REFINITIV STREETEVENTS

EDITED TRANSCRIPT

ES.N - Q2 2023 Eversource Energy Earnings Call

EVENT DATE/TIME: AUGUST 01, 2023 / 1:00PM GMT

OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

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

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

Robert Becker *Eversource Energy - Director Investor Relations*

CONFERENCE CALL PARTICIPANTS

Andrew Weisel *Scotiabank Global Banking and Markets, Research Division - Analyst*

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

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

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

Gregg Orrill *UBS Investment Bank, Research Division - Executive Director & Equity Research Analyst of Utilities*

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

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

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

Richard Sunderland *JP Morgan - Analyst*

PRESENTATION

Operator

Hello, everyone, and welcome to Eversource Energy's Second Quarter 2023 Earnings Call. My name is Emily, and I'll be coordinating your call today. (Operator Instructions)

I'll now turn the call over to our host, Investor Relations Director, Robert Becker. Please go ahead, Robert.

Robert Becker - *Eversource Energy - Director Investor Relations*

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 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'll turn the call over to Joe.

REFINITIV

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

Thank you, Bob, and thank you, everyone, for joining us on this call this morning. I hope that you're all having a good summer and can take some time off after earnings season. Today, we'd like to update you on our commitment to deliver value to our customers to achieve important objectives on both ESG and diversity, and our progress to close out the offshore wind sale process.

Starting on Slide 3. Here at Eversource, we are working tirelessly to deliver energy and clean water safely and reliably to our 4.4 million customers. Our steadfast focus on serving our customers well continues to deliver superior results in all aspects of our businesses in Connecticut, Massachusetts, and New Hampshire. As you can see from the bottom of this slide, investments we have made over the past decade are greatly benefiting customers. The average months between interruption has increased significantly from 12 months in 2011 to nearly 20 months at the end of 2022, to over two years through the first half of 2023. As a result, this high performance level puts Eversource's reliability in the top decile compared to industry peers. In addition, when an outage occurs, the average duration experienced by customers has improved dramatically.

Our relatively short average duration of outages also puts Eversource in the top decile compared to industry peers. This top decile level of reliability is a result of years of investment in the states in which we operate and the dedication and the high work of our skilled employees.

Turning to Slide 4, on the energy supply side of our customer bill. We're pleased that our customers have experienced some improvement in supply pricing in New England. Challenges due to natural gas supply constraints because of the war in Ukraine and the global market dynamics led to last winter's historically high energy prices here in New England. This summer, natural gas prices have moderated nicely, and we're seeing much lower electricity prices as a result.

In Connecticut and Massachusetts, new supply rates went into effect on July 1 and will remain in place through the end of the year. Supply rates for residential customers in Connecticut and Massachusetts decreased approximately 40% per kilowatt hour from January of this year to July 1 of this year. In New Hampshire, residential customers will see a decline of approximately 40% per kilowatt hour in the supply rate effective August 1. As a reminder, we purchased power on behalf of our customers in accordance with guidelines set by our state regulators, and we do not earn any profit from this portion of our customers' bill.

We are very pleased that our customers have seen some cost relief this summer as it helps to offset customers' usage that is much higher in the summer than in the winter. And while 2023 prices have come down in recent months, we expect another seasonal increase in supply prices for this coming winter. Therefore, we remain focused on our industry-leading energy efficiency programs, and we're continuing to engage with policymakers to discuss long-term solutions.

To that end, in June, senior leaders actively participated in the FERC-sponsored forum in Portland, Maine, on gas and electric reliability matters. The topics discussed include retaining existing natural gas infrastructure and new electric transmission infrastructure needed to connect onshore and offshore generation and other renewable energy resources. This was a very well-attended meeting that included all four FERC commissioners and the state energy policy leaders from across New England. We look forward to continuing the engagement with FERC and other key stakeholders to continue to advance this energy resource challenge for New England.

Turning to Slide 5. In June, we posted on Eversource's website, our 2022 Sustainability Report, along with our stand-alone Diversity, Equity and Inclusion Report. These publications highlight our commitment to leading environmental, social, equity and governance practices. We continue to make strong progress towards our 2030 carbon neutrality goal with 1/4 of the emissions already cut from our baseline year of 2018.

