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# Connecticut Light & Power Co.

**July 23, 2026**

*This report does not constitute a rating action.*

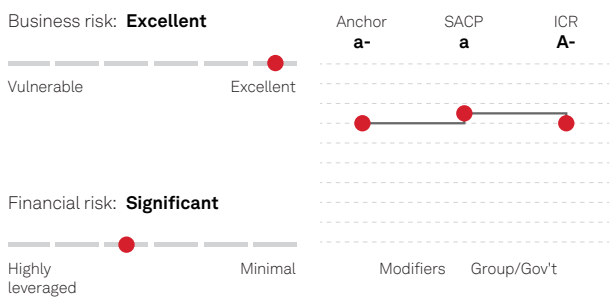
Primary Contact

**Obioma Ugboaja, CFA**
New York
1-212-438-7406
obie.ugboaja
@spglobal.com

Secondary Contact

**Pat Kerrigan**
New York
pat.kerrigan
@spglobal.com

## Ratings Score Snapshot




| Issuer credit rating |
|---|
| A-/Stable/NR |

ICR--Issuer credit rating. SACP--Stand-alone credit profile.

## Credit Highlights

### Overview

| Key strengths | Key risks |
|---|---|
| Monopolistic electric transmission and distribution (T&D) utility operations. | Lack of operating diversity makes the company largely dependent on Connecticut regulators to sustain its credit quality. |
| About 40% of the company's rate base consisting of low-risk electric transmission operations. | Negative discretionary cash flow (DCF) forecast, indicating future external funding needs. |
| Our view of Connecticut Light & Power Co. (CL&P) as an insulated subsidiary of its parent Eversource Energy allows us to rate CL&P one notch above Eversource. | Service territory prone to localized storms and severe weather events. |
| Large customer base that supports stable cash flow. | |

**Connecticut Light & Power (CL&P) filed for a base rate case increase, proposing for new rates to go into effect on July 1, 2027.** On July 14, 2026, CL&P filed for a rate case increase with Public Utilities Regulatory Authority (PURA) and is requesting to implement a new four-year performance-based multiyear rate plan. The rate request is for an approximate $727 million increase (inclusive of cumulative storm costs) or $451 million (exclusive of cumulative storm

costs). Storm costs relate to storms that occurred from 2018 through March 2025. In addition, the rate increase request is based on a 10.25% return on equity, premised upon a 53.86% equity capitalization ratio. CL&P received its last base rate increase order in April 2018. We will continue to monitor related developments.

**We view the PURA's proposed storm cost recovery decision as supportive of credit quality.** PURA's proposed final decision determined that CL&P prudently incurred about $944 million in storm costs. As such, PURA will consider about $742 million of such costs for recovery through securitization. We expect that the balance will be recovered through other existing regulatory mechanisms, including the competitive transition assessment charge and CL&P's storm reserve accrual. Based on PURA's proposed decision, the company will not be able to recover around $300 million of historical carrying charges associated with these costs, which we assess as modestly negative. However, we overall view this development as supportive of credit quality, as the securitization will bolster CL&P's financial measures because we assess such securities with non-bypassable customer charges as off-balance-sheet. Furthermore, PURA's decision signals potential improvement in the state's regulatory compact, which we will continue to closely monitor.

**We do not expect the FERC's ROE order will materially impact CL&P's financial metrics.** In April 2026, the U.S. Federal Energy Regulatory Commission (FERC) ordered a reduction in the prospective base return on equity (ROE) for all New England transmission owners including Eversource subsidiary CL&P to 9.57% from 10.57%. The FERC also determined that the regional transmission owners' equity returns dating back to 2011 were unjust and unreasonable, leading it to impose one-time rate refunds of about $932 million in total for parent Eversource, a portion of which affects CL&P. Following a joint motion from New England transmission owners, FERC has since extended the deadline for completing refunds to May 20, 2027, from the original 30-day timeframe.

While we view the one-time refunds as a negative development, we do not expect this will permanently weaken CL&P's credit quality. Furthermore, FERC has issued its initial order on the April 30th Section 205 filing, proposing to increase the base ROE for New England transmission owners to 11.39% from 9.57% and the incentive cap to 12.89% from 12.09%, which we view as favorable for the company. The ROE is suspended for five months until the end of November and is subject to further discussion. Overall, our base-case scenario assumes CL&P's funds from operations (FFO) to debt temporary weakens in 2026 to about 19-20%, before improving to 22-23% in 2027 and onwards.

**We apply a positive comparable ratings analysis modifier in arriving at our stand-alone credit profile (SACP) for CL&P.** This reflects our view that CL&P's financial measures will be consistently toward the higher end of the range for its financial risk profile category compared to peers. Specifically, we expect CL&P's stand-alone FFO to debt will average 20%-22% over the forecast period.

**CL&P--Net property plant and equipment by segment**

As of Dec. 31, 2025




FERC--Federal Energy Regulatory Commission. PURA--Connecticut Public Utilities Regulatory Authority. Source: S&P Global Ratings.

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# Outlook

The stable outlook on CL&P reflects the stable outlook on parent Eversource. The stable outlook on Eversource reflects our expectation that Eversource will consistently maintain FFO to debt of 12%-15% through 2028 without increasing its business risk. The outlook also incorporates our belief that management will maintain its financial policy stance toward protecting credit quality.

## Downside scenario

We could downgrade CL&P over the next 24 months if we downgrade parent, Eversource. This could occur if Eversource's consolidated financial measures deteriorate, such that FFO to debt remains below 12%.

## Upside scenario

We could upgrade CL&P over a similar period if we do the same for parent Eversource. This could occur if Eversource maintains FFO to debt above 15% without experiencing an increase to its business risk.

# Our Base-Case Scenario

**Assumptions**

- Formulaic rates for the company's transmission operations;
- Constructive regulatory outcome in pending base rate case filing;
- Timely recovery of costs recovered through the company's Rate Adjustment Mechanism for distribution rates;
- Capital spending that averages about $930 million annually;
- Dividends that average about $645 million annually;

- Negative discretionary cash flow;
- Cash tax payments throughout the forecast; and
- The refinancing of all debt maturities.

## Key metrics

c

**Connecticut Light & Power Co.--Forecast summary**

| Mil. $ | 2024a | 2025a | 2026e | 2027f | 2028f |
|---|---|---|---|---|---|
| Debt/EBITDA (x) | 4.0 | 2.6 | 3-4 | 3-4 | 3-4 |
| FFO/debt (%) | 21.9 | 31.3 | 19-20 | 22-23 | 22-23 |
| FFO cash interest coverage (x) | 6.3 | 8.1 | 4-5 | 5-6 | 5-6 |

All figures are adjusted by S&P Global Ratings. a--Actual. e--Estimate. f--Forecast. FFO--Funds from operations.

# Company Description

**CL&P** is a regulated electric transmission and distribution utility engaged in the purchase, delivery, and sale of electricity to about 1.3 million customers in Connecticut. CL&P is a wholly owned subsidiary of Eversource Energy. Overall, we expect CL&P to contribute about approximately 30% of Eversource's consolidated EBITDA.

# Peer Comparison

**Connecticut Light & Power Co.--Peer Comparisons**

| | Connecticut Light & Power Co. | Consolidated Edison Co. of New York Inc. | NSTAR Electric Co. | Rhode Island Energy | United Illuminating Co. (The) |
|---|---|---|---|---|---|
| Foreign currency issuer credit rating | A-/Stable/NR | A-/Stable/A-2 | A-/Stable/A-2 | A-/Stable/A-2 | A-/Stable/-- |
| Local currency issuer credit rating | A-/Stable/NR | A-/Stable/A-2 | A-/Stable/A-2 | A-/Stable/A-2 | A-/Stable/-- |
| Period | Annual | Annual | Annual | Annual | Annual |
| Period ending | 2025-12-31 | 2025-12-31 | 2025-12-31 | 2025-12-31 | 2024-12-31 |
| Mil. | $ | $ | $ | $ | $ |
| Revenue | 5,241 | 15,651 | 3,987 | 2,168 | 1,341 |
| EBITDA | 1,969 | 5,141 | 1,459 | 351 | 283 |
| Funds from operations (FFO) | 1,608 | 4,143 | 1,031 | 291 | 209 |
| Interest | 232 | 1,253 | 292 | 117 | 59 |
| Cash interest paid | 226 | 1,167 | 263 | 93 | 54 |
| Operating cash flow (OCF) | 1,660 | 4,507 | 954 | 349 | 158 |
| Capital expenditure | 853 | 4,275 | 1,532 | 607 | 224 |
| Free operating cash flow (FOCF) | 807 | 232 | (578) | (258) | (65) |
| Discretionary cash flow (DCF) | 374 | (902) | (1,015) | (363) | (65) |
| Cash and short-term investments | 88 | 1,581 | 8 | 0 | 1 |

**Connecticut Light & Power Co.--Peer Comparisons**

| | | | | | |
|---|---|---|---|---|---|
| Gross available cash | 88 | 1,581 | 8 | 0 | 1 |
| Debt | 5,138 | 25,385 | 6,326 | 2,350 | 1,222 |
| Equity | 6,738 | 22,037 | 7,580 | 3,519 | 1,552 |
| EBITDA margin (%) | 37.6 | 32.8 | 36.6 | 16.2 | 21.1 |
| Return on capital (%) | 7.5 | 6.3 | 7.7 | 3.2 | 6.8 |
| EBITDA interest coverage (x) | 8.5 | 4.1 | 5.0 | 3.0 | 4.8 |
| FFO cash interest coverage (x) | 8.1 | 4.5 | 4.9 | 4.1 | 4.9 |
| Debt/EBITDA (x) | 2.6 | 4.9 | 4.3 | 6.7 | 4.3 |
| FFO/debt (%) | 31.3 | 16.3 | 16.3 | 12.4 | 17.1 |
| OCF/debt (%) | 32.3 | 17.8 | 15.1 | 14.9 | 13.0 |
| FOCF/debt (%) | 15.7 | 0.9 | (9.1) | (11.0) | (5.4) |
| DCF/debt (%) | 7.3 | (3.6) | (16.0) | (15.4) | (5.4) |

# Business Risk

We assess CL&P's business risk profile as excellent, reflecting the company's lower risk regulated utility transmission and distribution (T&D) electric business, large size, and overall regulatory risk management that is generally in line with its peers. CL&P's business includes very low risk transmission operations (about 42% of EBITDA) that are regulated by what we consider a most credit supportive regulatory construct through FERC, reflecting the use of formula rates that support timely recovery of costs with limited regulatory lag.

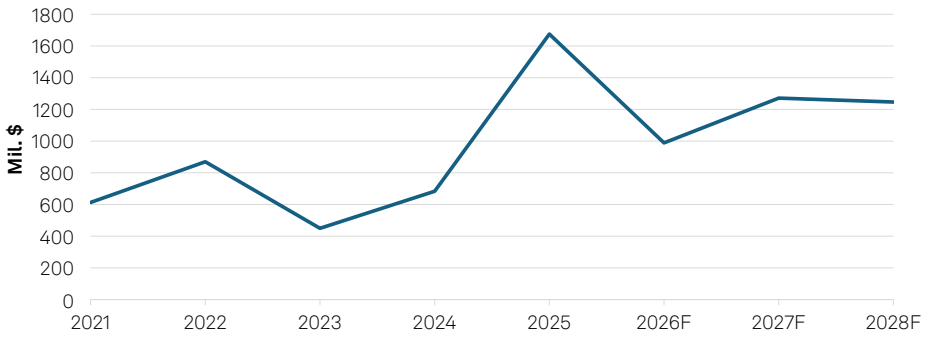
While CL&P has historically experienced a challenging regulatory environment in Connecticut, the PURA's recent proposed decision to consider about $742 million of CL&P's prior period storm costs for recovery through securitization signals potential improvement in the state's regulatory compact, which we will continue to closely monitor. Furthermore, our assessment of CL&P's business risk incorporates the company's service territory that is susceptible to severe weather such as localized storms and floods.

# Financial Risk

We assess CL&P's financial measures using our medial-volatility table, reflecting its low-risk electric transmission and distribution operations and regulatory risk management. Under our base case, we expect the company's FFO to debt will average 20%-22% over the forecast period. Our base case assumes formulaic rates for the company's transmission operations, timely recovery of costs recovered through the company's Rate Adjustment Mechanism for distribution rates, capital spending that averages about $930 million annually, dividends that average about $645 million annually, negative discretionary cash flows, cash tax payments throughout the forecast, and the refinancing of all debt maturities.

**Connecticut Light & Power Co.**

### CL&P--Operating cash flows




F - Forecast. Source: S&P Global Ratings.

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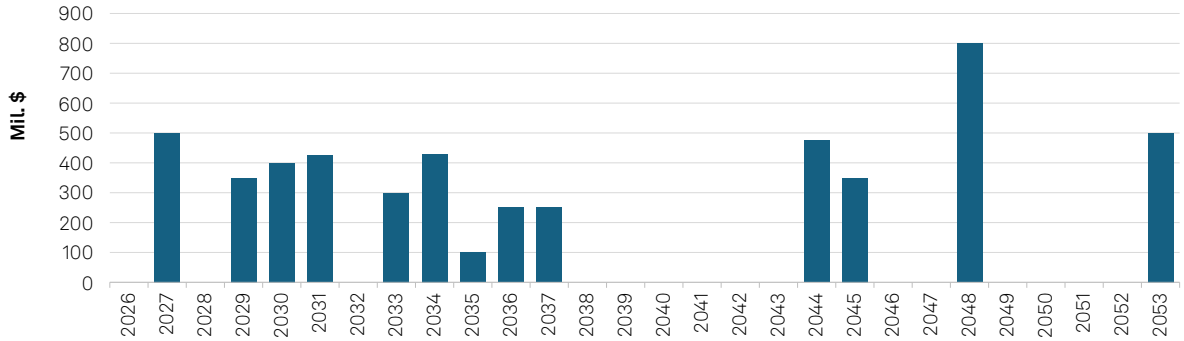
## Debt maturities

### CL&P--Debt maturities




Source: Company filings.

