-iron pipe replacement programs in Massachusetts and Connecticut. Across our natural gas system, we'll continue to thoughtfully engage with our states to ensure our investments enable an equitable transition to a clean energy future.

Turning to the water segment, our five-year investments are forecasted to be over $1 billion, supporting investments in water treatment facilities and water main replacements to improve water quality. Rounding out our Eversource capital plan, our investments in technology and facilities that's forecasted at $1.1 billion.

Moving to Slide 15, our updated capital plan reflects a $1.6 billion increase in utility infrastructure investments from 2024 through 2027 versus the prior plan. This increase reflects greater visibility on the work needed to serve our customers over the next four years. An important consideration in relation to our five-year capital plan is what has not been included.

On the right-hand side of the slide, we show some potential infrastructure investments not currently included in our forecast, which would be additive to the plan. These opportunities total up to $2 billion in the forecast period with Connecticut AMI at the top of the list at nearly $700 million. The resulting impact from our updated capital plan, is shown on Slide 16. The customer-focused core business investments included in our capital plan would result in 7.7% growth in rate base from 2022 through 2028.

Next, I will turn to our 2024 earnings guidance on Slide 17. We are projecting a non-GAAP recurring earnings per share range of $4.50 to $4.67 per share for 2024. Positive drivers this year include transmission investments for system resiliency and increased electric demand, distribution base rate increases in Massachusetts and New Hampshire, continued focus on controlling O&M expense and a lower effective tax rate.

In 2024, our planned distribution rate increases include the first rate base roll-in for EGMA, which will adjust rates to recover six years of capital investments. This rate adjustment will take effect in November of this year. These positive drivers are expected to be partially offset by higher expenses related to increased capital investments and share dilution.

Turning to our long-term financing plan. I'll start with our cash flow assumptions regarding offshore wind, as shown on Slide 18. As I said earlier, our wind impairment reflects a set of assumptions that we have also embedded in our long-term financing plan. Let me walk you through what is assumed in our financing plan.

First, we assume cash inflows from the announced sale of South Fork and Rev Wind of $1.1 billion. These proceeds include the value of the 10% ITC adder for Revolution Wind of approximately $170 million. Also assumed in our financing plan, is the realization of our tax equity investment in South Fork Wind, which we expect will bring in around $500 million of cash over the next 24 months. The last item is related to our sale of Sunrise Wind to Ørsted, which is not assumed in our long-term financing plan.

If Sunrise is successful in the New York RFP4 that would be a positive to our plan. I'll now cover a number of drivers that are expected to enhance our FFO to debt ratio from 2023 to 2025, as you can see on Slide 19. These drivers include the offshore wind proceeds that I just discussed, planned rate increases at our utilities, recovery of storm cost deferrals, scheduled equity issuances and proceeds from a potential sale of our water business.

In terms of the equity assumed in our plan over the next several years, we expect to issue up to $1.3 billion of equity through our existing ATM program. We will also continue to be opportunistic with our alternatives. As Joe mentioned, we are undertaking a review of our water distribution business. Proceeds from a successful sale are assumed in our long-term financing plan, reducing the level of equity that would otherwise be needed.

As you can appreciate, we cannot provide any additional details beyond what we've disclosed. We will keep you updated on any decisions from this evaluation and any changes in our financial guidance.

Closing out on Slide 20, our robust five-year capital plan and long-term financing plan drive our 5% to 7% EPS growth rate through 2028. To be clear, the 5% to 7% is based off of our 2023 recurring EPS of $4.34.

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

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

Thank you, John. As I previously said, I'm very excited as I look ahead to the future of Eversource. This amazing team that delivers every day is on the brink of a critical energy transformation, that will benefit our customers, our communities and our environment.

The need for utility infrastructure investment has never been greater. In fact, in a draft study released last year, ISO New England projected a need for up to $15 billion of transmission investment, to meet the region's 2050 clean energy objectives. As we look ahead, we see a tremendous need for a collaborative approach to leverage our utility infrastructure development and superior operating skills in Massachusetts, New Hampshire and Connecticut.

On that note, I want to thank you for your interest in Eversource, and I look forward to seeing you soon. I'll now turn the call back over to Bob, and we look forward to answering your questions.

Robert Becker - *Eversource Energy - Director, Investor Relations*

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) First question comes from Shar Pourreza with Guggenheim Partners.