To continue progressing toward this target, we're focused on five key sources of emissions: line loss, natural gas leaks, energy use across our facilities, fuel use by our fleet and releases of sulfur hexafluoride that is used as an insulator in electrical equipment. The many initiatives we have implemented to drive emissions down are showing results. In fact, from 2021 to 2022, we've seen a 15% overall emissions reduction. These efforts have ranged from enabling more capacity for renewables on the grid to replacing aging leak-prone natural gas pipes to investing in hybrid vehicles and procuring renewable energy for our buildings.

We're also pursuing innovative solutions such as a pilot project featuring a first-of-its-kind sulfur hexafluoride-free breaker used in our electric system. And we continue to explore solutions that will enable a decarbonized heating sector. These include our geothermal pilot and evaluating the potential to replace natural gas with low or zero carbon molecules.

As many of you know, we're also expanding our emission reduction efforts through the commitment to adopt an ambitious science-based target. Committing to a science-based target is a best practice that places us among a handful of industry leaders in the U.S., and we plan to have our targets submitted by 2024.

Turning now to our clean energy effort. In 2022, we invested nearly $800 million in clean energy, including offshore wind, battery storage, electric vehicle charging and first-of-a-kind utility-scale network geothermal energy pilot in Massachusetts. Although we announced our plans to divest of offshore wind assets, Eversource remains committed to supporting the development of important regional clean energy solutions.

Slide 6, reflects the many clean energy initiatives underway in Massachusetts to enable the clean energy transition. As you can see on this slide, Massachusetts has a constructive regulatory framework that will facilitate over $2 billion of clean energy investments over the next five years. This includes approximately $200 million of FERC-approved transmission projects that would enable offshore wind generation to interconnect to our grid.

We could potentially see an additional $350 million of transmission investment when Massachusetts issues its next RFP for additional offshore wind generation. And certainly, we can expect this transmission interconnection need to grow as additional offshore generation is procured for the region. We continue to emphasize the need for system investments to support increased electrification and distributed generation to help ease the current reliance on natural gas generation in the region.

Here at Eversource, while we are focused on enabling clean energy transition, we're also focused on enabling an equitable transition. This means protecting communities, industries and people that are at risk of being disadvantaged in the clean energy transition.

Now moving to offshore wind. As you see here on Slide 7, we continue to make progress in the development of our offshore wind projects through our joint venture with Ørsted. We recently achieved some major milestones with the South Fork Wind project. Construction of the project's U.S. built onshore substation and transmission cable is complete and the installation of the offshore substation and the subsea transmission cable were recently completed. Additionally, wind turbine preassembly is underway in New London, Connecticut, and installation of offshore towers will begin soon.

South Fork Wind is on track to become the nation's first completed utility-scale offshore wind farm in Federal waters and will soon deliver enough clean renewable energy to power nearly 70,000 homes. Also, we continue to make good progress on our Revolution Wind project. On July 17, we received the environmental impact statement from BOEM, setting the process for our record of decision and construction and operations plan approvals over the next few months.

In May, we announced the sale of our uncommitted lease area to Ørsted for $625 million in an all-cash transaction. Last week, we received Federal approval on the lease transaction clearing the way toward a closing. We are now working on finalizing the transaction for the sale of our interest in the three development projects.

We have substantially completed the due diligence phase and commercial terms of this transaction. We are now truly near the goal line of wrapping up this deal. We are now working through the various agreements needed to complete this transaction and expect to make an announcement soon.

Moving to Slide 8. As you can see here, the expected spending in in-service dates have not changed for the three offshore wind projects. But what has changed is that our procurement costs for the three projects are now at 93% as we are getting close to commencing construction activities on Revolution Wind. John will discuss the path forward toward our sale of these projects as well as some visibility on the impairment charge on the offshore wind investments.

In closing, as we continue our focus toward enabling a clean energy future, our nearly 10,000 employees, and I have one goal in mind, to serve our customers well. That means making sure we understand our customers' needs, continuing to provide reliable and safe service and making the necessary investments to deliver energy and clean water today, tomorrow and for the years to come. We've made a commitment to make the appropriate investments to enable the transition into a clean energy future. I couldn't be prouder of the effort that the Eversource team performs every day, and I look forward to the future with great excitement.