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**Connecticut Light & Power Co.--Financial summary**

| Period ending | Dec-31-2020 | Dec-31-2021 | Dec-31-2022 | Dec-31-2023 | Dec-31-2024 | Dec-31-2025 |
|---|---|---|---|---|---|---|
| Reporting period | 2020a | 2021a | 2022a | 2023a | 2024a | 2025a |
| Display currency (mil.) | $ | $ | $ | $ | $ | $ |
| Revenues | 3,548 | 3,637 | 4,818 | 4,579 | 4,615 | 5,241 |
| EBITDA | 1,133 | 1,118 | 1,494 | 710 | 1,386 | 1,969 |
| Funds from operations (FFO) | 964 | 913 | 1,202 | 567 | 1,205 | 1,608 |
| Interest expense | 165 | 174 | 179 | 206 | 245 | 232 |
| Cash interest paid | 158 | 167 | 175 | 187 | 228 | 226 |
| Operating cash flow (OCF) | 388 | 607 | 862 | 440 | 675 | 1,660 |

**Connecticut Light & Power Co.**

**Connecticut Light & Power Co.--Financial summary**

| | | | | | | |
|---|---|---|---|---|---|---|
| Capital expenditure | 827 | 787 | 872 | 1,085 | 970 | 853 |
| Free operating cash flow (FOCF) | (439) | (180) | (10) | (646) | (296) | 807 |
| Discretionary cash flow (DCF) | (511) | (524) | (305) | (979) | (632) | 374 |
| Cash and short-term investments | 91 | 56 | 11 | 10 | 1 | 88 |
| Gross available cash | 91 | 56 | 11 | 10 | 1 | 88 |
| Debt | 4,288 | 4,267 | 4,295 | 5,164 | 5,506 | 5,138 |
| Common equity | 5,103 | 5,358 | 5,842 | 6,149 | 6,622 | 6,738 |
| **Adjusted ratios** | | | | | | |
| EBITDA margin (%) | 31.9 | 30.7 | 31.0 | 15.5 | 30.0 | 37.6 |
| Return on capital (%) | 8.5 | 7.2 | 8.2 | 7.9 | 7.8 | 7.5 |
| EBITDA interest coverage (x) | 6.9 | 6.4 | 8.3 | 3.4 | 5.7 | 8.5 |
| FFO cash interest coverage (x) | 7.1 | 6.5 | 7.9 | 4.0 | 6.3 | 8.1 |
| Debt/EBITDA (x) | 3.8 | 3.8 | 2.9 | 7.3 | 4.0 | 2.6 |
| FFO/debt (%) | 22.5 | 21.4 | 28.0 | 11.0 | 21.9 | 31.3 |
| OCF/debt (%) | 9.1 | 14.2 | 20.1 | 8.5 | 12.3 | 32.3 |
| FOCF/debt (%) | (10.2) | (4.2) | (0.2) | (12.5) | (5.4) | 15.7 |
| DCF/debt (%) | (11.9) | (12.3) | (7.1) | (19.0) | (11.5) | 7.3 |

**Reconciliation Of Connecticut Light & Power Co. Reported Amounts With S&P Global Adjusted Amounts (Mil. $)**

| | Debt | Shareholder Equity | Revenue | EBITDA | Operating income | Interest expense | S&PGR adjusted EBITDA | Operating cash flow | Dividends | Capital expenditure |
|---|---|---|---|---|---|---|---|---|---|---|
| Financial year | Dec-31-2025 | | | | | | | | | |
| Company reported amounts | 5,110 | 6,796 | 5,241 | 1,953 | 871 | 212 | 1,969 | 1,675 | 436 | 868 |
| Cash taxes paid | - | - | - | - | - | - | (136) | - | - | - |
| Cash interest paid | - | - | - | - | - | - | (208) | - | - | - |
| Lease liabilities | 22 | - | - | - | - | - | - | - | - | - |
| Operating leases | - | - | - | 3 | 0 | 0 | (0) | 2 | - | - |
| Intermediate hybrids (equity) | 58 | (58) | - | - | - | 3 | (3) | (3) | (3) | - |
| Accessible cash and liquid investments | (88) | - | - | - | - | - | - | - | - | - |
| Capitalized interest | - | - | - | - | - | 15 | (15) | (15) | - | (15) |
| Share-based compensation expense | - | - | - | 11 | - | - | - | - | - | - |
| Asset-retirement obligations | 36 | - | - | 3 | 3 | 3 | - | - | - | - |

**Connecticut Light & Power Co.**

**Reconciliation Of Connecticut Light & Power Co. Reported Amounts With S&P Global Adjusted Amounts (Mil. $)**

| | Debt | Shareholder Equity | Revenue | EBITDA | Operating income | Interest expense | S&PGR adjusted EBITDA | Operating cash flow | Dividends | Capital expenditure |
|---|---|---|---|---|---|---|---|---|---|---|
| Nonoperating income (expense) | - | - | - | - | 24 | - | - | - | - | - |
| Total adjustments | 28 | (58) | - | 16 | 27 | 21 | (362) | (15) | (3) | (15) |
| **S&P Global Ratings adjusted** | **Debt** | **Equity** | **Revenue** | **EBITDA** | **EBIT** | **Interest expense** | **Funds from Operations** | **Operating cash flow** | **Dividends** | **Capital expenditure** |
| | 5,138 | 6,738 | 5,241 | 1,969 | 897 | 232 | 1,608 | 1,660 | 433 | 853 |

# Liquidity

We assess CL&P's liquidity as adequate, with sources covering uses by 1.1x over the coming 12 months, and we expect its sources will cover uses even if consolidated EBITDA declines 10%. We believe the predictable regulatory framework for CL&P provides manageable cash flow stability even in economic stress, supporting our use of slightly lower thresholds to assess liquidity. In addition, CL&P can absorb high-impact, low-probability events. We believe CL&P can reduce its capital spending (averaging about $930 million over the next five years) during periods of stress. This indicates a limited need for refinancing under such conditions. Furthermore, our assessment reflects generally prudent risk management, sound relationships with its banks, and a generally satisfactory standing in the credit markets. Overall, we believe CL&P can withstand adverse market circumstances over the next 12 months with sufficient liquidity to meet its obligations. Its next long-term debt maturity of about $500 million is in 2027, and we expect CL&P to proactively address debt maturities well in advance of their due dates.

| Principal liquidity sources | Principal liquidity uses |
|---|---|
| • Cash of about $15 million;<br>• Cash FFO of about $1.2 billion; and<br>• Available credit facility of $600 million. | • Debt maturities over the next 12 months of about $540 million;<br>• Working capital outflows of about $90 million;<br>• Assumed maintenance capital spending of about $600 million; and<br>• Dividends of about $300 million. |

# Covenant Analysis

## Requirements

In Eversource's joint revolving credit agreement, there is a covenant for CL&P to maintain debt to capitalization below 65%.

## Compliance expectations

As of March 31, 2026, CL&P was in compliance with this covenant, and we expect it to remain in compliance throughout our forecast.

# Environmental, Social, And Governance

ESG factors have no material influence on our credit rating analysis of CL&P. However, we note that there has been some concern over affordability of the company's rates by regulators, which we continue to monitor.

# Group Influence

We assess CL&P as a highly strategic subsidiary of Eversource because it is highly unlikely to be sold, operates in a line of business that is very closely aligned to the group's mainstream business, has a long term commitment from the group, is integral to the overall group strategy, is reasonably successful at what it does, is a significant contributor to the group, operates as a profit center of the group, and is closely linked to the parent's name and reputation. CL&P contributes approximately 30% of Eversource's EBITDA.

We rate CL&P one notch higher than Eversource's 'bbb+' group credit profile because of the strength of CL&P's stand-alone credit profile and the cumulative value of structural and regulatory protections in place that insulate it from Eversource.

Key insulating measures include:

- CL&P's businesses are independently regulated in the state in which it operates and by FERC.
- CL&P holds itself out as a separate entity from Eversource.
- CL&P has its own funding arrangements that are independent from the rest of the group.
- CL&P has no significant operational dependence on other group entities.
- CL&P maintains its own records.
- CL&P does not commingle funds, assets, or cash flows with the rest of the Eversource group.
- CL&P's financial performance is independent of Eversource.
- We believe there is a strong economic basis for Eversource to preserve CL&P's credit strength due to CL&P's low-risk, profitable, and regulated operations that make up a large portion of Eversource's operations.
- CL&P is a regulated utility with a regulatory capital structure.
- There are no cross-default provisions between CL&P and Eversource that imply that a default at Eversource would lead to a default at CL&P, which supports our opinion that a default at Eversource would not directly lead to a default at the company.

# Issue Ratings--Subordination Risk Analysis

## Capital structure

CL&P has $116.2 million of preferred stock outstanding on its balance sheet.

## Analytical conclusions

We rate CL&P's preferred stock 'BBB', two notches below our issuer credit rating on the company because the dividends on these instruments are deferrable and because the instruments are subordinate to other debt in the utility's capital structure.

# Issue Ratings--Recovery Analysis

## Key analytical factors

CL&P's first-mortgage bonds benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage of more than 1.5x supports a recovery rating of '1+' and an issue-level rating one notch above our issuer credit rating.

| **Rating Component Scores** | |
|---|---|
| **Foreign currency issuer credit rating** | **A-/Stable/NR** |
| **Local currency issuer credit rating** | **A-/Stable/NR** |
| **Business risk** | **Excellent** |
| Country risk | Very Low |
| Industry risk | Very Low |
| Competitive position | Strong |
| **Financial risk** | **Significant** |
| Cash flow/leverage | Significant |
| **Anchor** | **a-** |
| **Modifiers** | |
| Diversification/portfolio effect | Neutral (no impact) |
| Capital structure | Neutral (no impact) |
| Financial policy | Neutral (no impact) |
| Liquidity | Adequate (no impact) |
| Management and governance | Neutral (no impact) |
| Comparable rating analysis | Positive (+1 notch) |
| **Stand-alone credit profile** | **a** |
| Group credit profile | bbb+ |
| Entity status within group | **Highly strategic and insulated (-1 notch from SACP)** |

# Related Criteria

- Criteria | Corporates | General: Recovery Rating Criteria For Corporate Issuers, March 31, 2026
- General Criteria: Hybrid Capital: Methodology And Assumptions, Oct. 13, 2025
- Criteria | Corporates | General: Sector-Specific Corporate Methodology, July 7, 2025
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018

**Connecticut Light & Power Co.**

- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

| **Ratings Detail (as of July 23, 2026)*** | |
|---|---|
| **Connecticut Light & Power Co.** | |
| Issuer Credit Rating | A-/Stable/NR |
| Preferred Stock | BBB |
| Senior Secured | A |
| **Issuer Credit Ratings History** | |
| 09-Dec-2024 | A-/Stable/NR |
| 05-Mar-2024 | A/Negative/NR |
| 11-Jan-2024 | A/Watch Neg/NR |
| 14-Sep-2023 | A/Negative/NR |
| 22-May-2023 | A/Stable/NR |
| 09-May-2022 | A/Positive/NR |
| 29-Oct-2021 | A/Stable/NR |
| **Related Entities** | |
| **Eversource Energy** | |
| Issuer Credit Rating | BBB+/Stable/A-2 |
| Commercial Paper | |
| *Local Currency* | A-2 |
| Junior Subordinated | BBB- |
| Senior Unsecured | BBB |
| **Eversource Gas Co. of Massachusetts** | |
| Issuer Credit Rating | BBB+/Stable/-- |
| **NSTAR Electric Co.** | |
| Issuer Credit Rating | A-/Stable/A-2 |
| Commercial Paper | |
| *Local Currency* | A-2 |
| Preferred Stock | BBB |
| Senior Unsecured | A- |
| **NSTAR Gas Co.** | |
| Issuer Credit Rating | BBB+/Stable/-- |
| Senior Secured | A |
| **Public Service Co. of New Hampshire** | |
| Issuer Credit Rating | A-/Stable/-- |
| Senior Secured | A |
| **Yankee Gas Services Co.** | |
| Issuer Credit Rating | BBB/Stable/-- |

**Connecticut Light & Power Co.**

**Ratings Detail (as of July 23, 2026)***

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

**Connecticut Light & Power Co.**

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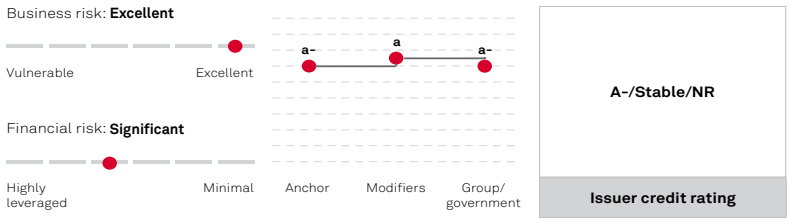
# Connecticut Light & Power Co.

**June 27, 2025**

This report does not constitute a rating action.

## Ratings Score Snapshot




## Credit Highlights

### Overview

| Key strengths | Key risks |
|---|---|
| Monopolistic electric transmission and distribution (T&D) utility operations. | Lack of operating diversity makes the company largely dependent on Connecticut regulators to sustain its credit quality. |
| Approximately 40% of the company's rate base consists of low-risk electric transmission operations, regulated by the Federal Electric Regulatory Commission (FERC). | Regulatory uncertainty for investor-owned utilities in Connecticut. |
| Our view of Connecticut Light & Power Co. (CL&P) as an insulated subsidiary of its parent Eversource Energy allows us to rate CL&P one notch above Eversource. | Negative discretionary cash flow (DCF) forecast indicates future external funding needs. |
| Large customer base supports cash flow. | Service territory is prone to storms and other weather events. |

**Several legislative proposals and legal developments in Connecticut suggest some uncertainty for investor-owned utilities in the state, including CL&P.** Various legislative

Primary contact

**Ruchi Agrawal**
Toronto
14372252983
ruchi.agrawal
@spglobal.com

Secondary contact

**Sloan Millman, CFA, FRM**
New York
1-212-438-2146
sloan.millman
@spglobal.com

Secondary contact

**Obioma Ugboaja, CFA**
New York
1-212-438-7406
obie.ugboaja
@spglobal.com

Research contributor

**Jay Mittal**
CRISIL Global Analytical Center, an S&P Global Ratings affiliate
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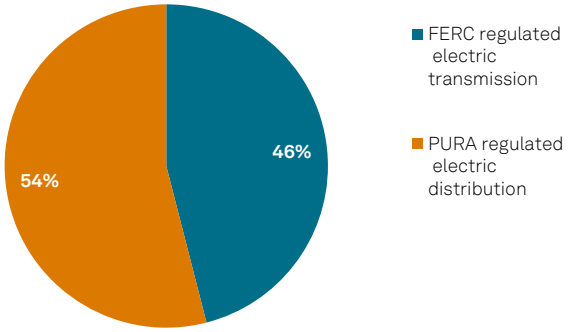
proposals were introduced in both the Connecticut General Assembly and Connecticut Senate concerning the makeup of the Connecticut Public Utilities Regulatory Authority (PURA) , whether it should be separated from the Department of Energy and Environmental Protection, and other matters. Additionally, Senate Bill 1531 was introduced, which aimed to prohibit companies, like CL&P's parent Eversource from owning both electric and gas utilities in the state, limiting their ability to profit from investments, while also making these companies' documents subject to Connecticut's Freedom of Information Act. In addition, the Connecticut subsidiaries of Eversource and Avangrid also recently filed a lawsuit against the PURA, alleging that the chair made herself the sole decision maker in regulatory matters that are supposed to be addressed by the majority of PURA commissioners. Separately, the United Illuminating Co. lost in its appeal of its rate case outcome to the Connecticut Superior Court, though another appeal can be forthcoming. In aggregate, while we believe these developments exhibit a politicized environment in the state for the utilities that operate there, this is consistent with our current assessment of the regulatory jurisdiction. That said, we will continue to monitor related developments.

**The PURA is evaluating the possibility of implementing performance-based regulation (PBR) in CT.** Since 2021, the PURA has been evaluating the possibility of introducing PBR for investor-owned electric utilities, including CL&P. Several dockets covering various aspects of PBR, including multi-year rate plans, earnings sharing mechanisms, revenue decoupling, and performance incentive mechanisms have been introduced. In April 2025, an additional docket was reopened to focus on integrated distribution system planning under PBR. Overall, we will continue to monitor these developments and potential implications for CL&P when taken collectively with some of the other regulatory reforms that have occurred in the state, particularly the passage of Senate Bill 7, recent worse-than-expected rate case outcomes for various investor-owned utilities in the state, as well as proceedings on company's Advanced Metering Infrastructure investment and implementation plan.