Shahriar Pourreza - *Guggenheim Securities, LLC, Research Division - Senior MD & Equity Research Analyst*

Joe, let me ask you a question on the up to $1.3 billion equity, I guess without seeing sort of market interest with the inquiring sale and details around Sunrise, where you could get more proceeds than you embed and planned, depending on how things shake out, right, which you just alluded to in your prepared, what's kind of giving you confidence around the $1.3 billion, can you beat it? And how are you thinking about the timing and the means of raising that equity?

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

Sure. Good question, Shar. Thank you. I would start off by saying that Aquarion, we view Aquarion as a very valuable and attractive asset portfolio, company is well managed, well recognized as a water distribution company and its leadership. So we're -- based on that fact pattern, we've sized and we've estimated what we feel we could harvest from a potential sale. And just to be clear, the $1.3 billion is up to $1.3 billion of equity over the next several years. So we have some flexibility, so we can flex that depending on the ultimate proceeds that we receive.

Shahriar Pourreza - *Guggenheim Securities, LLC, Research Division - Senior MD & Equity Research Analyst*

Sorry, but the timing and the means of that equity, any sense there?

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

Yes. Well, I mean, we've been guiding the street right along for the past several years, had a $1 billion need, right? And now we're going up to $1.3 billion. So I think it will happen over the next several years. We do plan to be in a position to issue, to go to the equity markets over the coming months. And we are going to -- Shar, just one other note, that's why we specifically indicated that we will be executing our equity needs through our ATM program to give us the flexibility that we need.

Shahriar Pourreza - *Guggenheim Securities, LLC, Research Division - Senior MD & Equity Research Analyst*

Great. And then just lastly on this one is just on Revolution cost sharing. John, can you just maybe walk us through the pathways for overages on the project? I mean what can go wrong? Any way to sensitize some of the puts and takes either on the construction side, i.e., how expensive does it get putting the crew on standby or on the O&M availability side?

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

Yes. Sure, Shar. It's Joe. I'll take that. I'll tell you, I'm really, really proud of the work that's taken place on South Fork. It's been an opportunity for us to really dry run, get a sense as what's involved in this installation. This is a 12-turbine installation. We have 11 out in the lease area now, the 12th one is loaded on the barge in New London. It will go there this weekend. We have been delivering power since November, to folks in Long Island, which we're very, very proud of.

So given that we are the first of scale offshore wind farm in the United States, that brought a great opportunity for us to be able to understand what's involved in that. So in the fall, we were able to take a real good look at the cost, all the charges associated with constructing South Fork, as we begin to kind of refresh the Revolution costs. And I will tell you that we have accounted for the vessel strategy that we have to utilize now, we're utilizing a feeder barge offloading (added by company after the call) to a European vessel. It's been going very, very well. Those are some of the big charges. Those are the things that have caused increases in offshore wind costs for everybody, not just us.

The lack of American vessels is certainly going to be a challenge for anyone in this business. But I will tell you that we have successfully executed. We will have -- the project will be done in March in South Fork. All of the kind of lessons learned, all of the challenges, everything that we've experienced in this offshore wind market, associated with South Fork has been brought to the table on Revolution. So that we know exactly what this is going to cost. We feel very comfortable with this number, this exposure at $240 million given what we have already factored in. So I have a great deal of confidence that we will be able to bring this in and not have to worry about any (corrected by company after the call) overruns.

Operator

We now turn to Steve Fleishman with Wolfe Research.

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

So just to close, maybe the loop on the equity issuance. I think John, I heard you say after using the ATM, also opportunistic with our alternatives. Could you just clarify what you mean by that?

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

Yes. I mean that was, we like the ATM program for the reasons I've just stated, it gives us tremendous opportunity and we can take advantage of the market. But if we encounter a very favorable, attractive value, then we can do something -- we'll look to do something else. Whether it's a block or some other deals. So right now, I want to have the most -- the greatest sense of flexibility to execute and maximize the value that we harvest.

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

Okay. All right. That's very clear. On the second question, just on the FFO to debt slide. Do you have a starting point for 2023 actual first?

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

Yes. I mean in-- 2023, we have been challenged by our operating cash flow, primarily driven by the turnaround and the methodology that we have been required to use as part of guidance from PURA. So for example, we've been significantly under recovered at the CL&P franchise in 2023, by a sizable amount close to $1 billion. So that's going to turn around, and that's going to turn around in 2024 and 2025.