Thank you again for your time, and 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. Today, I will review our results for the second quarter of 2023, including our offshore wind impairment charge. And I'll also discuss our recent offshore lease sale transaction, give you a status update and review our 2023 financing activity.

So let me start with Slide 9, our GAAP earnings were $0.04 per share in the second quarter of 2023 compared with GAAP earnings of $0.84 in the second quarter of 2022. As we announced in May, based on our completion of the offshore wind strategic review and the status of the pending project sale process, the results for the second quarter include an after-tax impairment charge of $0.95 per share related to Eversource Energy's total offshore wind investment. I will review details of this impairment in a few minutes.

Results for both years include transaction and transition costs related to the acquisition of Eversource Gas Company of Massachusetts and other charges that totaled $6.2 million in the second quarter of 2023 compared with $5.5 million in the second quarter of 2022. Absent these charges, and the offshore wind impairment, our recurring earnings were $1.00 per share in the second quarter of this year compared with $0.86 in the second quarter of last year.

Looking at some additional details on the second quarter recurring earnings by segment, starting with our electric transmission segment, which earned $0.46 per share in the second quarter of 2023 compared with earnings of $0.44 per share in the second quarter of 2022. Improved results were driven by our continued investment in Eversource's electric transmission system to maintain high reliability performance for customers.

Our second quarter 2023 electric distribution earnings were $0.47 per share compared with $0.37 in the second quarter of last year. The improved results were primarily due to higher revenues, mainly from base distribution rate increases at NSTAR Electric, an expected favorable regulatory decision in New Hampshire that provided the recovery of previously expensed costs and lower O&M as a result of lower storm restoration costs. These benefits were partially offset by higher interest expense, depreciation and property taxes.

Our natural gas distribution segment earned $0.03 per share in the second quarter of 2023 compared with earnings of $0.02 in the second quarter of last year. The improved second quarter results were due primarily to higher revenues from capital tracking mechanisms, supporting our continued investments in Massachusetts natural gas infrastructure as well as lower non-tracked O&M expense. These benefits were partially offset by higher depreciation, interest and property tax expense.

Moving on to our water distribution segment that earned $0.03 per share in the second quarter of this year, really at the same level that we earned in the second quarter of last year.

Eversource parent and other companies' earnings were $0.01 per share in the second quarter of 2023 compared with flat earnings in the second quarter of 2022. Excluding the offshore wind impairment charge and the transaction and transition charges as I previously discussed. Improved second quarter results primarily reflect a lower effective tax rate, the residual benefit of a disposition of Eversource's interest in a clean energy fund, partially offset by higher interest expense.

Now turning to Slide 10, to further expand on what Joe covered on the sale of our 50% interest in approximately 175 acres of undeveloped, uncommitted lease area to Ørsted for $625 million in an all-cash deal. We have executed a letter of intent with Ørsted to use a portion of the proceeds from the lease area to provide tax equity to the South Fork project through a new tax equity ownership interest that we are finalizing the terms of this new agreement as we speak.

On July 27, we received approval from the Committee on Foreign Investment in the U.S. or CFIUS that allows us to close on both the lease area, as well as the tax equity investment in South Fork later this month or early September. As part of completing our offshore wind strategic review, Eversource evaluated its aggregate investment in the contracted projects, the uncommitted lease area and other related capitalized costs and determined that the carrying value of the offshore wind investment exceeded its carrying value. The current estimate of fair value has been based on the sale price of the uncommitted lease area, the expected sale price of Eversource's 50% interest in the three contracted projects based on the most recent deal pricing, investment tax credit qualifications for potential adders and the expectation of a successful repricing of the Sunrise Wind OREC contract.

As a result, Eversource recognized an after-tax impairment charge of $331 million, or $0.95 per share, in the second quarter of this year. This charge will not have any impact on our cash flows from operations. We have made good progress on advancing the sale of our existing 50% interest in the three contracted offshore wind projects. As Joe mentioned, the due diligence phase is now substantially complete and behind us and we are advancing the transaction documentation. This process is complex with multiple agreements that must be completed at the same time, such as a replacement joint venture agreement.