**We expect CL&P's funds from operations (FFO)-to-debt to improve in 2025, largely driven by an increase to the company's Rate Adjustment Mechanism.** In August of 2024, the PURA issued a final decision allowing CL&P to recover close to $1 billion in costs between July 2024 and April 2025 related to costs incurred pertaining to PPAs the company has with the Millstone and Seabrook nuclear plants as well as low-income and hardship programs, of which about $350 million were under-recovered from 2023. As such, we expect FFO to debt to improve to about 26% in 2025 and be consistently above 20% throughout 2029.

**We apply a positive comparable ratings analysis modifier in arriving at our stand-alone credit profile (SACP) for CL&P.** This reflects our view of CL&P's financial measures that we expect will be consistently toward the higher end of the range for its financial risk profile category compared to peers. Specifically, we expect CL&P's stand-alone funds from operations (FFO) to debt will average approximately 22%-24%% over the next few years.

**Net property plant and equipment by segment**
As of Dec. 31, 2024




FERC--Federal Energy Regulatory Commission. PURA--Connecticut Public Utilities Regulatory Authority.Source: S&P Global Ratings.

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# Outlook

The stable outlook on CL&P reflects the stable outlook on parent Eversource. The stable outlook on Eversource reflects our expectation that Eversource will maintain consolidated FFO to debt of 13%-14%. The outlook also reflects our expectation that the company's management of regulatory risk will not deteriorate further in Connecticut and that it will finance potential increased utility capital spending and costs related to Revolution Wind in a manner that supports its current credit quality.

## Downside scenario

We could downgrade CL&P over the next 24 months if we downgrade parent, Eversource. This could occur if Eversource's consolidated financial measures deteriorate, such that FFO to debt remains below 12%.

## Upside scenario

We could upgrade CL&P over a similar period if we do the same for parent Eversource. This could occur if Eversource maintains FFO to debt above 15% without experiencing an increase to its business risk.

# Our Base-Case Scenario

| Assumptions |
| --- |
| • Formulaic rates for the company's transmission operations; |
| • Timely recovery of costs recovered through the company's Rate Adjustment Mechanism for distribution rates; |
| • Capital spending that averages about $800 million annually; |
| • Dividends that average about $435 million annually; |

- Negative discretionary cash flow in most forecasted years;
- Cash tax payments throughout the forecast; and
- The refinancing of all debt maturities

## Key metrics

**Connecticut Light & Power Co.--Forecast summary**

| Period ending | Dec-31-2021 | Dec-31-2022 | Dec-31-2023 | Dec-31-2024 | Dec-31-2025 | Dec-31-2026 | Dec-31-2027 | Dec-31-2028 |
|---|---|---|---|---|---|---|---|---|
| (Mil. $) | 2021a | 2022a | 2023a | 2024a | 2025e | 2026f | 2027f | 2028f |
| Revenue | 3,637 | 4,818 | 4,579 | 4,615 | 6,201 | 5,799 | 5,967 | 6,195 |
| Gross profit | 2,244 | 2,707 | 1,966 | 2,778 | 3,294 | 3,080 | 3,169 | 3,290 |
| EBITDA (reported) | 1,107 | 1,481 | 698 | 1,371 | 1,852 | 1,634 | 1,693 | 1,763 |
| Plus: Operating lease adjustment (OLA) rent | 0 | 0 | 1 | 3 | 3 | 3 | 3 | 3 |
| Plus/(less): Other | 11 | 12 | 11 | 12 | 12 | 12 | 12 | 12 |
| EBITDA | 1,118 | 1,494 | 710 | 1,386 | 1,867 | 1,648 | 1,708 | 1,778 |
| Less: Cash interest paid | (167) | (175) | (187) | (228) | (250) | (262) | (273) | (273) |
| Less: Cash taxes paid | (38) | (118) | 44 | 47 | (169) | (143) | (146) | (167) |
| Plus/(less): Other | -- | -- | -- | -- | -- | -- | -- | -- |
| Funds from operations (FFO) | 913 | 1,202 | 567 | 1,205 | 1,448 | 1,243 | 1,289 | 1,338 |
| EBIT | 686 | 812 | 851 | 913 | 938 | 966 | 1,059 | 1,061 |
| Interest expense | 174 | 179 | 206 | 245 | 252 | 265 | 276 | 275 |
| Cash flow from operations (CFO) | 607 | 862 | 440 | 675 | 1,293 | 1,141 | 1,148 | 1,172 |
| Capital expenditure (capex) | 787 | 872 | 1,085 | 970 | 980 | 920 | 738 | 681 |
| Free operating cash flow (FOCF) | (180) | (10) | (646) | (296) | 314 | 222 | 410 | 491 |
| Dividends | 344 | 295 | 333 | 337 | 335 | 552 | 480 | 416 |
| Share repurchases (reported) | -- | -- | -- | -- | -- | -- | -- | -- |
| Discretionary cash flow (DCF) | (524) | (305) | (979) | (632) | (21) | (330) | (70) | 75 |
| Debt (reported) | 4,215 | 4,216 | 5,064 | 5,391 | 5,421 | 5,755 | 5,832 | 5,746 |
| Plus: Lease liabilities debt | 0 | 2 | 21 | 25 | 24 | 23 | 22 | 21 |
| Plus: Pension and other postretirement debt | 21 | -- | -- | -- | -- | -- | -- | -- |
| Less: Accessible cash and liquid Investments | (56) | (11) | (10) | (1) | -- | -- | -- | -- |

**Connecticut Light & Power Co.--Forecast summary**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Plus/(less): Other | 86 | 88 | 90 | 92 | 92 | 92 | 92 | 92 |
| Debt | 4,267 | 4,295 | 5,164 | 5,506 | 5,537 | 5,869 | 5,945 | 5,858 |
| Equity | 5,358 | 5,842 | 6,149 | 6,622 | 6,837 | 6,852 | 6,985 | 7,196 |
| FOCF (adjusted for lease capex) | (180) | (12) | (665) | (303) | 311 | 219 | 408 | 488 |
| Interest expense (reported) | 166 | 169 | 193 | 231 | 239 | 251 | 262 | 262 |
| Capex (reported) | 790 | 877 | 1,093 | 979 | 988 | 928 | 746 | 689 |
| Cash and short-term investments (reported) | 56 | 11 | 10 | 1 | -- | -- | -- | -- |
| **Adjusted ratios** | | | | | | | | |
| Debt/EBITDA (x) | 3.8 | 2.9 | 7.3 | 4.0 | 3.0 | 3.6 | 3.5 | 3.3 |
| FFO/debt (%) | 21.4 | 28.0 | 11.0 | 21.9 | 26.2 | 21.2 | 21.7 | 22.8 |
| FFO cash interest coverage (x) | 6.5 | 7.9 | 4.0 | 6.3 | 6.8 | 5.7 | 5.7 | 5.9 |
| EBITDA interest coverage (x) | 6.4 | 8.3 | 3.4 | 5.7 | 7.4 | 6.2 | 6.2 | 6.5 |
| CFO/debt (%) | 14.2 | 20.1 | 8.5 | 12.3 | 23.4 | 19.4 | 19.3 | 20.0 |
| FOCF/debt (%) | (4.2) | (0.2) | (12.5) | (5.4) | 5.7 | 3.8 | 6.9 | 8.4 |
| DCF/debt (%) | (12.3) | (7.1) | (19.0) | (11.5) | (0.4) | (5.6) | (1.2) | 1.3 |
| Lease capex-adjusted FOCF/debt (%) | (4.2) | (0.3) | (12.9) | (5.5) | 5.6 | 3.7 | 6.9 | 8.3 |
| Annual revenue growth (%) | 2.5 | 32.4 | (5.0) | 0.8 | 34.4 | (6.5) | 2.9 | 3.8 |
| Gross margin (%) | 61.7 | 56.2 | 42.9 | 60.2 | 53.1 | 53.1 | 53.1 | 53.1 |
| EBITDA margin (%) | 30.7 | 31.0 | 15.5 | 30.0 | 30.1 | 28.4 | 28.6 | 28.7 |
| Return on capital (%) | 7.2 | 8.2 | 7.9 | 7.8 | 7.7 | 7.7 | 8.3 | 8.2 |
| Return on total assets (%) | 5.0 | 5.7 | 5.6 | 5.6 | 5.5 | 5.6 | 6.0 | 5.9 |
| EBITDA/cash interest (x) | 6.7 | 8.5 | 3.8 | 6.1 | 7.5 | 6.3 | 6.3 | 6.5 |
| EBIT interest coverage (x) | 3.9 | 4.5 | 4.1 | 3.7 | 3.7 | 3.6 | 3.8 | 3.9 |
| Debt/debt and equity (%) | 44.3 | 42.4 | 45.6 | 45.4 | 44.7 | 46.1 | 46.0 | 44.9 |
| Debt fixed-charge coverage (x) | 6.4 | 8.3 | 3.4 | 5.7 | 7.4 | 6.2 | 6.2 | 6.5 |
| Debt/debt and undepreciated equity (%) | 44.3 | 42.4 | 36.9 | 36.6 | 36.2 | 37.5 | 37.5 | 36.7 |

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. $--U.S. dollar.

# Company Description

CL&P is a regulated electric transmission and distribution utility engaged in the purchase, delivery, and sale of electricity to about 1.3 million customers in Connecticut. CL&P is a wholly

owned subsidiary of Eversource Energy. Overall, we expect CL&P to contribute about a third of Eversource's consolidated EBITDA.

# Peer Comparison

**Connecticut Light & Power Co.--Peer Comparisons**

| | Connecticut Light & Power Co. | Consolidated Edison Co. of New York Inc. | NSTAR Electric Co. | Rhode Island Energy | United Illuminating Co. (The) |
|---|---|---|---|---|---|
| Foreign currency issuer credit rating | A-/Stable/NR | A-/Stable/A-2 | A-/Stable/A-2 | A-/Stable/A-2 | A-/Negative/-- |
| Local currency issuer credit rating | A-/Stable/NR | A-/Stable/A-2 | A-/Stable/A-2 | A-/Stable/A-2 | A-/Negative/-- |
| Period | Annual | Annual | Annual | Annual | Annual |
| Period ending | 2024-12-31 | 2024-12-31 | 2024-12-31 | 2024-12-31 | 2023-12-31 |
| Mil. | $ | $ | $ | $ | $ |
| Revenue | 4,615 | 14,129 | 3,721 | 2,024 | 1,356 |
| EBITDA | 1,386 | 4,748 | 1,416 | 367 | 278 |
| Funds from operations (FFO) | 1,205 | 3,564 | 1,053 | 301 | 231 |
| Interest | 245 | 1,207 | 257 | 100 | 49 |
| Cash interest paid | 228 | 1,121 | 244 | 86 | 39 |
| Operating cash flow (OCF) | 675 | 3,304 | 663 | 163 | (5) |
| Capital expenditure | 970 | 4,398 | 1,536 | 450 | 212 |
| Free operating cash flow (FOCF) | (296) | (1,094) | (873) | (287) | (217) |
| Discretionary cash flow (DCF) | (632) | (2,167) | (1,518) | (363) | (322) |
| Cash and short-term investments | 1 | 1,254 | 1 | 0 | 4 |
| Gross available cash | 1 | 1,254 | 1 | 0 | 4 |
| Debt | 5,506 | 25,253 | 5,741 | 1,998 | 1,169 |
| Equity | 6,622 | 19,971 | 6,937 | 3,539 | 1,444 |
| EBITDA margin (%) | 30.0 | 33.6 | 38.1 | 18.1 | 20.5 |
| Return on capital (%) | 7.8 | 6.2 | 8.4 | 4.3 | 7.3 |
| EBITDA interest coverage (x) | 5.7 | 3.9 | 5.5 | 3.7 | 5.6 |
| FFO cash interest coverage (x) | 6.3 | 4.2 | 5.3 | 4.5 | 6.9 |
| Debt/EBITDA (x) | 4.0 | 5.3 | 4.1 | 5.4 | 4.2 |
| FFO/debt (%) | 21.9 | 14.1 | 18.3 | 15.1 | 19.8 |
| OCF/debt (%) | 12.3 | 13.1 | 11.6 | 8.2 | (0.4) |
| FOCF/debt (%) | (5.4) | (4.3) | (15.2) | (14.4) | (18.6) |
| DCF/debt (%) | (11.5) | (8.6) | (26.4) | (18.2) | (27.6) |

# Business Risk

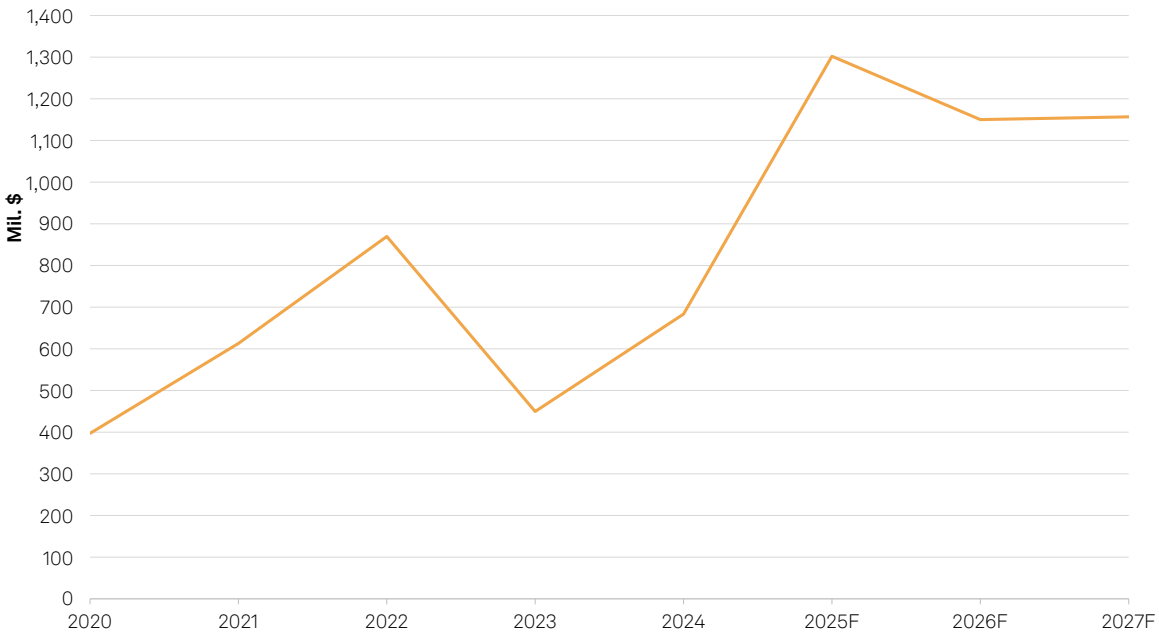
We assess CL&P's business risk profile as excellent, reflecting the company's lower risk regulated utility transmission and distribution (T&D) electric business, large size, and overall regulatory risk management that is generally in line with its peers. CL&P's business includes very low risk transmission operations (about 46% of EBITDA) that are regulated by what we

consider a most credit supportive regulatory construct through FERC, reflecting the use of formula rates that support timely recovery of costs with limited regulatory lag. That said, we believe there is  regulatory uncertainty in Connecticut. Specifically, we view recent worse than expected rate orders for a number of investor-owned utilities in the state as well as the 2023 signing of Connecticut Senate Bill 7 into law as negative for the credit quality. In our view, Senate Bill 7 decreased utilities' cash flow predictability and could increase regulatory lag as it gave the PURA greater latitude in determining whether companies over earn, prohibited PURA from reauthorizing the electric system improvements charge (a capital tracker for the electric utilities in the state), and allowing PURA's discretion over the use of decoupling, which was previously codified into state law for the distribution portion of its business (approximately 54% of EBITDA). Furthermore, our assessment of CL&P's business risk incorporates the company's service territory that is susceptible to severe weather such as localized storms and floods.