We will get that cash in. So right now, we expect to be in the low single digits for 2023. We're still kind of working those numbers through. But moving forward, I feel confident that we'll be in a 14% to 15% FFO to debt, as I indicated in Slide 19. I'm sorry, I said low single digits. I meant low double digits.

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

Yes, you meant low double digits (added by company after the call). And then just a few of the pieces that you highlight here on the improvement. So just maybe the South Fork part, the tax equity investment, how much like FFO to debt percentage points is that? And is that just all hit '24, '25 and then it goes away. And then I guess you fill it in with more of operating cash?

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

Exactly. So the utilization of that, Steve, will happen based on our taxable income. So a lot can happen, storm costs being one of them that we take the deduction as we incur those storm costs and that can lower the utilization of that ITC. So right now, we've modeled it over the next 24 months, but if we have further deductions from an operating standpoint, that would slip into '26.

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

Okay. But for now, just take that $500 million and spread it over the 2 years, if we want to calculate that?

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

Correct. That's a reasonable approach.

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

Okay. And then just one other question on that slide. The storm cost recovery, is that just related to Massachusetts and New Hampshire? Or are you assuming you're able to get storm cost recovery in Connecticut somehow or is that after this period?

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

Yes. We don't have Connecticut factored in. As we just said in the formal remarks, we filed for the prudency review. That's going to take some time. So none of that, it's all really predicated on Massachusetts and New Hampshire. However, once the Connecticut storm cost recovery kicks in, that will give us more inflow of cash for the outer years beyond 2025.

Operator

Our next question comes from Nicholas Campanella with Barclays.

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

Hey, so good to see you reaffirming the 5% to 7%, I guess, just you previously used to say high end of that range. I just wanted to kind of clarify if you have any message on where you kind of stand in the 5% to 7% at this point? And then how do we kind of think about Aquarion sales kind of impact to that 5% to 7%? Is it baked in? Does it put you somewhere else in the range depending on those outcomes there?

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

Sure, Nick. So let me start with the latter question. The Aquarion potential sale is baked into that guidance, as I mentioned. So we are assuming that. And then the 5% to 7%, as I want to reiterate, it's growth aspiration of 5% to 7%. We're not giving any indication where on that spectrum we will ultimately land. Right now, we're comfortable with that, a lot can happen that can move us up. But until we have more transparency and more clarity, we're sticking with 5% to 7% growth rate. We'll continue to update you all as things progress on our long-term guidance growth.

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

Okay. I appreciate that. And then I guess just sticking with Aquarion, obviously, you're trying to find ways to mitigate equity issuance in the 5-year plan. Just what's inspiring your confidence to kind of come back to do another sales process at this point? Do you feel confident it's not going to be as drawn out as the last one? And then just how do we kind of think about like the timeline and then also the agency's willingness to kind of see through another asset sale, just given you're still on negative outlook?

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

Yes. Well, let me add a couple of things. I'm not going to give you a timeline on the asset sale, but I will tell you that it's a very different animal, Aquarion. I mean we're talking about wind partnership with another party. We only own 50%. We talked about the fact that it's very challenging and you don't own the entire asset. We own all of Aquarion. It makes things a lot less complex. This asset is very, very attractive. We've been in this business now for several years. It's a great business. It's the seventh largest water company in the country. But the fact of the matter is there are 50,000 water companies in the country.

So to try to assemble water companies. It takes time, it takes effort, but something of this magnitude certainly is attractive to many, many folks. So I won't give you a time line, but I will tell you that it's not nearly as complex. It's not even in the same category as the wind assets. So I feel very, very good about it.

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

And I would just add, Joe, is spot on from an execution, this is a totally different animal. And then from your latter question on how the agencies, as long as we have a pathway, this kind of mitigates any further equity needs that we may have. So it's still cash coming in the door, which is very appealing and supportive of our credit metrics.

Operator

Our next question comes from David Arcaro with Morgan Stanley.

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

Could you just touch on cost savings initiatives. I think you mentioned that you're expecting lower O&M in 2024. I guess how much lower? What are the levers you're pulling there? And what are you thinking kind of going forward off of a 2024 base there, too?