We recognize this process has taken a bit longer than expected, but we are not going to rush through this documentation phase. It's important for us to have all agreements in a good place. With that said, we continue to remain focused on completing the final phase of this process and once again, as Joe mentioned, we expect to announce the transaction soon. As a reminder, our total offshore wind investment after accounting for the impairment charge is approximately $2.1 billion as of June 30 of this year.

Now turning to Slide 11. We are maintaining our full year guidance of $4.25 to $4.43 per share with a somewhat different quarterly earnings profile from 2022 due to a rate change, as I previously discussed on our first quarter call. As a reminder, the rate design change at NSTAR Electric became effective at the beginning of this year, which eliminated higher summertime demand charges. This change shifts $0.08 per share of after-tax revenues out of the third quarter and into the first and fourth quarter, a roughly equal $0.04 per share split. There is no impact on the rate design change on the second quarter or the full year results.

In addition to reaffirming our long-term EPS growth rate solidly in the upper half of the 5% to 7% range, we also reaffirm our $21.5 billion five-year regulated capital program that we shared during our February earnings call. Capital expenditures totaled about $1.98 billion in the first half of 2023.

Moving to Slide 12. Here, we highlight several factors that we expect will contribute to an improvement in cash flows in 2023 as compared to 2022. We expect an improvement over last year's ratio of funds from operation relative to total debt levels. Items we are highlighting on this slide include absence of 2022 onetime cash outflow items, net proceeds from the sale of our offshore wind investment, both the projects and for lease area that will be used to lower debt balances, monetization of South Fork Wind investment tax credits, higher storm cost recoveries and distribution rate increases and the remaining equity issuance that we have discussed.

As you are all aware, over the past several years, we have experienced several significant storm events having an adverse impact on our cash flows, with a sizable deferred storm balance in Connecticut alone had approximately $900 million at the end of June. Our dedicated employees and the external contractor resources we depend upon to restore service to our customers safely and efficiently, which comprise the vast majority of the level of deferred costs, do an incredible job working around the clock in these severe weather events, but that does come at a cost.

In terms of the year-to-date financing activity, please turn to Slide 13. As you can see here in early May, we issued $1.8 billion of parent debt in three tranches at coupon rates ranging from 4.75% to 5.45%, and we retired $450 million of parent company debt. Our expectation is that debt issuances will be much, much lower in the second half of 2023. We have issued no additional equity under our ATM program through July of this year. We remain committed to completing the remaining $1 billion in our ATM program. In addition, we anticipate raising additional equity through our dividend reinvestment and employee incentive programs using treasury shares. And through July, we have issued 647,000 shares.

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

Robert Becker - *Eversource Energy - Director Investor Relations*

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Shahriar Pourreza with Guggenheim Partners.

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

Can you hear me?

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

Yes, we can hear you.

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

Just a couple of questions here. Perfect. Joe, just given the uncertainty that we're seeing nationally around just the offshore wind with a lot of project cancellations and renegotiations. How confident are you that you get this transaction across the finish line at a reasonable price? And what does this sort of mean for the growth rate and the remaining portion of the ATM as it stands. So, do you see kind of any situation post this deal, where we could see incremental financing or impact of how you manage around the 5% to 7% EPS growth rate?

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

Yes. Well, thank you, Shahriar, and I want to thank everybody for their patience around this complex offshore wind sale. And it's been very, very complex. It involves multiple agreements that all have to be aligned, and we want to be sure that we get the most money for our shareholders out of that exit. And we remain focused on completing this transaction to the point, we're not going to let John Moreira take any summer vacation until he has it all taken care of.

But back on one point here, this region is so dependent on natural gas for electric generation and that shift has to come, it has to come in some form of alternative generation. And that's where wind, given the energy factors in this region, you get a wind availability factor out there of 49% to 50% in the winter months, it's even greater when we peak. So, we feel very strongly that wind is going to play a major role as we transition to this clean energy environment.

It performs especially well for us and for our customers. So, I don't see anyone taking their foot off the gas. The policymakers are very, very excited about wind. So, I don't see that waning. And I really feel the appetite for wind assets, although there's been a few that have decided not to go forward. As you know, we're out there, very actively building. I was excited to get a lot of reports the foundation is being installed for the new substation. And we will be the first offshore wind company in service in the fall, which is very, very exciting to me. So, there are many parties that remain committed to offshore wind.