# Financial Risk

We assess CL&P's financial measures using our medial-volatility table, reflecting its low-risk electric transmission and distribution operations and management of regulatory risk. Under our base case, we expect the company's FFO to debt will average 22%-24% over the forecasted period. Our base case assumes formulaic rates for the company's transmission operations, timely recovery of costs recovered through the company's Rate Adjustment Mechanism for distribution rates, capital spending that averages about $800 million annually, dividends that average about $435 million annually, negative discretionary cash flow in most forecasted years, cash tax payments throughout the forecast; and the refinancing of all debt maturities.

### CL&P Operating Cash Flows




F - Forecast.

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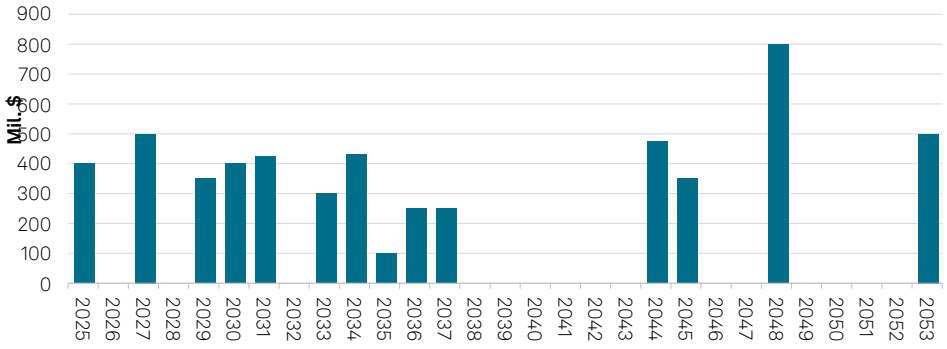
## Debt maturities

### CL&P Debt Maturities




Source: Company filings.

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**Connecticut Light & Power Co.**

**Connecticut Light & Power Co.--Financial Summary**

| Period ending | Dec-31-2019 | Dec-31-2020 | Dec-31-2021 | Dec-31-2022 | Dec-31-2023 | Dec-31-2024 |
|---|---|---|---|---|---|---|
| Reporting period | 2019a | 2020a | 2021a | 2022a | 2023a | 2024a |
| Display currency (mil.) | $ | $ | $ | $ | $ | $ |
| Revenues | 3,233 | 3,548 | 3,637 | 4,818 | 4,579 | 4,615 |
| EBITDA | 1,047 | 1,133 | 1,118 | 1,494 | 710 | 1,386 |
| Funds from operations (FFO) | 812 | 964 | 913 | 1,202 | 567 | 1,205 |
| Interest expense | 163 | 165 | 174 | 179 | 206 | 245 |
| Cash interest paid | 154 | 158 | 167 | 175 | 187 | 228 |
| Operating cash flow (OCF) | 717 | 388 | 607 | 862 | 440 | 675 |
| Capital expenditure | 910 | 827 | 787 | 872 | 1,085 | 970 |
| Free operating cash flow (FOCF) | (193) | (439) | (180) | (10) | (646) | (296) |
| Discretionary cash flow (DCF) | (538) | (511) | (524) | (305) | (979) | (632) |
| Cash and short-term investments | 0 | 91 | 56 | 11 | 10 | 1 |
| Gross available cash | 0 | 91 | 56 | 11 | 10 | 1 |
| Debt | 3,978 | 4,288 | 4,267 | 4,295 | 5,164 | 5,506 |
| Common equity | 4,446 | 5,103 | 5,358 | 5,842 | 6,149 | 6,622 |
| **Adjusted ratios** | | | | | | |
| EBITDA margin (%) | 32.4 | 31.9 | 30.7 | 31.0 | 15.5 | 30.0 |
| Return on capital (%) | 8.6 | 8.5 | 7.2 | 8.2 | 7.9 | 7.8 |
| EBITDA interest coverage (x) | 6.4 | 6.9 | 6.4 | 8.3 | 3.4 | 5.7 |
| FFO cash interest coverage (x) | 6.3 | 7.1 | 6.5 | 7.9 | 4.0 | 6.3 |
| Debt/EBITDA (x) | 3.8 | 3.8 | 3.8 | 2.9 | 7.3 | 4.0 |
| FFO/debt (%) | 20.4 | 22.5 | 21.4 | 28.0 | 11.0 | 21.9 |
| OCF/debt (%) | 18.0 | 9.1 | 14.2 | 20.1 | 8.5 | 12.3 |
| FOCF/debt (%) | (4.9) | (10.2) | (4.2) | (0.2) | (12.5) | (5.4) |
| DCF/debt (%) | (13.5) | (11.9) | (12.3) | (7.1) | (19.0) | (11.5) |

**Reconciliation Of Connecticut Light & Power Co. Reported Amounts With S&P Global Adjusted Amounts (Mil. $)**

| | Debt | Shareholder Equity | Revenue | EBITDA | Operating income | Interest expense | S&PGR adjusted EBITDA | Operating cash flow | Dividends | Capital expenditure |
|---|---|---|---|---|---|---|---|---|---|---|
| Financial year | Dec-31-2024 | | | | | | | | | |
| Company reported amounts | 5,391 | 6,680 | 4,615 | 1,371 | 860 | 231 | 1,386 | 683 | 339 | 979 |
| Cash taxes paid | - | - | - | - | - | - | 47 | - | - | - |
| Cash interest paid | - | - | - | - | - | - | (217) | - | - | - |
| Lease liabilities | 25 | - | - | - | - | - | - | - | - | - |
| Operating leases | - | - | - | 3 | 0 | 0 | (0) | 2 | - | - |

**Connecticut Light & Power Co.**

**Reconciliation Of Connecticut Light & Power Co. Reported Amounts With S&P Global Adjusted Amounts (Mil. $)**

| | Debt | Shareholder Equity | Revenue | EBITDA | Operating income | Interest expense | S&PGR adjusted EBITDA | Operating cash flow | Dividends | Capital expenditure |
|---|---|---|---|---|---|---|---|---|---|---|
| Intermediate hybrids (equity) | 58 | (58) | - | - | - | 3 | (3) | (3) | (3) | - |
| Accessible cash and liquid investments | (1) | - | - | - | - | - | - | - | - | - |
| Capitalized interest | - | - | - | - | - | 8 | (8) | (8) | - | (8) |
| Share-based compensation expense | - | - | - | 9 | - | - | - | - | - | - |
| Asset-retirement obligations | 34 | - | - | 3 | 3 | 3 | - | - | - | - |
| Nonoperating income (expense) | - | - | - | - | 49 | - | - | - | - | - |
| Total adjustments | 115 | (58) | - | 15 | 52 | 14 | (181) | (9) | (3) | (8) |
| **S&P Global Ratings adjusted** | **Debt** | **Equity** | **Revenue** | **EBITDA** | **EBIT** | **Interest expense** | **Funds from Operations** | **Operating cash flow** | **Dividends** | **Capital expenditure** |
| | 5,506 | 6,622 | 4,615 | 1,386 | 913 | 245 | 1,205 | 675 | 337 | 970 |

# Liquidity

We assess CL&P's liquidity as adequate, with sources covering uses by 1.1x over the coming 12 months, and we expect its sources will cover uses even if consolidated EBITDA declines 10%. We believe the predictable regulatory framework for CL&P provides manageable cash flow stability even in economic stress, supporting our use of slightly lower thresholds to assess liquidity. In addition, CL&P can absorb high-impact, low-probability events. We believe CL&P can reduce its capital spending (averaging about $800 million over the next five years) during periods of stress. This indicates a limited need for refinancing under such conditions. Furthermore, our assessment reflects generally prudent risk management, sound relationships with its banks, and a generally satisfactory standing in the credit markets. Overall, we believe CL&P can withstand adverse market circumstances over the next 12 months with sufficient liquidity to meet its obligations. Its next long-term debt maturity of about $400 million is in 2025, and we expect CL&P to proactively address debt maturities well in advance of their due dates.

## Principal liquidity sources

- Cash of about $65 million, and
- Cash FFO of about $1.2 billion.
- Working capital inflow of about $40 million.

## Principal liquidity uses

- Debt maturities over the next 12 months of about $400 million; and
- Assumed maintenance capital spending of about $350 million.
- Dividends of about $400 million.

# Covenant Analysis

## Requirements

In Eversource's joint revolving credit agreement, there is a covenant for CL&P to maintain debt to capitalization below 65%.

## Compliance expectations

As of Mar. 31, 2025, CL&P was in compliance with this covenant, and we expect it to remain in compliance throughout our forecast.

# Environmental, Social, And Governance

ESG factors have no material influence on our credit rating analysis of CL&P. However, we note that there has been some concern over affordability of the company's rates by regulators, which we continue to monitor.

# Group Influence

We assess CL&P as a highly strategic subsidiary of Eversource because it is highly unlikely to be sold, operates in a line of business that is very closely aligned to the group's mainstream business, has a long term commitment from the group, is integral to the overall group strategy, is reasonably successful at what it does, is a significant contributor to the group, operates as a profit center of the group, and is closely linked to the parent's name and reputation. CL&P contributes approximately a third of Eversource's EBITDA. That said, given Eversource's announcement to reduce capital spending at this entity, we believe the extent of expected extraordinary support that CL&P would receive is somewhat more limited compared to what Eversource's core entities would receive.

We rate CL&P one notch higher than Eversource's 'bbb+' group credit profile because of the strength of CL&P's stand-alone credit profile and the cumulative value of structural and regulatory protections in place that insulate it from Eversource.

Key insulating measures include:

- CL&P's businesses are independently regulated in the state in which it operates and by FERC.
- CL&P holds itself out as a separate entity from Eversource.
- CL&P has its own funding arrangements that are independent from the rest of the group.
- CL&P has no significant operational dependence on other group entities.
- CL&P maintains its own records.
- CL&P does not commingle funds, assets, or cash flows with the rest of the Eversource group.
- CL&P's financial performance is independent of Eversource.

- We believe there is a strong economic basis for Eversource to preserve CL&P's credit strength due to CL&P's low-risk, profitable, and regulated operations that make up a large portion of Eversource's operations.
- CL&P is a regulated utility with a regulatory capital structure.
- There are no cross-default provisions between CL&P and Eversource that imply that a default at Eversource would lead to a default at CL&P, which supports our opinion that a default at Eversource would not directly lead to a default at the company.

# Issue Ratings--Subordination Risk Analysis

## Capital structure

CL&P has $116.2 million of preferred stock outstanding on its balance sheet.

## Analytical conclusions

We rate CL&P's preferred stock 'BBB', two notches below our issuer credit rating on the company because the dividends on these instruments are deferrable and because the instruments are subordinate to other debt in the utility's capital structure.

# Issue Ratings--Recovery Analysis

## Key analytical factors

CL&P's first-mortgage bonds benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage of more than 1.5x supports a recovery rating of '1+' and an issue-level rating one notch above our issuer credit rating.

**Connecticut Light & Power Co.**

| **Rating Component Scores** | |
|---|---|
| **Foreign currency issuer credit rating** | **A-/Stable/NR** |
| **Local currency issuer credit rating** | **A-/Stable/NR** |
| **Business risk** | **Excellent** |
| Country risk | Very Low |
| Industry risk | Very Low |
| Competitive position | Strong |
| **Financial risk** | **Significant** |
| Cash flow/leverage | Significant |
| **Anchor** | **a-** |
| Diversification/portfolio effect | Neutral (no impact) |
| Capital structure | Neutral (no impact) |
| Financial policy | Neutral (no impact) |
| Liquidity | Adequate (no impact) |
| Management and governance | Neutral (no impact) |
| Comparable rating analysis | Positive (+1 notch) |
| **Stand-alone credit profile** | **a** |
| Group credit profile | bbb+ |
| Entity status within group | Highly strategic and insulated (-1 notch from SACP) |

# Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, Feb. 10, 2025
- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 2016
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013

**Connecticut Light & Power Co.**

- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

| **Ratings Detail (as of June 27, 2025)*** | |
|---|---|
| **Connecticut Light & Power Co.** | |
| Issuer Credit Rating | A-/Stable/NR |
| Preferred Stock | BBB |
| Senior Secured | A |
| **Issuer Credit Ratings History** | |
| 09-Dec-2024 | A-/Stable/NR |
| 05-Mar-2024 | A/Negative/NR |
| 11-Jan-2024 | A/Watch Neg/NR |
| 14-Sep-2023 | A/Negative/NR |
| 22-May-2023 | A/Stable/NR |
| 09-May-2022 | A/Positive/NR |
| 29-Oct-2021 | A/Stable/NR |
| 06-May-2021 | A/Negative/NR |
| **Related Entities** | |
| **Eversource Energy** | |
| Issuer Credit Rating | BBB+/Stable/A-2 |
| Commercial Paper | |
| *Local Currency* | A-2 |
| Senior Unsecured | BBB |
| **Eversource Gas Co. of Massachusetts** | |
| Issuer Credit Rating | BBB+/Stable/-- |
| **NSTAR Electric Co.** | |
| Issuer Credit Rating | A-/Stable/A-2 |
| Commercial Paper | |
| *Local Currency* | A-2 |
| Preferred Stock | BBB |
| Senior Unsecured | A- |
| **NSTAR Gas Co.** | |
| Issuer Credit Rating | BBB+/Stable/-- |
| Senior Secured | A |
| **Public Service Co. of New Hampshire** | |
| Issuer Credit Rating | A-/Stable/-- |
| Senior Secured | A |
| **Yankee Gas Services Co.** | |
| Issuer Credit Rating | BBB/Stable/-- |

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

**Connecticut Light & Power Co.**

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Research Update:

# Eversource Energy Issuer Credit Rating Lowered To 'BBB+' From 'A-'; Subsidiaries Ratings Also Lowered; Outlooks Stable

**December 9, 2024**

Primary contact

**Sloan Millman, CFA, FRM**
New York
1-212-438-2146
sloan.millman
@spglobal.com

Secondary contact

**Obioma Ugboaja, CFA**
New York
1-212-438-7406
obie.ugboaja
@spglobal.com

## Rating Action Overview

- On Nov. 18, 2024, the Connecticut Public Utilities Regulatory Authority (PURA) issued final rate-case orders for Connecticut Natural Gas Corp. and Southern Connecticut Gas Co., which included material base-rate decreases for both utilities. These rate orders follow a recent pattern of adverse regulatory developments for investor-owned utilities operating in Connecticut, which we believe has increased business risk for Eversource Energy and its Connecticut-based subsidiaries.
- Additionally, Eversource's financial measures have remained weak for the current rating, including funds from operations (FFO) to debt of 11.1% for the 12 months ended September 2024. Given these developments and, even after incorporating the potential sale of Aquarion Co. and its use of proceeds in a credit-supportive manner, we do not expect Eversource's consolidated FFO to debt will consistently be greater than 14%.
- Therefore, S&P Global Ratings lowered the long-term issuer credit rating (ICR) on Eversource to 'BBB+' from 'A-' and lowered the senior unsecured debt rating to 'BBB' from 'BBB+'. We also affirmed the 'A-2' rating on the company's commercial paper (CP) program. We also lowered our ICRs on **Eversource Gas Co. of Massachusetts** (EGMA) and **NSTAR Gas Co.** to 'BBB+' from 'A-'. In addition, we affirmed the ratings on NSTAR Gas' first-mortgage bonds.
- At the same time, we lowered our ICRs on **NSTAR Electric Co.**, **Public Service Co. of New Hampshire** (PSNH), and **Connecticut Light and Power Co.** (CL&P) by one-notch to 'A-'. We also lowered our issue-level rating on NSTAR Electric's senior unsecured debt to 'A-' from 'A' and NSTAR Electric's short-term and CP program ratings to 'A-2' from 'A-1'. Additionally, we lowered the ratings on PSNH and CL&P's first-mortgage bonds to 'A' from 'A+'.
- We lowered our ICR on **Yankee Gas Services Co.** to 'BBB' from 'A-' and lowered our ICR on **Aquarion Co.** to 'BBB-' from 'BBB+'. Subsequently, we withdrew the ratings on Aquarion per the issuer's request. The outlook on Aquarion prior to withdrawal was developing.