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

Yes. I would say that in 2023, we did experience some higher O&M levels that we don't think will reoccur in 2024. So that's one of the drivers, David. And then we are still in the technology deployment. Right now, we are going through a new CIS system, as part of the Massachusetts AMI deployment. And we think that there are savings, there are efficiencies that we can harvest as well. We already have one of our operators in Western Massachusetts that went live a couple of weeks ago. So we think that there's savings there as well that we can harvest. So those are the major drivers. And as well as other efficiencies throughout the organization.

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

Okay. Great. Then I just wanted to clarify maybe on the New York 4 outcome with the auction. How could that change the outlook? Is -- are you saying the proceeds for Ørsted are not currently contemplated in the equity need guidance? And could that come down from where it is now based on being successful in that auction?

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

That is absolutely correct. It's not -- any proceeds from an ultimate sale to Ørsted has not been factored into our financing plan. So it would adjust our equity needs. And then for that reason, among other things, that's why we went out with an up to valuation. So you're thinking about it correctly.

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

Yes, makes sense. Then just wanted to quickly clarify. Just the $1.3 billion, does that include the DRIP? Or what do you expect that to be on an annual cadence going forward?

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

The 1 point -- the up to $1.3 billion does not include the DRIP. So that level is pretty consistent about $100 million to $120 million per year, and that will continue.

Operator

We now turn to Durgesh Chopra with Evercore ISI.

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

Can I go back to Aquarion? And in relation to you kind of alluding the 5% to 7% incorporates an Aquarion sale, you have the CapEx baked into your 5-year plan, the Aquarion CapEx currently. I guess what I'm trying to ask is, how do you fill the earnings hole for Aquarion, I understand it's small. Is it basically debt reduction from the proceeds or CapEx could go elsewhere to substitute Aquarion earnings?

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

I would say it's a combination of both. Yes, we did leave the CapEx, their CapEx in our forecast, but it's clear, it's delineated. You can see how much that relates to. And the fact that in my formal remarks, I highlighted, and we have it in the slide on the deck that if you look at the forecast period, forecast over forecast, we're up $1.6 billion. And in my formal remarks, I also indicated that we should be mindful of what has not been included in our 5-year forecast. And that amount could be up to $2 billion, once again within this forecast period. So we feel very, very optimistic, we are able not only to replace the earnings but also mitigate any of the dilution.

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

Understood. That's very clear. And then can you just remind us your earned ROEs in Connecticut, as of 2023? And what are you modeling as you think about the 5% to 7% EPS growth target going forward?

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

Yes. I mean, obviously, they have dipped a little. We've been out of Connecticut for quite some time. We've had the settlement agreement. I would say that CL&P (corrected by company after the call) is around hovering around 8% and Yankee is in the 7% range.

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

Got you. And then just what are you modeling? Like are you modeling ROE improvement, ROE staying the same, perhaps going lower as you think about the 5% to 7% growth rate?

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

Well, I mean, we've determined that we're going to stay out for at least another year or longer. So we model in the appropriate assumptions as we normally do with any rate proceeding in our 5-year forecast.

Operator

We now turn to Angie Storozynski with Seaport.

Agnieszka Storozynski - *Seaport Research Partners - Research Analyst*

So just maybe first on assumptions behind the equity needs. So again, if I just look at the $1.3 billion and what I would expect Aquarion could bring. That's a little bit -- it seems like we're getting close to $3 billion in equity, again, my estimates, that seems large versus our prior expectations. And I'm just wondering what kind of credit assumptions you have embedded in it? So do you expect that, that amount, whatever the number is, eventually allows you to keep current credit ratings, especially with the S&P?

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

Yes. So Angie, we're very mindful of what the downgrade thresholds are. And our financing plan, we feel confident that it will meet -- those thresholds, particularly at S&P, which has moved us up to a 14% threshold, as you know.

Agnieszka Storozynski - *Seaport Research Partners - Research Analyst*

Yes. And then secondly, you have this court challenge for Aquarion's rate case. And I'm just wondering if, one, there's an outcome we need for that sale process to be successful; and two, if you approach the regulator in Connecticut about this potential sale?

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

Yes. So Angie, this is Joe. The court case was heard. We felt that it went very well. We do expect a decision in the next few months. And our expectation is that it would go back to PURA. It will have no impact on our ability to transact. So we're still we're very, very confident in that case in the outcome.

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

Angie, I would just add that, quite honestly, as Joe mentioned, we should see that court decision in the next couple of weeks. That's our expectation. And that would actually be behind us before we execute on the transaction.