Our offshore wind leases are very, very prized assets. They sit in an area that have all the fundamentals necessary to deliver great wind speeds for any future bids. So that's why we feel good that it will continue to do well here. So, all in all, it's going to take place. It didn't take place, obviously, at the pace that all of us would have liked it to take place, but I just want to promise you that we are here at the one yard line and we are getting it over the goal line.

I think some of the announcements that we made today should give you greater clarity as to how much we really know about this transaction. This really is the final stage. We are really focused on redeploying the proceeds for debt paydown, and we're reaffirming our $1 billion equity issuance that we provided to you on the year-end 2022 earnings call. So, for that reason, I'm very confident that we'll complete the deal soon. And thank you again for your patience, Shahriar.

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

Joe, I guess, are you comfortable with the current financing that's out there and the growth rate post this transaction? I mean obviously, you're still dotting your Is and crossing your Ts, but I think investor won't understand...

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

Yes, we are. We are fully confident on that. Yes, we are fully confident in that and there's no change.

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

Okay. Perfect. And then just lastly, obviously, you've highlighted this deal is taking a lot longer to get over the finish line and there's obviously a lot of investor angst over the contingencies and downside exposure. I guess can you just maybe elaborate what remains on the negotiation side. How much of this kind of falls on Ørsted, which is kind of out of your control and do you see the contingencies as being reasonable at this point in the discussions as we're thinking about upside and downside?

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

John?

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

Yes, sure. Shahriar, this is John. So yes, I mean, there are, as Joe mentioned and I mentioned in my formal remarks, there are a multitude of agreements that needs to be executed in conjunction with our purchase and sale agreement, some of which we will not be a party to. But we will help facilitate those working with the buyer to make sure that they get to a good place with Ørsted.

As far as the contingencies, what's on the table right now, and we're not here to disclose those components because we do not have an executed agreement. But I think we feel comfortable that we can manage those well with Ørsted. And there are both pluses and minuses, downside and upside, and we feel comfortable with what will ultimately be agreed to.

Operator

Our next question comes from Steve Fleishman with Wolfe Research.

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

So just, I think you mentioned that the impairment that you took on the offshore wind assumes you get the New York restructuring as well as the ITC adders. Is there any way to get a sense of what the investment level would be if you don't get those?

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

Yes, Steve. So that is correct. We have included both of those components in our impairment analysis. And obviously, in order for us to be in a position to do that, there needs to be a certain level of conviction and probability, and on both of those, we feel very, very good about. I would say, on average, I mean, folks can certainly calculate it but it's probably $400 million apiece, $400 million.

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

Okay. Understood. That's helpful color also on the probability part. And then my other question, John, just on the FFO-to-debt slide, that's very helpful in terms of the drivers. Is there any way to get a better sense of start and end points there or kind of the scale of any of those driver buckets there?

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

Yes. And I think some of those items we have already shared, and they might even be disclosed in our 10-Q. But I would size kind of the first category these one-timers that we experienced in 2022 that we will not materialize in '23, I would say, at least $0.25 billion, so $250 million goes away. The three categories of those were as part of the 2021 Connecticut CL&P settlement agreement we still had half a year of refunds in 2022. That's been ceased. So that's behind us. So that was about 70-some-odd million, $78 million.

We made early on in 2022, some capital contributions, which we don't expect to make at least for the foreseeable future. And then we had another property tax settlement in Massachusetts to the tune of about another $70 million that will not materialize this year. So that's that first category.

And I think all the other ones, when you look at rate adjustments, cost recovery of previously deferred costs. Those are starting to kick in. So, in Massachusetts, as part of the rate case, we have close to $400 million rolling into rates, we had a piece of it that took effect earlier this year, and we have another chunk that will take effect January 1, 2024.

So, I think if you factor those items then and clearly, the biggest immediate improvement in our cash flow is going to be the closing of these two transactions, the offshore wind transactions. So those are all the items. And obviously, as we've said, we still have $1 billion left under our ATM program to be executed. So, all of those items give me comfort that we will certainly move in the right direction from an FFO to debt.

Operator

Our next question comes from Durgesh Chopra with Evercore ISI.