- The stable outlook on Eversource and its rated subsidiaries reflects our expectation that Eversource will maintain FFO to debt of 13%-14%. The outlook also reflects our expectation that the company's management of regulatory risk will not deteriorate further in Connecticut and that it will finance potential increased utility capital spending and costs related to Revolution Wind in a manner that supports its current credit quality.

# Rating Action Rationale

**We revised downward our assessment of Connecticut's regulatory construct for Eversource's Connecticut utilities.** The assets of CL&P and Yankee Gas that are regulated by Connecticut's Public Utilities Regulatory Authority (PURA) account for about 25% of Eversource's consolidated EBITDA. In recent rate orders for Avangrid subsidiaries Connecticut Natural Gas and Southern Connecticut Gas, the PURA ordered material base rate decreases reflecting reduced depreciation expense, below-average authorized returns on equity (ROE) of 9.15%, and significant reductions in proforma rate base. Additionally, we have assessed PURA's rate orders over the past two years, which were materially lower than we assumed under our base-case forecasts, as not credit supportive. In general, we expect utilities to operate in a regulatory jurisdiction that is supportive of their credit quality by allowing for the full recovery of their operating and capital costs in a timely manner. We also expect the regulatory jurisdiction to provide a consistent and predictable regulatory framework that results in cash flow stability. Given, the current trend in Connecticut, we now expect that the PURA will continue to order less-than-credit supportive rate case orders over the longer-term.

Additionally, we assessed the 2023 signing of Connecticut Senate Bill 7 into law as negative for the credit quality of utilities because it discontinued the use of the electric system improvement charge in future rate proceedings. The bill also provided PURA with discretion regarding the consistent implementation of decoupling, which we expect will decrease the cash flow predictability of the utilities it regulates. Accordingly, we believe business risk has increased for Eversource Energy and its Connecticut-based subsidiaries and expect they will be increasingly subject to below-average ROEs, regulatory lag, and an inconsistent ability to earn their authorized ROEs and achieve credit-supportive regulatory outcomes. We believe these developments will also increase the companies' cash flow volatility, decrease the stability of their financial performances, and weaken their ability to consistently manage regulatory risk over our forecast period.

**Our downgrade of Eversource also incorporates the company's weak historical financial performance and our view that financial performance will not sufficiently improve within the next three years.** Eversource's 2023 FFO to debt was just 8.9% and still remains weak for the 12 months ended September 2024 at 11.1%. The modest improvement since year-end 2023 incorporates the issuance of about $1 billion of equity this year as well as the beginning of the recovery of about $1.2 billion of 2023 regulatory deferrals. Under our forward-looking base case scenario, we do not expect the company's FFO to debt will be consistently greater than 14%. Our base case incorporates ongoing recovery of deferrals, continued use of existing regulatory mechanisms, the sale of Aquarion, future Revolution Wind Construction costs being generally consistent with the company's current budget, and the timely recovery of future power costs. To account for our expectation of a weakening financial performance, we revised downward our assessment of Eversource's comparable ratings analysis modifier to negative from stable, reflecting our view that its financial measures will more consistently reflect the lower-end of the

range of its financial risk profile category, which leads to us lowering the company's ICR to 'BBB+'.

**We lowered the ICR on Yankee Gas by two notches, reflecting our downward assessment of Connecticut's regulatory construct for Yankee Gas and the degree of group support we expect that Yankee Gas will receive from parent Eversource.** We revised Yankee Gas' business risk profile assessment downward to strong from excellent because all of its operations are subject to PURA regulation. This resulted in a weakening of our view of Yankee Gas' stand-alone credit profile to 'bbb-' from 'bbb+'. In addition, we revised downward our group status of Eversource's Connecticut-based utilities Yankee Gas and CL&P to highly strategic from core. This reflects Eversource's public announcement that it is decreasing its capital spending for PURA regulated operations because of Connecticut's challenging regulatory construct. As such, we believe the extent of expected extraordinary support that Yankee Gas will receive from Eversource has somewhat weakened.

**We lowered the ratings on Aquarion Co. by two notches to 'BBB-', incorporating our weakened view of Connecticut's regulatory construct for Aquarion, and then withdrew the ratings on Aquarion as per the issuer's request.** The outlook prior to withdrawal was developing, which reflected the company's ongoing sales process.

**We lowered the issuer credit ratings on NSTAR Electric, PSNH, CL&P, NSTAR Gas, and EGMA by one notch, reflecting the downgrade of Eversource.** We assess EGMA and NSTAR Gas as core subsidiaries of parent Eversource with insufficient insulating measures in place, therefore, we rate them the same as Eversource. As such, we lowered the ratings on EGMA and NSTAR Gas in line with Eversource's 'bbb+' group credit profile. We assess the cumulative values of the regulatory and insulating measures in place as well as our view of the stand-alone credit profiles for NSTAR Electric, PSNH, and CL&P as sufficient to rate these subsidiaries up to one-notch above parent Eversource. As such, consistent with the one-notch downgrade of Eversource, we lowered the issuer credit ratings on NSTAR Electric, PSNH, and CL&P to 'A-' from 'A'.

# Outlook

The stable outlook on Eversource and its rated subsidiaries reflects our expectation that Eversource will maintain FFO to debt of 13%-14%. The outlook also reflects our expectation that the company's management of regulatory risk will not deteriorate further in Connecticut and that it will finance potential increased utility capital spending and costs related to Revolution Wind in a manner that supports its current credit quality.

## Downside scenario

We could downgrade Eversource and its subsidiaries within the next 24 months if Eversource's financial measures deteriorate, such that FFO to debt remains below 12%.

## Upside scenario

We could upgrade Eversource and its subsidiaries within the next 24 months if the company maintains FFO to debt above 15% without experiencing an increase to its business risk.

# Company Description

Eversource is a holding company that primarily engages in the energy delivery business through its wholly owned, regulated utility subsidiaries. Eversource's subsidiaries include the electric utilities Connecticut Light & Power Co., NSTAR Electric Co., and Public Service Co. of New Hampshire; the natural gas utilities Yankee Gas Services Co., Eversource Gas Co. of Massachusetts, and NSTAR Gas Co.; and the water utility company Aquarion Co. Eversource provides energy delivery and water service to approximately 4.4 million total customers in Connecticut, Massachusetts, and New Hampshire.

# Liquidity

We assess Eversource's liquidity as adequate, with sources covering uses by 1.1x over the coming 12 months. Furthermore, we project its sources will cover uses even if forecast consolidated EBITDA declines by 10%. We believe the predictable regulatory framework for Eversource provides a manageable level of cash flow stability for the company even in times of economic stress, supporting our use of slightly lower thresholds to assess liquidity. In addition, Eversource has the ability to absorb high-impact, low-probability events, reflecting that the company maintains about $2.65 billion in committed credit facilities through 2029, and our belief the company can lower its high capital spending (averaging about $4 billion-$4.5 billion annually) during stressful periods, indicative of a limited need for refinancing under such conditions. Furthermore, our assessment reflects the company's generally prudent risk management, sound relationships with its banking group (which includes over 10 well-established banks), and a satisfactory standing in the credit markets (credit default swap spreads are in line with investment-grade peer utilities). Overall, we believe the company should be able to withstand adverse market circumstances over the next 12 months with sufficient liquidity to meet its obligations. The company has its next large long-term debt maturities in 2025, with about $1.4 billion coming due, and we expect it to proactively address these well in advance of the scheduled due dates.

## Principal liquidity sources

- Credit facility availability of about $2.65 billion,
- Cash FFO of about $4.1 billion,
- Working capital inflows of about $200 million; and
- Cash of about $100 million.

## Principal liquidity uses

- Debt maturities, including outstanding commercial paper, of about $2.2 billion;
- Assumed maintenance and minimal growth capital spending of about $2.6 billion; and
- Dividends of about $1.1 billion.

# Issue Ratings--Subordination Risk Analysis

### Capital structure

Eversource has about $28.7 billion of debt outstanding, about $16.7 billion of which was issued by the company's operating subsidiaries while the remainder reflects unsecured debt at the holding company.

### Analytical conclusions

- We rate Eversource's senior unsecured debt one notch below the long-term issuer credit rating on the company at 'BBB' because it is subordinated to a significant amount of priority debt (more than 50% of total debt) in the company's capital structure.
- We rate Eversource's CP program 'A-2' based on our ICR on the company.
- We rate NSTAR Electric's senior unsecured debt in line with our ICR on the company at 'A-' because it is the senior unsecured debt of a qualifying utility under our criteria.
- We rate NSTAR Electric's CP program 'A-2' based on our ICR on the company.
- We rate the preferred stock at CL&P and NSTAR Electric 'BBB', two notches below the respective ICRs, given these instruments' subordination as well as the deferability of their dividends.

## Issue Ratings--Recovery Analysis

### Key analytical factors

CL&P and PSNH's first-mortgage bonds benefit from a first-priority lien on substantially all of the utilities' real property owned or subsequently acquired. Collateral coverage of more than 1.5x supports a recovery rating of '1+' and an issue-level rating one notch above our ICR on these companies because these ICRs are in the ‘A’ category.

NSTAR Gas’ first-mortgage bonds benefit from a first-priority lien on substantially all of the utility’s real property owned or subsequently acquired. Collateral coverage of more than 1.5x supports a recovery rating of '1+' and an issue-level rating two notches above our issuer credit rating on NSTAR Gas because the ICR is in the ‘BBB’ category.

## Rating Component Scores

**Rating Component Scores – Eversource Energy**

| Component | |
|---|---|
| Foreign currency issuer credit rating | BBB+/STABLE/A-2 |
| Local currency issuer credit rating | BBB+/STABLE/A-2 |
| Business risk | Excellent |
| Country risk | Very Low Risk |
| Industry risk | Very Low Risk |
| Competitive position | Strong |
| Financial risk | Significant |
| Cash flow/leverage | Significant |
| Anchor | a- |
| Diversification/portfolio effect | Neutral/Undiversified |
| Capital structure | Neutral |
| Financial policy | Neutral |
| Liquidity | Adequate |
| Management and governance | Neutral |
| Comparable rating analysis | Negative |
| Stand-alone credit profile | bbb+ |

**Rating Component Scores – Connecticut Light & Power Co.**

| Component | |
|---|---|
| Foreign currency issuer credit rating | A-/STABLE/-- |
| Local currency issuer credit rating | A-/STABLE/-- |
| Business risk | Excellent |
| Country risk | Very Low Risk |
| Industry risk | Very Low Risk |
| Competitive position | Strong |
| Financial risk | Significant |
| Cash flow/leverage | Significant |
| Anchor | a- |
| Diversification/portfolio effect | Neutral/Undiversified |
| Capital structure | Neutral |
| Financial policy | Neutral |
| Liquidity | Adequate |
| Management and governance | Neutral |
| Comparable rating analysis | Positive |
| Stand-alone credit profile | a |
| Group credit profile | bbb+ |
| Entity status within group | Insulated (-1 notch from SACP) |

**Eversource Energy Issuer Credit Rating Lowered To 'BBB+' From 'A-'; Subsidiaries Ratings Also Lowered; Outlooks Stable**

| **Rating Component Scores – NSTAR Electric Co.** | |
|---|---|
| Component | |
| Foreign currency issuer credit rating | A-/STABLE/A-2 |
| Local currency issuer credit rating | A-/STABLE/A-2 |
| Business risk | Excellent |
| Country risk | Very Low Risk |
| Industry risk | Very Low Risk |
| Competitive position | Excellent |
| Financial risk | Intermediate |
| Cash flow/leverage | Intermediate |
| Anchor | a+ |
| Diversification/portfolio effect | Neutral/Undiversified |
| Capital structure | Neutral |
| Financial policy | Neutral |
| Liquidity | Adequate |
| Management and governance | Neutral |
| Comparable rating analysis | Neutral |
| Stand-alone credit profile | a+ |
| Group credit profile | bbb+ |
| Entity status within group | Insulated (-2 notches from SACP) |

**Rating Component Scores – Public Service Co. of New Hampshire**

| Component | |
|---|---|
| Foreign currency issuer credit rating | A-/STABLE/-- |
| Local currency issuer credit rating | A-/STABLE/-- |
| Business risk | Excellent |
| Country risk | Very Low Risk |
| Industry risk | Very Low Risk |
| Competitive position | Strong |
| Financial risk | Intermediate |
| Cash flow/leverage | Intermediate |
| Anchor | a |
| Diversification/portfolio effect | Neutral/Undiversified |
| Capital structure | Neutral |
| Financial policy | Neutral |
| Liquidity | Adequate |
| Management and governance | Neutral |
| Comparable rating analysis | Neutral |
| Stand-alone credit profile | a |
| Group credit profile | bbb+ |
| Entity status within group | Insulated (-1 notch from SACP) |

**Rating Component Scores – Aquarion Co.
(Prior To Withdrawal)**

| Component | |
|---|---|
| Foreign currency issuer credit rating | BBB-/DEVELOPING/-- |
| Local currency issuer credit rating | BBB-/DEVELOPING/-- |
| Business risk | Strong |
| Country risk | Very Low Risk |
| Industry risk | Very Low Risk |
| Competitive position | Satisfactory |
| Financial risk | Aggressive |
| Cash flow/leverage | Aggressive |
| Anchor | bb+ |
| Diversification/portfolio effect | Neutral/Undiversified |
| Capital structure | Neutral |
| Financial policy | Neutral |
| Liquidity | Adequate |
| Management and governance | Neutral |
| Comparable rating analysis | Neutral |
| Stand-alone credit profile | bb+ |
| Group credit profile | bbb+ |
| Entity status within group | Moderately strategic (+1 notch from SACP) |