Agnieszka Storozynski - *Seaport Research Partners - Research Analyst*

Okay. And no discussions with PURA around that potential sale or putting the asset on the block?

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

No, we've had communication with the governor. I did talk to the governor and I let him know of this transaction. As you know, it's quasi-judicial Board, the PURA and there's certain things they can and can't talk about. So we're trying to be very mindful of that.

Agnieszka Storozynski - *Seaport Research Partners - Research Analyst*

And then lastly, the dividend growth profile, is it basically mimicking the earnings growth or EPS growth?

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

Angie, you're spot on. As you heard from me, our growth rate 2023, compared to '22, hovered around a 6% growth rate. As Joe mentioned, the Board just approved on an annualized basis, another 6% dividend increase. So we have a long-standing record of continuing to grow our dividend in line with our earnings.

Operator

Our next question comes from Anthony Crowdell with Mizuho.

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

Just I guess 2 quick ones. One to follow up from Steve's question. I think you were talking about maybe some ITCs in your FFO to debt metrics. Any chance you could tell us what amount of ITCs you booked in '23 earnings and what your forecast is in '24 earnings?

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

Yes, Anthony, this is John. So the ITC that Steve was alluding to, relates to the South Fork equity investment, that we just completed last year. And the size of that bread box is about $500 million. We have not recognized any of those ITCs. And I would view those ITCs as being cash driven and not earnings driven.

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

Great. And then just lastly, on the 8-K you filed this morning, gave some more details on the transaction. I believe in it, you guys have guaranteed an IRR to the buyer of roughly 13%. If you use your best estimate today of what you think the project would cost and your best estimate forecasting everything, where do you think the IRR stands today?

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

Yes. With the cost pressures that we've had, I want to make sure I understand your question.

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

Well, I guess I'm wondering, it's at 13%, we were maybe forecasting a lower IRR of the project based on our assumptions. And so we're thinking that -- or is there from day 1 that you assume that there's a payment going out to the buyer to get to the 13% IRR?

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

It's been -- it's already been baked in the transaction. That's what -- that's a portion of the impairment, which would allow them to be able to get the return they expect. So that's already been factored in that -- that was accounted for.

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

Yes. That's right.

Operator

We now turn to Paul Zimbardo with Bank of America.

Paul Zimbardo - *BofA Securities, Research Division - VP in Equity Research & Research Analyst*

To clarify, what's the forecast for capital investment into offshore wind into 2024 and specifically kind of before the close of the transaction?

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

Yes, Paul, we really haven't said that. There's time sensitivities as to when funding obligations transfer, not only to both GIP but also to Ørsted as well. But I can tell you that it's not a significant level. And all of those assumptions have been baked into our financing plan.

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

And whatever we put in comes back to us. It's not as if we're going to be outany money.

Paul Zimbardo - *BofA Securities, Research Division - VP in Equity Research & Research Analyst*

Okay. And then on the lower effective tax rate in 2024, could you quantify what that benefit is, kind of what you had in 2023 from lower effective tax rate? And how much of the improvement is in 2024?

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

Yes. I mean, where we landed in 2023, I would say, high teens and where we project to be in 2024 is also in the high teens, I would say, 18% to 20%, is the effective tax rate. So some of the benefits that we were able to recognize, we see those recurring in 2024.

Operator

Our next question comes from Ryan Levine with Citi.

Ryan Levine - *Citigroup Inc., Research Division - VP*

On the cost sharing or earnout clawback like structure, what's the timeline where you would receive cash payments, if costs were lower than targets? And conversely, if there's any cash flows -- cash outflows? And any sense on timing when you expect those payments to be made?

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

Sure. I mean would be all resolved at COD. At COD, our contingent liability is resolved. We plan to have the Revolution project in service in the fall of 2025. So that should be the timing you should be thinking.

Ryan Levine - *Citigroup Inc., Research Division - VP*

Okay. And then given the uncertainty of the contingent payments, would you look to wait to time your equity issuance once you have resolution on COD?

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

Well, the equity issuance is a multiyear program. So it wouldn't be anything, it would be right, it's still the same window of time that we're talking about. John?

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

Yes. And that's been factored into our financing plan, the timing of when that would reach COD and so we feel good. Joe, in his formal remarks and some of the Q&A that he's responded to, we feel good where we are with the most current forecast -- construction forecast for Revolution, and that has become the baseline for the sharing.