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

John, just really quickly, you mentioned as part of the impairment charge, you assumed repricing on the Sunrise Wind. Can you just walk us through what the steps are? What are the next sort of milestones are as you kind of have filed for that repricing? And then what does that mean? Is that $400 million related to that repricing, if that's what you've quantified it as?

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

Yes. So first, let me say that the process is underway. There is a schedule out there that NYSERDA has posted, which could render a decision as soon as October and November. So, we expect something to be known certainly by the end of this year. So dependent on what the approval is, we think it could be in the $400 million to $450 million range. So, I think discovery is taking place. There's been some requests. So, we're going through that phase, Ørsted is going through that phase right now. And so are the other bidders as well, we're all in the same procedural schedule.

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

Got it. And then just switching gears. You mentioned roughly like $900 million in the deferred storm costs balance, and I know there is a filing coming up in Connecticut. Maybe can you just talk to that? And what is the path to recovery and timeline of those costs?

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

Well, the normal process in Connecticut is you will commence recovery of storm costs as part of a general rate proceeding. And what we've done in the past is we filed for a prudency review. So, it's uncertain right now, we're still compiling all of the necessary data that's needed for that process to take place. But suffice it to say that the recovery of those costs will happen when there's a general rate proceeding. And as we've said, the earliest that will happen will be end of 2025.

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

Got it. So as part of your cash flow walk, there's nothing there like '22 to '23, and then in terms of just improvement from recovery of those costs. That's more longer-term dated.

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

That balance is more longer-term dated. We do have some cost recovery in base rates, embedded in base rates with CL&P, but it's not significant to recover that anytime soon.

Operator

The next question comes from David Arcaro with Morgan Stanley.

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

I was wondering are you still expecting $2.1 billion to $2.4 billion in CapEx in that 2024 to 2026 period that I think you had disclosed previously and are returns still at that same level in the 11% to 13% ROE range?

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

David, is this for offshore wind?

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

Yes. Yes. Sorry. Offshore wind 2024 to 2026 CapEx plans. Any changes to the longer-term CapEx?

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

No.. It's reflected on that slide that we presented. So, there's been no change in the overall capital forecast needs, both for this year because we did revise that on the last quarter call. But longer term, no, there's been no capital changes to that.

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

Okay. Got it. And then the impairment on the offshore wind assets was slightly larger than the last estimate. I was just wondering if you could elaborate on what might have changed since the last estimate when you announced the recent transaction?

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

Sure, David. So, in May, the buyer hadn't completed its due diligence process, we hadn't even filed for the request for Sunrise in New York. So, a lot of things have come together since we made that announcement. And all of those puts and takes have been factored into the impairment charge that we just recognized. So, I would say a lot more is known and measurable today certainly than it was back in May. And that does reflect, as I said in my formal remarks, the completion of due diligence and kind of the current deal pricing.

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

Okay. Got it. So, a couple of moving pieces there, and it sounds like in the original estimate of the write-off that didn't include a repricing of Sunrise or the potential value of the tax credit adders?

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

It didn't include the New York repricing, but we've always felt comfortable on the tax component. So, we did include the 10% adder.

Operator

The next question comes from Andrew Weisel with Scotiabank.

Andrew Weisel - *Scotiabank Global Banking and Markets, Research Division - Analyst*

First one detail or I just want to clarify, there's some confusion about the CL&P rate case stay out. Does SB 7 allow regulators or intervenors to call you in before October 25? Or is the settlement superseded new state law?

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

Our position is that our 2021 settlement agreement provides the ability or qualifies for that four-year rate review, and that four-year rate review will expire in the fall of 2025.

Andrew Weisel - *Scotiabank Global Banking and Markets, Research Division - Analyst*

Okay. Great. Next, I want to clarify the timing -- okay. Sorry. I want to clarify the timing. I think you said you expect -- can you hear me?

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

Yes, we can hear you.

Andrew Weisel - *Scotiabank Global Banking and Markets, Research Division - Analyst*

Okay, sorry about that, it must be my headset. Anyway, you expect clarity on Sunrise for the end of the year, October, November. And yet both Joe and John, you guys both use the word soon from a sale price announcement. To be as clear as we can be, does soon meaning before the repricing process is complete or will you and the potential buyer wait until the future of Sunrise is known either by waiting to make an announcement or adding a contingency to the contract?