**Rating Component Scores – Eversource Gas Company of Massachusetts**

| Component | |
|---|---|
| Foreign currency issuer credit rating | BBB+/STABLE/-- |
| Local currency issuer credit rating | BBB+/STABLE/-- |
| Business risk | Strong |
| Country risk | Very Low Risk |
| Industry risk | Very Low Risk |
| Competitive position | Satisfactory |
| Financial risk | Significant |
| Cash flow/leverage | Significant |
| Anchor | bbb |
| Diversification/portfolio effect | Neutral/Undiversified |
| Capital structure | Neutral |
| Financial policy | Neutral |
| Liquidity | Adequate |
| Management and governance | Neutral |
| Comparable rating analysis | Neutral |
| Stand-alone credit profile | bbb |
| Group credit profile | bbb+ |
| Entity status within group | Core (+1 notch from SACP) |

**Rating Component Scores – NSTAR Gas Co.**

| Component | |
|---|---|
| Foreign currency issuer credit rating | BBB+/STABLE/-- |
| Local currency issuer credit rating | BBB+/STABLE/-- |
| Business risk | Excellent |
| Country risk | Very Low Risk |
| Industry risk | Very Low Risk |
| Competitive position | Strong |
| Financial risk | Significant |
| Cash flow/leverage | Significant |
| Anchor | a- |
| Diversification/portfolio effect | Neutral/Undiversified |
| Capital structure | Neutral |
| Financial policy | Neutral |
| Liquidity | Adequate |
| Management and governance | Neutral |
| Comparable rating analysis | Neutral |
| Stand-alone credit profile | a- |
| Group credit profile | bbb+ |
| Entity status within group | Core (-1 notch from SACP) |

**Rating Component Scores – Yankee Gas Services Co.**

| Component | |
|---|---|
| Foreign currency issuer credit rating | BBB/STABLE/-- |
| Local currency issuer credit rating | BBB/STABLE/-- |
| Business risk | Strong |
| Country risk | Very Low Risk |
| Industry risk | Very Low Risk |
| Competitive position | Satisfactory |
| Financial risk | Significant |
| Cash flow/leverage | Significant |
| Anchor | bbb |
| Diversification/portfolio effect | Neutral/Undiversified |
| Capital structure | Neutral |
| Financial policy | Neutral |
| Liquidity | Adequate |
| Management and governance | Neutral |
| Comparable rating analysis | Negative |
| Stand-alone credit profile | bbb- |
| Group credit profile | bbb+ |
| Entity status within group | Highly strategic (+1 notch from SACP) |

# Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
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- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
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- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 2016
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014

- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

# Ratings List

| **Ratings list** | | |
|---|---|---|
| **Downgraded; Outlook Action** | | |
| | **To** | **From** |
| **Eversource Energy** | | |
| Issuer Credit Rating | BBB+/Stable/A-2 | A-/Negative/A-2 |
| **Connecticut Light & Power Co.** | | |
| **Public Service Co. of New Hampshire** | | |
| Issuer Credit Rating | A-/Stable/-- | A/Negative/-- |
| **Eversource Gas Co. of Massachusetts** | | |
| **NSTAR Gas Co.** | | |
| Issuer Credit Rating | BBB+/Stable/-- | A-/Negative/-- |
| **NSTAR Electric Co.** | | |
| Issuer Credit Rating | A-/Stable/A-2 | A/Negative/A-1 |
| **Yankee Gas Services Co.** | | |
| Issuer Credit Rating | BBB/Stable/-- | A-/Negative/-- |
| **Downgraded** | | |
| | **To** | **From** |
| **Aquarion Co.** | | |
| Issuer Credit Rating | BBB-/Developing/-- | BBB+/Developing/-- |
| **Eversource Energy** | | |
| Senior Unsecured | BBB | BBB+ |
| **Connecticut Light & Power Co.** | | |
| **NSTAR Electric Co.** | | |
| Preferred Stock | BBB | BBB+ |
| **NSTAR Electric Co.** | | |
| Senior Unsecured | A- | A |
| Commercial Paper | A-2 | A-1 |
| **Downgraded; Recovery Ratings Unchanged** | | |
| | **To** | **From** |
| **Connecticut Light & Power Co.** | | |
| **Public Service Co. of New Hampshire** | | |
| Senior Secured | A | A+ |
| Recovery Rating | 1+ | 1+ |
| **Ratings Affirmed** | | |
| **Eversource Energy** | | |

**Eversource Energy Issuer Credit Rating Lowered To 'BBB+' From 'A-'; Subsidiaries Ratings Also Lowered; Outlooks Stable**

| | | |
|---|---|---|
| **Ratings list** | | |
| Commercial Paper | A-2 | |
| **Ratings Affirmed; Recovery Ratings Unchanged** | | |
| **NSTAR Gas Co.** | | |
| Senior Secured | A | |
| Recovery Rating | 1+ | |
| **Ratings Withdrawn** | | |
| | **To** | **From** |
| **Aquarion Co.** | | |
| Issuer Credit Rating | NR/NM/-- | BBB-/Developing/-- |

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**Eversource Energy Issuer Credit Rating Lowered To 'BBB+' From 'A-'; Subsidiaries Ratings Also Lowered; Outlooks Stable**

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Tear Sheet:

# Connecticut Light & Power Co.

**June 17, 2024**

**We continue to monitor regulatory developments in Connecticut and what they may mean for the credit quality of investor-owned utilities in the state, including Connecticut Light & Power Co. (CL&P)** We believe these companies recently have had difficulty effectively managing regulatory risk in the state. The recently passed Senate Bill 7 now gives Connecticut's Public Utilities Regulatory Authority (PURA) greater latitude in determining whether companies over earn, prohibits PURA from reauthorizing the electric system improvements charge, and allows PURA's discretion over the use of decoupling, whereas decoupling was previously codified into state law. Overall, we believe this law decreases utilities' cash flow predictability and increases regulatory lag.

Furthermore, recent rate orders for Aquarion Co. and The United Illuminating Co. (an Avangrid Inc. subsidiary) also significantly deviated from our base cases. These rate orders did not approve the multiyear rate plans filed, included material disallowances, penalties for United Illuminating, and below-average authorized returns on equity (ROE). We also expect these rate orders will increase regulatory lag for these utilities.

Additionally, The Connecticut Water Co. recently received a draft decision in its rate case, which calls for a rate increase significantly below the company's request and a below-average authorized ROE. Moreover, the Connecticut Natural Gas Corp. and The Southern Connecticut Gas Co. recently filed rate cases in Connecticut and the Office of Consumer Counsel has recommended rate decreases in both cases. We believe these rate case developments potentially indicate a longer-term weakening of Connecticut's regulatory construct. Should these negative conditions persist, the credit quality of Connecticut's regulated utilities could be diminished.

**Prudency review hearings concerning CL&P's deferred storm restoration costs are scheduled to begin in the third quarter of 2025.** CL&P has deferred about $634 million of storm restoration costs for weather events between 2018 and 2021, including about $232 million related to Tropical Storm Isaias, which occurred in 2020. We will monitor these proceedings to further inform our view of CL&P's management of regulatory risk in the state, especially considering the history of scrutiny concerning CL&P's restoration response during Tropical Storm Isaias. As such, we do not expect a material impact to cash flows over the near term arising from these proceedings given the current procedural schedule.

**We expect CL&P's forecasted credit metrics will be consistent with the significant financial risk profile category.** We assess CL&P's financial measures using our medial-volatility financial benchmark table, reflecting the company's management of regulatory risk and lower-risk electric distribution utility operations. Under our base-case scenario, we expect CL&P's stand-alone funds from operations (FFO) to debt to average about 19%-24% annually. As such, we ascribe a positive comparable ratings analysis modifier to capture our view of CL&P's financial metrics being toward the higher half of its financial risk profile. Our base-case assumptions include capital spending averaging about $750 million-$850 million annually, significant

Primary contact

**Ruchi Agrawal**
Toronto
14372252983
ruchi.agrawal
@spglobal.com

Secondary contacts

**Sloan Millman, CFA, FRM**
New York
1-212-438-2146
sloan.millman
@spglobal.com

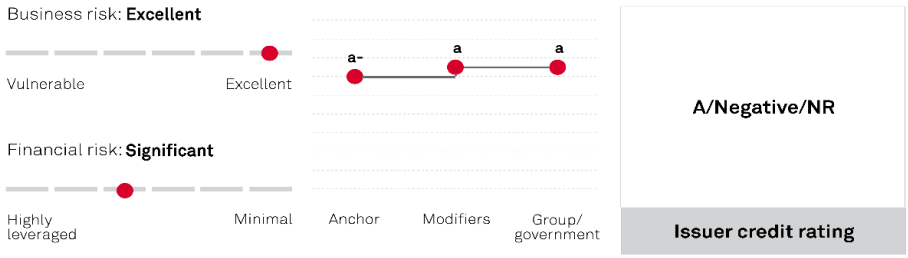
**Obioma Ugboaja**
New York
1-212-438-7406
obie.ugboaja
@spglobal.com

**Daniela Fame**
New York
1-2124380869
daniela.fame
@spglobal.com

recovery of 2023 regulatory deferrals over the next four years, efforts to maintain the company's capital structure close to authorized levels, mostly negative discretionary cash flow, and the refinancing of all debt maturities.

**We view CL&P as a core insulated subsidiary of parent Eversource.** The cumulative value of the structural and regulatory protections that insulate CL&P from Eversource, combined with the strength of CL&P's stand-alone credit profile, allows us to rate CL&P one notch above its parent.

# Ratings Score Snapshot




# Recent Research

- Eversource Energy Ratings Off CreditWatch On N.Y. Selecting Its Wind Farm; Outlook Negative; Aquarion Water Downgraded, March 5, 2024

# Company Description

CL&P is a regulated electric transmission and distribution utility engaged in the purchase, delivery, and sale of electricity to about 1.28 million customers in Connecticut. CL&P is a wholly owned subsidiary of Eversource Energy. Overall, we expect CL&P to contribute about a third of Eversource's consolidated EBITDA.

# Outlook

The negative rating outlook on CL&P reflects the negative outlook on parent Eversource as well as our view that we could downgrade the company within the next 12 months pending our review of the Connecticut regulatory jurisdiction. Under our base case, we expect CL&P's stand-alone FFO to debt to reflect 19%-24%.

## Downside scenario

We could lower our ratings on CL&P within the next 12 months if we lowered the ratings on parent Eversource or if we revised downward our assessment of Connecticut's regulatory jurisdiction while the company maintains stand-alone FFO to debt below 20%.

## Upside scenario

We could affirm our ratings on CL&P and revise our outlook to stable within the next 12 months if we did the same for Eversource and if we maintained our current assessment of Connecticut's regulatory jurisdiction while CL&P maintains stand-alone FFO to debt consistently greater than 18%.

We could also affirm our ratings on CL&P and revise the outlook to stable during this period if we did the same for Eversource and if we revised downward our assessment of Connecticut's regulatory jurisdiction, but CL&P's financial measures consistently improved such that its stand-alone FFO to debt were consistently greater than 20%.

# Key Metrics

**Connecticut Light & Power Co.--Forecast summary**

| Period ending | Dec-31-2020 | Dec-31-2021 | Dec-31-2022 | Dec-31-2023 | Dec-31-2024 | Dec-31-2025 | Dec-31-2026 |
|---|---|---|---|---|---|---|---|
| (Mil. $) | 2020a | 2021a | 2022a | 2023a | 2024e | 2025f | 2026f |
| EBITDA | 1,133 | 1,118 | 1,494 | 710 | 1,663 | 1,648 | 1,565 |
| Funds from operations (FFO) | 964 | 913 | 1,202 | 567 | 1,353 | 1,258 | 1,190 |
| Discretionary cash flow (DCF) | (511) | (524) | (305) | (979) | (561) | 90 | (144) |
| Debt | 4,288 | 4,267 | 4,295 | 5,164 | 5,432 | 5,349 | 5,493 |
| Equity | 5,103 | 5,358 | 5,842 | 6,149 | 6,604 | 6,623 | 6,669 |
| **Adjusted ratios** | | | | | | | |
| Debt/EBITDA (x) | 3.8 | 3.8 | 2.9 | 7.3 | 3.3 | 3.2 | 3.5 |
| FFO/debt (%) | 22.5 | 21.4 | 28.0 | 11.0 | 24.9 | 23.5 | 21.7 |
| FFO cash interest coverage (x) | 7.1 | 6.5 | 7.9 | 4.0 | 7.1 | 6.4 | 6.0 |
| EBITDA interest coverage (x) | 6.9 | 6.4 | 8.3 | 3.4 | 7.4 | 7.0 | 6.5 |
| CFO/debt (%) | 9.1 | 14.2 | 20.1 | 8.5 | 13.2 | 27.2 | 19.8 |
| FOCF/debt (%) | (10.2) | (4.2) | (0.2) | (12.5) | (4.1) | 11.2 | 6.4 |
| DCF/debt (%) | (11.9) | (12.3) | (7.1) | (19.0) | (10.3) | 1.7 | (2.6) |
| Return on capital (%) | 8.5 | 7.2 | 8.2 | 7.9 | 7.2 | 7.4 | 7.5 |
| Debt/debt and equity (%) | 45.7 | 44.3 | 42.4 | 45.6 | 45.1 | 44.7 | 45.2 |

# Financial Summary

**Connecticut Light & Power Co.--Financial Summary**

| Period ending | Dec-31-2018 | Dec-31-2019 | Dec-31-2020 | Dec-31-2021 | Dec-31-2022 | Dec-31-2023 |
|---|---|---|---|---|---|---|
| Reporting period | 2018a | 2019a | 2020a | 2021a | 2022a | 2023a |
| Display currency (mil.) | $ | $ | $ | $ | $ | $ |
| Revenues | 3,096 | 3,233 | 3,548 | 3,637 | 4,818 | 4,579 |
| EBITDA | 1,055 | 1,047 | 1,133 | 1,118 | 1,494 | 710 |
| Funds from operations (FFO) | 830 | 812 | 964 | 913 | 1,202 | 567 |
| Interest expense | 163 | 163 | 165 | 174 | 179 | 206 |