Ryan Levine - *Citigroup Inc., Research Division - VP*

Okay. And then on the water sale, to the extent you can respond, did the process already start? Or is it being initiated with the announcement last night?

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

No, it's -- the process has not started. It's going to -- last night, we kicked it off and it will be -- we'll get to work on it as soon as this call is over.

Ryan Levine - *Citigroup Inc., Research Division - VP*

Great. And then last question for me. We've seen other utilities slow the dividend growth to be less than EPS growth. Is the management or Board considering a change in dividend policy on a go-forward basis, as the capital needs and equity needs evolve?

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

No, we don't. I just reiterated what our expectations are for both long-term earnings, EPS growth of 5% to 7%, and we expect to grow our dividend in line with the earnings growth.

Operator

Our next question comes from Travis Miller with Morningstar.

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

On Revolution, what kind of involvement are you going to continue to have on the operational construction side? And I'm thinking in part to make sure that the costs stay in line with your estimate. Will you be involved in the project or more third party?

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

Yes. No, no, great question. So we're actively involved in the land-based portion of that construction. I've been down in Rhode Island. I've been with Governor McKee, we broke ground on the substation, the conduit work that runs from the point of entry from the ocean to the substation. We will play a very, very active role. And I think that having a seat at the table is important for all the reasons that you stated. So we will continue to play that role until such time as that project is in commercial operation.

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

Okay. Perfect. And then going back kind of strategic over the years. I think one of the initial thoughts that you had behind all these nonutility investments was to reduce some of the exposure to Connecticut. Now it seems like you've come back and now have more of that exposure post this. What's kind of changed over the years to -- in Connecticut to suggest that you think perhaps a better operating environment -- investment environment there?

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

Well, I would say the Aquarion transaction was more, it's predicated on the fact that our equity needs that we need to raise equity and this is an accretive -- potential accretive transaction that we are looking to execute. So that's really kind of the impetus of us pursuing a transaction for Aquarion.

Operator

(Operator Instructions) We now turn to Paul Patterson with Glenrock Associates.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Just really quickly to make sure I understood the answer to Anthony Crowdell's question. There is no earnings impact associated with 2023 and 2024 with offshore wind on a non-GAAP basis and adjusted basis. Is that correct?

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

I believe Anthony's question was more on the ITC.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Okay. Yes. Okay. Well, I'm just wondering, just generically speaking, is there any EPS impact on an adjusted non-GAAP basis for offshore wind in 2023 and 2024?

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

No.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Okay. Great. And then moving to the PBR case. I noticed that in December, you guys and also United Illuminating, as for the case to be withdrawn and then reinitiated as a new type of case. And without getting into the details because they're very complicated. But how do you see that case proceeding, I guess, at this point? I know that the commission earlier this month said no to that proposal. But obviously, there's some concerns that you guys have about it that you voiced in your filings. Any thought process we should have about what the outlook is there?

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

Yes. Paul, a couple of things there. Number one, quite honestly, we were a bit disappointed that docket or those dockets, there is actually 3 of them got delayed or pushed out a bit. So I think it's still far too early for us to speculate because I think there are proceedings that we wanted to take place. And now some of those will likely happen. So we can't speculate, as to what the outcome would be at this point. I think there's a lot more work and a lot more discussion with PURA that will have to take place.

Operator

We now turn to Jeremy Tonet with JPMorgan.

Aidan Kelly - *JPMorgan Chase & Co, Research Division - Analyst*

This is actually Aidan Kelly on for Jeremy. Just one quick question on our end. What was the parent interest expense drag in '23 versus '22? And could you just talk about like the offsets behind that?

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

Well, I would say the interest obviously is higher and we said that has an impact. But I would focus your attention more on to the financing plan, that we just disseminated and the EPS growth rate for '24 and the longer-term growth rate.

Operator

This concludes our Q&A. I'll now hand back to Bob Becker for final remarks.

Robert Becker - *Eversource Energy - Director, Investor Relations*

Thanks, Elliot, and thank you, everybody, for joining us today. If you have any follow-up questions, please reach out to Investor Relations.

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

Thank you, everyone.

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

Thank you, everybody.

Operator

Ladies and gentlemen, today's call has now concluded. We'd like to thank you for your participation. You may now disconnect your lines.