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

No, we will not wait for the determination from the state of New York on that. We will announce once these documents, as we've mentioned, are ready to go.

Operator

Our next question comes from Gregg Orrill with UBS.

Gregg Orrill - *UBS Investment Bank, Research Division - Executive Director & Equity Research Analyst of Utilities*

Hey, regarding the $1 billion related to the ATM equity, what's the intent there for how long that would last you to fund the plan? And then is there any update on the Aquarion rate case appeal?

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

Okay. Let me take the latter one. So, the Aquarion rate case appeal continues to move forward, as I think briefs are due later this month, the 17th of August, I believe, and then reply briefs, and there is a hearing date scheduled for December 14, where the record will be closed, and I believe it's scheduled for oral arguments at that point in time. So shortly thereafter, the judge could render a decision. So that's where we stand on that.

As far as the $1 billion remaining equity under the ATM program. Certainly, we said it over several years. We haven't issued any equity this year just based on valuation. So, the ATM provides us with the ability to take advantage and be opportunistic. So, we'll continue to monitor things accordingly and issue the equity as we feel comfortable.

Operator

Our next question comes from Jeremy Tonet with JPMorgan.

Richard Sunderland - *JP Morgan - Analyst*

This is actually Rich Sunderland in on for Jeremy. Can you hear me?

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

Yes, we can, Rich.

Richard Sunderland - *JP Morgan - Analyst*

All right. Great. Just a couple of housekeeping items upfront. The $400 million to $450 million you're referencing for New York, is that a pretax or after-tax figure?

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

Pretax.

Richard Sunderland - *JP Morgan - Analyst*

Got it. And then on the quarter itself, could you quantify the New Hampshire retroactive piece and the parent tax item as well?

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

The parent tax item, I would tell you that it's probably close to about 100 basis points different quarter-over-quarter in the effective tax rate. So last year's effective tax rate was like 24% and change, and we're running around 22% and change.

Richard Sunderland - *JP Morgan - Analyst*

Got it. And that New Hampshire retroactive piece, just how much was that? And is that baked into guidance?

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

It was baked into the guidance. We were banking on that. We were tracking the proceeding very, very closely last year, and we felt very good and comfortable about baking that in. I would say it's in, if I remember correctly, in the $15 million to $20 million range.

Richard Sunderland - *JP Morgan - Analyst*

Got it. Very helpful. And then just one higher-level question. There's been a lot of attention on UI's draft decision that came out recently. Any thoughts on how this impacts your approach on the CL&P front for '25? Or any thoughts on read through there to your Aquarion appeal or just other thoughts on Connecticut overall, in light of that draft decision?

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

Yes. Well, that was a draft, as you know, on July 21. It's not the final decision. Obviously, it appears to track the Aquarion decision, discouraging investment in the state of Connecticut. We're obviously concerned about that decision, and we're hoping that between now and the final decision that there are some changes in that.

As you know, we will have our day in court. And if this remains as is, I assume that UI will be in court as well to talk about that. Anyhow 2025 is a long way away in terms of what we expect will happen in 2025. So, I don't want to speculate on that. We will continue to monitor, continue to engage with key policymakers in the state. We have very good relations with the governor, with the attorney general with other parties. Their agenda and our agenda is very much aligned around clean energy and clean energy investments.

There are a number, I mean one of the things that's interesting with the state of Connecticut, is the number of clean energy technology companies in that state. I mean there are fuel cell companies, battery companies, all of them are looking to deploy their technologies. So, any type of a chill on investment in that state is not good for all of these start-up companies, and it's obviously disappointing.

But listen, we're not going to get disheartened. We're not going to lose faith. We're going to continue to work those relationships down there and try to get to a place that's fair for our customers and for our shareholders. That gets us to a much better, cleaner environment with investments in that state.

So, again it's a very fluid situation. We'll have to see what the final decision looks like. But I just want everybody to know that I am personally involved working this along with the 9,500 other employees of this company, and we are going to work through these issues. And I'm confident that we can get to a much better place.

Operator

Our next question comes from Anthony Crowdell with Mizuho.