### Connecticut Light & Power Co.--Financial Summary

| | | | | | | |
|---|---|---|---|---|---|---|
| Cash interest paid | 159 | 154 | 158 | 167 | 175 | 187 |
| Operating cash flow (OCF) | 580 | 717 | 388 | 607 | 862 | 440 |
| Capital expenditure | 858 | 910 | 827 | 787 | 872 | 1,085 |
| Free operating cash flow (FOCF) | (278) | (193) | (439) | (180) | (10) | (646) |
| Discretionary cash flow (DCF) | (340) | (538) | (511) | (524) | (305) | (979) |
| Cash and short-term investments | 88 | 0 | 91 | 56 | 11 | 10 |
| Gross available cash | 88 | 0 | 91 | 56 | 11 | 10 |
| Debt | 3,479 | 3,978 | 4,288 | 4,267 | 4,295 | 5,164 |
| Common equity | 4,257 | 4,446 | 5,103 | 5,358 | 5,842 | 6,149 |
| **Adjusted ratios** | | | | | | |
| EBITDA margin (%) | 34.1 | 32.4 | 31.9 | 30.7 | 31.0 | 15.5 |
| Return on capital (%) | 9.1 | 8.6 | 8.5 | 7.2 | 8.2 | 7.9 |
| EBITDA interest coverage (x) | 6.5 | 6.4 | 6.9 | 6.4 | 8.3 | 3.4 |
| FFO cash interest coverage (x) | 6.2 | 6.3 | 7.1 | 6.5 | 7.9 | 4.0 |
| Debt/EBITDA (x) | 3.3 | 3.8 | 3.8 | 3.8 | 2.9 | 7.3 |
| FFO/debt (%) | 23.8 | 20.4 | 22.5 | 21.4 | 28.0 | 11.0 |
| OCF/debt (%) | 16.7 | 18.0 | 9.1 | 14.2 | 20.1 | 8.5 |
| FOCF/debt (%) | (8.0) | (4.9) | (10.2) | (4.2) | (0.2) | (12.5) |
| DCF/debt (%) | (9.8) | (13.5) | (11.9) | (12.3) | (7.1) | (19.0) |

# Peer Comparison

### Connecticut Light & Power Co.--Peer Comparisons

| | Connecticut Light & Power Co. | Consolidated Edison Co. of New York Inc. | NSTAR Electric Co. | Rhode Island Energy | United Illuminating Co. (The) |
|---|---|---|---|---|---|
| Foreign currency issuer credit rating | A/Negative/NR | A-/Stable/A-2 | A/Negative/A-1 | A-/Stable/A-2 | A-/Negative/-- |
| Local currency issuer credit rating | A/Negative/NR | A-/Stable/A-2 | A/Negative/A-1 | A-/Stable/A-2 | A-/Negative/-- |
| Period | Annual | Annual | Annual | Annual | Annual |
| Period ending | 2023-12-31 | 2023-12-31 | 2023-12-31 | 2023-12-31 | 2023-12-31 |
| Mil. | $ | $ | $ | $ | $ |
| Revenue | 4,579 | 13,476 | 3,516 | 1,851 | 1,356 |
| EBITDA | 710 | 4,232 | 1,127 | 339 | 278 |
| Funds from operations (FFO) | 567 | 3,276 | 894 | 337 | 231 |
| Interest | 206 | 1,032 | 213 | 86 | 49 |
| Cash interest paid | 187 | 983 | 202 | 63 | 39 |
| Operating cash flow (OCF) | 440 | 2,250 | 697 | 204 | (5) |
| Capital expenditure | 1,085 | 4,010 | 1,359 | 422 | 212 |
| Free operating cash flow (FOCF) | (646) | (1,760) | (662) | (218) | (217) |
| Discretionary cash flow (DCF) | (979) | (2,816) | (990) | (307) | (322) |

## Connecticut Light & Power Co.--Peer Comparisons

| | | | | | |
|---|---|---|---|---|---|
| Cash and short-term investments | 10 | 1,138 | 7 | 8 | 4 |
| Gross available cash | 10 | 1,138 | 7 | 8 | 4 |
| Debt | 5,164 | 22,824 | 4,993 | 1,957 | 1,169 |
| Equity | 6,149 | 19,146 | 6,172 | 3,056 | 1,444 |
| EBITDA margin (%) | 15.5 | 31.4 | 32.1 | 18.3 | 20.5 |
| Return on capital (%) | 7.9 | 5.6 | 7.9 | 4.0 | 7.3 |
| EBITDA interest coverage (x) | 3.4 | 4.1 | 5.3 | 4.0 | 5.6 |
| FFO cash interest coverage (x) | 4.0 | 4.3 | 5.4 | 6.4 | 6.9 |
| Debt/EBITDA (x) | 7.3 | 5.4 | 4.4 | 5.8 | 4.2 |
| FFO/debt (%) | 11.0 | 14.4 | 17.9 | 17.2 | 19.8 |
| OCF/debt (%) | 8.5 | 9.9 | 14.0 | 10.4 | (0.4) |
| FOCF/debt (%) | (12.5) | (7.7) | (13.3) | (11.1) | (18.6) |
| DCF/debt (%) | (19.0) | (12.3) | (19.8) | (15.7) | (27.6) |

## Rating Component Scores

| | |
|---|---|
| **Foreign currency issuer credit rating** | **A/Negative/NR** |
| **Local currency issuer credit rating** | **A/Negative/NR** |
| **Business risk** | **Excellent** |
| Country risk | Very Low |
| Industry risk | Very Low |
| Competitive position | Strong |
| **Financial risk** | **Significant** |
| Cash flow/leverage | Significant |
| **Anchor** | **a-** |
| Diversification/portfolio effect | Neutral (no impact) |
| Capital structure | Neutral (no impact) |
| Financial policy | Neutral (no impact) |
| Liquidity | Adequate (no impact) |
| Management and governance | Neutral (no impact) |
| Comparable rating analysis | Positive (+1 notch) |
| **Stand-alone credit profile** | **a** |
| Group credit profile | **a-** |
| Entity status within group | **Insulated (no impact on SACP)** |

# Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Criteria | Corporates | Utilities: Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

**Connecticut Light & Power Co.**

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Research Update:

# Eversource Energy Ratings Off CreditWatch On N.Y. Selecting Its Wind Farm; Outlook Negative; Aquarion Water Downgraded

**March 5, 2024**

## Rating Action Overview

- New York recently selected the Sunrise Wind offshore wind farm project for development. This now permits the project to begin the next steps of finalizing agreements with the New York State Energy Research and Development Authority. This progress significantly increases the likelihood that Eversource Energy will be able to complete the sale of its ownership share in this project to Ørsted.
- This credit-supportive development follows Eversource's previously agreeing to sell its interest in South Fork Wind and Revolution Wind to Global Infrastructure Partners, and Eversource evaluating market interest of its water business, Aquarion Co.
- We removed the ratings on Eversource and its subsidiaries from CreditWatch, where we placed them with negative implications on Jan. 11, 2024.
- We affirmed our ratings on Eversource and its subsidiaries, (excluding Aquarion Co.), and assigned a negative outlook.
- We downgraded Aquarion Co. to 'BBB+' from 'A-', and revised Aquarion's senior unsecured debt rating to 'BBB' from 'BBB+'. This reflects Eversource evaluating a sale of its Aquarion water business and our assessment of a lower degree of group support. We assigned a developing rating outlook to Aquarion.
- The negative outlook on Eversource reflects the company's minimal financial cushion for the current rating level coupled with the company's remaining offshore wind construction risk, execution risks related to its asset sales, and its ability to consistently and effectively manage regulatory risk in Connecticut. We expect Eversource's funds from operations (FFO) to debt to be about 14% throughout our forecast period.

PRIMARY CREDIT ANALYST

**Gabe Grosberg**
New York
+ 1 (212) 438 6043
gabe.grosberg
@spglobal.com

SECONDARY CONTACT

**David S De Juliis**
Toronto
+1 (416) 276-2610
david.de.juliis
@spglobal.com

## Rating Action Rationale

**Eversource has significantly reduced its exposure to higher-risk offshore wind.** We assess Eversource's announced sale of its ownership shares in its three offshore wind projects as reducing risk. However, Eversource's sale of its ownership share in the Sunrise Wind project was conditional upon Sunrise being selected in the ongoing New York 4 solicitation for offshore wind capacity. While Sunrise must still sign an Offshore Wind Renewable Energy Certificates contract, we believe New York selecting Sunrise, significantly increases the likelihood that Eversource will complete the sale of its ownership share in this project to Ørsted.

Despite Eversource selling its ownership share in Revolution Wind to Global Infrastructure Partners, Eversource has still retained construction risk through a cost sharing agreement should the project incur significant cost overruns. Commercial operation of Revolution Wind is expected in 2025 and we assess Eversource's construction risk as negative for credit quality until Revolution reaches commercial operations.

**Connecticut's regulatory construct continues to pressure Eversource's credit quality.** We believe that Eversource's ability to effectively manage regulatory risk in Connecticut is becoming increasingly challenging. Connecticut is one of Eversource's largest regulatory jurisdictions, accounting for about one-third of its rate base. Recent developments in Connecticut include Senate Bill 7, which gives Connecticut's Public Utilities Regulatory Authority (PURA) greater latitude in determining whether companies over earn, prohibits PURA from reauthorizing the electric system improvements charge, and allows PURA's discretion over the use of decoupling. Previously, decoupling was codified into state law. We believe this law decreases utilities' cash flow predictability and increases regulatory lag.

Furthermore, recent rate orders for Aquarion Co. and The United Illuminating Co. (an Avangrid Inc. subsidiary) also significantly deviated from our base cases. These rate orders did not approve the multiyear rate plans filed, included material disallowances, penalties for United Illuminating, and below-average returns on equity. We also expect these rate orders will increase regulatory lag for these utilities.

Additionally, the Connecticut Natural Gas Corp. and The Southern Connecticut Gas Co. recently filed rate cases in Connecticut and the Office of Consumer Counsel has recommended rate decreases in both cases, potentially indicating a longer-term weakening of Connecticut's regulatory construct. Should these negative conditions persist, we would likely revise downward our assessment of Connecticut's regulatory jurisdiction, which would likely negatively affect the credit quality of Connecticut's regulated utilities.

**Eversource's financial measures have minimal financial cushion from its downgrade trigger.** Eversource's 2023 FFO to debt was 8.9%, significantly below our downgrade threshold of 14%. Under our base case of robust annual capital spending of more than $4 billion, annual dividends of about $1 billion, cash flow deficits of more than $1 billion, equity issuance of $1.3 billion through 2027, and the possibility that the company sells its water utility, we expect consolidated financial measures that more consistently reflect FFO to debt of about 14%. This is indicative of minimal financial cushion from the company's downgrade threshold and could lead to a downgrade if financial performance is not consistently improved to a level above our downgrade threshold.

**Our downgrade of Aquarion Co. reflects Eversource evaluating the sale of this business.** Given Eversource's announcement, we believe that Aquarion would only receive extraordinary support from Eversource in some foreseeable circumstances. As such, we revised downward our assessment of Aquarion's group support from parent Eversource to moderately strategic from core, resulting in a one-notch downgrade for Aquarion Co.

## Outlook- Eversource

The negative outlook on Eversource reflects the company's minimal financial cushion for the current rating level coupled with the company's remaining offshore wind construction risk, execution risks related to its asset sales, and its ability to consistently and effectively manage regulatory risk in Connecticut. We expect Eversource's FFO to debt to be about 14% throughout our forecast period.

### Downside scenario

We could downgrade the company within the next 12 months if financial measures do not consistently improve, such that FFO to debt remains below 14%. We could also downgrade the company if it cannot execute its asset sales, using the proceeds in a credit-supportive manner, or the company receives adverse regulatory outcomes without implementing sufficient countermeasures to maintain credit quality.

### Upside scenario

We could revise the outlook to stable within the next 12 months if the company executes on all of its strategic initiatives while maintaining FFO to debt consistently above 14%, without any increase to business risk.

## Outlook

### Eversource Gas Co. of Massachusetts, NSTAR Electric Co., NSTAR Gas Co., and Public Service Co. of New Hampshire

The negative outlooks on these subsidiaries reflect the negative outlook on parent Eversource.

### Downside scenario

We could downgrade these subsidiaries over the next 12 months if parent Eversource is downgraded.

### Upside scenario

We could affirm ratings and return the outlooks to stable on these subsidiaries within the next 12 months if we did the same for parent Eversource.

## Outlook

### Connecticut Light & Power Co. (CL&P)

The negative rating outlook on CL&P reflects the negative outlook on parent Eversource as well as our view that we could downgrade the company within the next 12 months pending our review of the Connecticut regulatory jurisdiction. Under our base case, we expect CL&P's stand-alone FFO to debt to reflect 18%-20%.

### Downside scenario

We could lower our ratings on CL&P within the next 12 months if we lowered the ratings on parent Eversource or if we revised downward our assessment of Connecticut's regulatory jurisdiction while the company maintains stand-alone FFO to debt below 20%.

### Upside scenario

We could affirm our ratings on CL&P and revise our outlook to stable within the next 12 months if we did the same for Eversource and if we maintained our current assessment of Connecticut's regulatory jurisdiction while CL&P maintains stand-alone FFO to debt consistently greater than 18%.

We could also affirm our ratings on CL&P and revise the outlook to stable during this period if we did the same for Eversource and if we revised downward our assessment of Connecticut's regulatory jurisdiction, but CL&P's financial measures consistently improved such that its stand-alone FFO to debt were consistently greater than 20%.

## Outlook

### Yankee Gas Services Co.

The negative outlook on Yankee Gas reflects our negative outlook on parent Eversource as well as our view that we could downgrade the company within the next 12 months pending our review of the Connecticut regulatory jurisdiction, which could also lead us to revise downward our group assessment of the company. We expect Yankee Gas' stand-alone FFO to debt to reflect about 13%-16% over our forecast period.

### Downside scenario

We could lower our ratings on Yankee Gas within the next 12 months if we downgraded the parent, Eversource, or if we revised downward our assessment of Connecticut's regulatory jurisdiction while also revising downward our group assessments for Yankee Gas.

### Upside scenario

We could affirm our ratings on Yankee Gas and revise the outlook to stable within the next 12

months if we did the same for parent, Eversource, and we maintained our current assessment of Connecticut's regulatory jurisdiction.

## Outlook

### Aquarion Co.

The developing outlook on Aquarion reflects the negative outlook on parent Eversource, our pending review of Connecticut's regulatory construct, as well as the uncertainty regarding the ultimate buyer of Aquarion. We expect Aquarion's stand-alone FFO to debt to reflect about 11% over our forecast period. Ratings could be affirmed and the outlook revised to stable if Aquarion is sold to an entity with the same rating. Ratings could also be affirmed if Aquarion is not sold, Eversource's ratings are affirmed, its outlook is revised to stable, we maintain our assessment of Connecticut's regulatory construct, and Aquarion's stand-alone credit profile is also maintained.

### Downside scenario

We could lower our ratings on Aquarion within the next 12 months if Aquarion is sold to a lower-rated entity or a financial sponsor. We could also downgrade the company if Eversource does not sell Aquarion but Eversource is downgraded or if we revise downward our assessment of Connecticut's regulatory jurisdiction.

### Upside scenario

We could upgrade Aquarion if it is sold to a higher-rated strategic parent.

## Company Description

Eversource is a holding company that primarily engages in the energy delivery business through its wholly owned regulated utility subsidiaries. Eversource's subsidiaries include the electric utilities Connecticut Light & Power Co., NSTAR Electric Co., and Public Service Co. of New Hampshire; the natural gas utilities Yankee Gas Services Co., Eversource Gas Co. of Massachusetts, and NSTAR Gas Co.; and the water utility company Aquarion Co. Eversource provides energy delivery and water service to approximately 4.4 million total customers in Connecticut, Massachusetts, and New Hampshire.