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

I've been spending too much time up in Marlborough, Massachusetts, so I feel like a native now. Just, I guess, on Slide 12, if I could jump on Steve's question. Where did you end the quarter on an FFO to debt basis? And if you could just give us a range as you're very close to finishing the sale of offshore wind on what the improvement could possibly be? Is it 200 basis points or 200 to 250 or 100 to 150? If you're willing to quantify what the type of pickup would be in FFO to debt. I think with Steve, you gave more of the FFO, but not so much the metric.

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

Yes. No, I hear you and we have not disclosed that. And truth be told that I want to have those discussions with the agencies before I share any of that detail with the broader audience. So, we are now, given where we are with the contracted project transaction, now we're at a point where I can share some of that information, some of the details with the rating agencies. So, I have meetings schedule over the next several weeks to be able to do that.

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

Great. And then -- just curious on the sale -- and I apologize if I'm using just a different word. You may have answered this with Shahr's question. Once the sale is announced and once the sale closes, is there the potential for further liabilities that you have to be concerned with? Or the expectation is once there's a sale and the sale closes, there's no more impact to Eversource?

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

Those are what we've planned to disseminate once we execute the agreement. But as I've said, there will be some potential movements up or down.

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

I'm sorry, potential movements after the close, that could be up or down. Is that fair?

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

Correct.

Operator

Our final question today comes from the line of Julien Dumoulin-Smith with Bank of America.

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

Just following up on a few housecleaning items here from the prior questions. Just clearly, when in your forecast, do you assume Connecticut electric and natural gas rate cases. Obviously, you're holding to the upper end. I just wanted to clarify when you think you'll pursue those?

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

On the electric, as we continue to state, our settlement agreement allows us to meet the four-year review period, and that review period will expire in the fall of 2025. So, we do not expect to file a CL&P case prior to that date. And if you look at the length of time it takes in a general rate proceeding, you're looking at a year. So, with that time frame, you're probably looking at the earliest date that rates will be changed would be early 2027. And then for Yankee Gas, Julien, we have no plans right now to file a rate proceeding. So, we'll continue to monitor that as we always do. But we don't have any current plans to file.

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

Got it. And no changes to your CapEx forecast for now, right, in Connecticut?

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

That is correct.

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

Got it. Excellent. And then just clarifying earlier the FFO to debt, I know lots of questions, pluses and minuses, but can you just quantify the big building blocks as you think about through the forecast period, especially through '25 here. I mean I think I heard ITC earlier. Can you just clarify, I know that you got some legacy items that we talked about earlier, and thank you again, John. But on '22, can you talk about the big puts and takes here that improve the metrics prospectively through the forecast period?

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

Well, through the forecast period? Through 2027?

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

Yes. I'm thinking about not just like '23 to '24, but really kind of getting that sustainable structural level, right, as you think about the big building blocks.

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

Yes, yes. I would say offshore wind will be the kick stop to that enhancement once we get those and offload some debt. I think if you look at the longer-term rate mechanisms that we have in place certainly in Massachusetts, that will drive enhanced operating cash flows and the recovery of storm costs.

Although for CL&P, it will be towards the latter part of the forecast period. But I think all of those items, when you look at the cash flows in Massachusetts, as I mentioned, we are putting into rates about $400 million of deferred storm costs. And as part of the rate case, the amount included in base rates were significantly increased. So those are all of the items that will continue to have enhanced cash flows and then completing our $1 billion equity program over the coming years, will certainly enhance that credit metric.

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

Got it. Just to clarify your '24 metrics here. Do they benefit in FFO? Go for it.

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

Yes. No, absolutely. I mean with everything else being equal, yes, we see 2023, as I mentioned in my formal remarks, moving in the right direction from where we landed in 2022, and I see that trend continuing over the forecast, certainly into 2024 and beyond.

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

Right. And '24 includes the tax equity in your FFO?

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

Yes.

Operator

Those are all the questions we have time for today. So, I'll hand the call back to Robert Becker for any closing remarks.

Robert Becker - *Eversource Energy - Director Investor Relations*

Thanks, Emily. That concludes our call. Thank you for joining us today. If you have any follow-up questions, please reach out to Investor Relations.

Operator

Thank you, everyone, for joining us today. This concludes our call, and you may now disconnect your lines.