## Liquidity

We assess Eversource's liquidity as adequate, with sources covering uses by 1.1x over the coming 12 months. Furthermore, we project its sources will cover uses even if forecast consolidated EBITDA declines by 10%. We believe the predictable regulatory framework for Eversource provides a manageable level of cash flow stability for the company even in times of economic stress, supporting our use of slightly lower thresholds to assess liquidity. In addition, Eversource has the ability to absorb high-impact, low-probability events, reflecting that the company maintains about $2.65 billion in committed credit facilities through 2028, and our belief the company can lower its high capital spending (averaging about $4 billion-$4.5 billion annually) during stressful periods, indicative of a limited need for refinancing under such conditions. Furthermore, our assessment

reflects the company's generally prudent risk management, sound relationships with its banking group (which includes over 10 well-established banks), and a satisfactory standing in the credit markets (credit default swap spreads are in line with investment-grade peer utilities). Overall, we believe the company should be able to withstand adverse market circumstances over the next 12 months with sufficient liquidity to meet its obligations. The company has its next large long-term debt maturities in 2024, with about $825 million coming due, and we expect it to proactively address these well in advance of the scheduled due dates, as exemplified by its recent refinancings throughout the past years.

### Principal liquidity sources:

- Credit facility availability of about $2.65 billion,
- Cash FFO of about $4.0 billion, and
- Cash of about $54 million.

### Principal liquidity uses:

- Debt maturities, including outstanding commercial paper, of about $2.8 billion;
- Assumed maintenance and minimal growth capital spending of about $2.6 billion; and
- Dividends of about $1 billion.

## Covenants

- Eversource's revolving credit agreements include a maximum debt-to-capital covenant ratio of 70%.
- We expect the company to maintain cushion under the leverage covenants in its credit agreements, even with a 10% decline in EBITDA.

## Environmental, Social, And Governance

- ESG factors have no material influence on our credit rating analysis on Eversource Energy.

## Issue Ratings - Subordination Risk Analysis

### Capital structure

Eversource has about $26.7 billion of debt outstanding, about $14.0 billion of which was issued by the company's operating subsidiaries while the remainder reflects unsecured debt at the holding company.

### Analytical conclusions

We rate Eversource's senior unsecured debt one notch below the long-term issuer credit rating on the company at 'BBB+' because it is subordinated to a significant amount of priority debt (more than 50% of total debt) in the company's capital structure.

## Ratings Score Snapshot

### Eversource Energy

### Issuer credit rating: A-/Negative/A-2:

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Excellent

Financial risk: Significant

- Cash flow/Leverage: Significant

Anchor: a-

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Neutral (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: a-

Group credit profile: a-

### The Connecticut Light & Power Co.

### Issuer credit rating: A/Negative/--

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Strong

Financial risk: Significant

- Cash flow/Leverage: Significant

Anchor: a-

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Neutral (no impact)
- Comparable rating analysis: Positive (+1 notch)

Stand-alone credit profile: a

Group credit profile: a-

Entity status within the group: Insulated (no impact on SACP)

## NSTAR Electric Co.

## Issuer credit rating: A/Negative/A-1

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Excellent

Financial risk: Intermediate

- Cash flow/Leverage: Intermediate

Anchor: a+

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Neutral (no impact)

- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: a+

Group credit profile: a-

Entity status within the group: Insulated (-1 notch from SACP)

### Public Service Co. of New Hampshire

### Issuer credit rating: A/Negative/--

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Strong

Financial risk: Intermediate

- Cash flow/Leverage: Intermediate

Anchor: a

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Neutral (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: a

Group credit profile: a-

Entity status within the group: Insulated (no impact on SACP)

### Yankee Gas Services Co.

### Issuer credit rating: A-/Negative/--

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low

- Competitive position: Strong

Financial risk: Significant

- Cash flow/Leverage: Significant

Anchor: a-

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Neutral (no impact)
- Comparable rating analysis: Negative (-1 notch)

Stand-alone credit profile: bbb+

Group credit profile: a-

Entity status within the group: Core (+1 notch from SACP)

## NSTAR Gas Co.

## Issuer credit rating: A-/Negative/--

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Strong

Financial risk: Significant

- Cash flow/Leverage: Significant

Anchor: a-

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Neutral (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: a-

Group credit profile: a-

Entity status within the group: Core (no impact on SACP)

## Eversource Gas Co. of Massachusetts

## Issuer credit rating: A-/Negative/--

Business risk: Strong

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Satisfactory

Financial risk: Significant

- Cash flow/Leverage: Significant

Anchor: bbb

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Neutral (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: bbb

Group credit profile: a-

Entity status within the group: Core (+2 notches from SACP)

## Aquarion Co.

## Issuer credit rating: BBB+/Developing/--

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Strong

Financial risk: Aggressive

- Cash flow/Leverage: Aggressive

Anchor: bbb

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Neutral (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: bbb

Group credit profile: a-

Entity status within the group: Moderately Strategic (+1 notch from SACP)

## Related Criteria

- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | Industrials: Key Credit Factors For The Unregulated Power And Gas Industry, March 28, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- Criteria | Corporates | Utilities: Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013

- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

## Ratings List

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.spglobal.com/ratings for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings. Alternatively, call S&P Global Ratings' Global Client Support line (44) 20-7176-7176.

**Research Update: Eversource Energy Ratings Off CreditWatch On N.Y. Selecting Its Wind Farm; Outlook Negative; Aquarion Water Downgraded**

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Research Update:

# Eversource Energy Ratings Placed On CreditWatch Negative Following Offshore Wind Impairment

**January 11, 2024**

## Rating Action Overview

- On Jan. 8, Eversource Energy announced that it expects to record impairment charges between $1.4 billion and $1.6 billion related to its offshore wind joint venture (JV), which is significantly higher than our previous base case expectations.
- As such, we placed Eversource's 'A-' issuer credit rating and 'BBB+' senior unsecured debt rating on CreditWatch with negative implications.
- We have also assigned a new Management & Governance (M&G) assessment of neutral to Eversource. This assignment follows the Jan. 7 publication of S&P Global Ratings' revised criteria for evaluating the credit risks presented by an entity's M&G framework. The assessment does not affect the credit ratings on Eversource.
- The CreditWatch placement reflects the likelihood that we could lower the ratings on Eversource over the next 90 days if it does not take credit-supportive measures to consistently improve its financial measures. We could lower Eversource's ratings if it sells its offshore wind assets but funds from operations (FFO) to debt remains below 14%. Alternatively, we could also lower ratings if the company maintains its offshore wind assets but FFO to debt does not consistently improve to greater than 17%.

PRIMARY CREDIT ANALYST

**Sloan Millman, CFA, FRM**
New York
+ 1 (212) 438 2146
sloan.millman
@spglobal.com

SECONDARY CONTACT

**Gabe Grosberg**
New York
+ 1 (212) 438 6043
gabe.grosberg
@spglobal.com

## Rating Action Rationale

**We believe the company's most recent impairment announcement will pressure its financial performance.** The company expects to recognize an impairment charge between $800 million and $900 million for increased costs associated with its installation vessels and supply chain cost increases related to foundation fabrication. In addition, the company expects to recognize an additional impairment of $600 million-$700 million related to uncertainties regarding the JV's Sunrise Wind LLC project in New York. In total, we expect impairment charges between $1.4 billion and $1.6 billion, which is significantly higher than our previous base case and will likely weaken forward-looking financial measures. While the company is in advanced negotiations to sell its offshore wind assets, this impairment charge is a likely indication that the valuation of its offshore wind asset could be materially affected. Previously, our base case forecast did not assume an

impairment, and we also assumed that Eversource would issue at least $1 billion of equity over the next few years. Given the negative development and the absence of other significant credit supportive measures, we expect Eversource's financial measures to consistently remain below our downgrade threshold. For the 12 months ended September 2023, Eversource's FFO to debt was 9.7%, materially below our downgrade threshold.

**Given the recent rise of negative developments for the company, we raised our downgrade threshold to 14%.** In addition to its offshore wind impairments, we also believe that the company's ability to effectively manage regulatory risk in Connecticut is becoming increasingly challenging. Connecticut is one of Eversource's largest regulatory jurisdictions, accounting for about one-third of its rate base. Recent developments in Connecticut include Senate Bill 7, which gives Connecticut's Public Utilities Regulatory Authority (PURA) greater latitude in determining whether companies over earn, prohibits PURA from reauthorizing the electric system improvements charge, and allows PURA's discretion over the use of decoupling. Previously, decoupling was codified into state law. We believe this law decreases utilities' cash flow predictability and increases regulatory lag.

Furthermore, recent rate orders for Aquarion Co. (an Eversource subsidiary) and The United Illuminating Co. (an Avangrid Inc. subsidiary) also significantly deviated from our base cases. These rate orders did not approve the multiyear rate plans filed, included material disallowances, penalties for United Illuminating, and below-average returns on equity. We also expect that these rate orders will increase regulatory lag for these utilities. Should these negative conditions persist, we would likely revise downward our assessment of Connecticut's regulatory jurisdiction, which would likely negatively affect the credit quality of Connecticut's regulated utilities.

## CreditWatch

The CreditWatch placement with negative implications reflects the likelihood that we could lower the ratings on Eversource over the next 90 days if it does not take credit-supportive measures to consistently improve its financial measures. We could lower Eversource's ratings if it sells its offshore wind investments but FFO to debt remains below 14%. Alternatively, we could also lower ratings if the company maintains its offshore wind assets but FFO to debt does not consistently improve to greater than 17%.

## Company Description

Eversource is a holding company that primarily engages in the energy delivery business through its wholly owned regulated utility subsidiaries. Eversource's subsidiaries include the electric utilities Connecticut Light & Power Co., NSTAR Electric Co., and Public Service Co. of New Hampshire; the natural gas utilities Yankee Gas Services Co., Eversource Gas Co. of Massachusetts, and NSTAR Gas Co.; and the water utility company Aquarion Co. Eversource provides energy delivery and water service to approximately 4.4 million total customers in Connecticut, Massachusetts, and New Hampshire.

## Liquidity

We assess Eversource's liquidity as adequate, with sources covering uses by 1.1x over the coming 12 months. Furthermore, we project its sources will cover uses even if forecast consolidated EBITDA declines by 10%. We believe the predictable regulatory framework for Eversource provides

a manageable level of cash flow stability for the company even in times of economic stress, supporting our use of slightly lower thresholds to assess liquidity. In addition, Eversource has the ability to absorb high-impact, low-probability events, reflecting that the company maintains about $2.65 billion in committed credit facilities through 2028, and our belief that the company can lower its high capital spending (averaging about $4 billion-$4.5 billion annually) during stressful periods, indicative of a limited need for refinancing under such conditions. Furthermore, our assessment reflects the company's generally prudent risk management, sound relationships with its banking group (which includes over 10 well-established banks), and a satisfactory standing in the credit markets (credit default swap spreads are in line with investment-grade peer utilities). Overall, we believe that the company should be able to withstand adverse market circumstances over the next 12 months with sufficient liquidity to meet its obligations. The company has its next large long-term debt maturities in 2024, with about $2 billion coming due, and we expect it to proactively address these well in advance of the scheduled due dates, as exemplified by its recent refinancings throughout the past years.

Principal liquidity sources:

- Credit facility availability of about $2.65 billion,
- Cash FFO of about $3.6 billion, and
- Cash of about $900 million.

Principal liquidity uses:

- Debt maturities, including outstanding commercial paper, of about $3.6 billion;
- Assumed maintenance and minimal growth capital spending of about $1.6 billion; and
- Dividends of about $1 billion.

## Covenants

### Requirements

Eversource's revolving credit agreements include a maximum debt-to-capital covenant ratio of 70% for Eversource.

### Compliance expectations

We expect the company to maintain cushion under the leverage covenants in its credit agreements, even with a 10% decline in EBITDA.

## Issue Ratings - Subordination Risk Analysis

### Capital structure

Eversource has about $27.1 billion of debt outstanding, about $14 billion of which was issued by the company's operating subsidiaries while the remainder reflects unsecured debt at the holding company.

## Analytical conclusions

We rate Eversource's senior unsecured debt one notch below the long-term issuer credit rating on the company at 'BBB+' because it is subordinated to a significant amount of priority debt (more than 50% of total debt) in the company's capital structure.

## Ratings Score Snapshot

Issuer credit rating: A-/Watch Neg/A-2

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Excellent

Financial risk: Significant

- Cash flow/Leverage: Significant

Anchor: a-

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Neutral (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: a-

- Group credit profile: a-

## Related Criteria

- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019

- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | Industrials: Key Credit Factors For The Unregulated Power And Gas Industry, March 28, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | Utilities: Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

## Ratings List

**Placed On CreditWatch**

| | To | From |
|---|---|---|
| **Eversource Energy** | | |
| Issuer Credit Rating | A-/Watch Neg/A-2 | A-/Negative/A-2 |
| Senior Unsecured | BBB+/Watch Neg | BBB+ |
| **Issue-Level Ratings Unchanged** | | |
| **Eversource Energy** | | |
| Commercial Paper | A-2 | |

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**Research Update: Eversource Energy Ratings Placed On CreditWatch Negative Following Offshore Wind Impairment**

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Research Update:

# Eversource Energy Subsidiaries Ratings Placed On CreditWatch Negative Following CreditWatch Placement Of Parent Rating

**January 11, 2024**

## Rating Action Overview

- On Jan. 8, Eversource Energy announced that it expects to record impairment charges of $1.4 billion-$1.6 billion related to its offshore wind joint venture (JV), which is significantly higher than our prior base-case expectations.
- As such, we placed all issuer credit ratings and most debt ratings on Eversource's subsidiaries Connecticut Light & Power Co. (CL&P), NSTAR Electric Co. (NSTAR-E), Public Service Co. of New Hampshire (PSCNH), Yankee Gas Services Co., NSTAR Gas Co. (NSTAR-G), Eversource Gas Co. of Massachusetts (EGMA), and Aquarion Co. on CreditWatch with negative implications.
- We have also assigned a new Management & Governance (M&G) assessment of neutral to these companies. This assignment follows the Jan. 7 publication of S&P Global Ratings' revised criteria for evaluating the credit risks presented by an entity's M&G framework. The assessment does not affect Eversource's subsidiaries' credit ratings.
- The CreditWatch with negative implications reflects the likelihood that we could lower the ratings on Eversource's subsidiaries over the next 90 days if we downgrade parent Eversource.

PRIMARY CREDIT ANALYST

**David S De Juliis**
Toronto
+1 (416) 276-2610
david.de.juliis
@spglobal.com

SECONDARY CONTACT

**Gabe Grosberg**
New York
+ 1 (212) 438 6043
gabe.grosberg
@spglobal.com

## Rating Action Rationale

**The CreditWatch placements for CL&P, NSTAR-E, and PSCNH reflect our view that their insulating measures are sufficient to rate these subsidiaries up to one notch higher than parent Eversource's group credit profile (GCP).** Currently, these three subsidiaries are rated one notch above the Eversource group credit profile (GCP). Therefore, if we downgrade Eversource by one notch, we will also downgrade these three subsidiaries by one notch.

**The CreditWatch placements for Yankee Gas, NSTAR-G, EGMA, and Aquarion reflect our view that they are core to Eversource with insufficient insulating measures in place to rate them above parent Eversource's GCP.** As core subsidiaries, we consider these companies integral to Eversource's future strategy, highly unlikely to be sold, and benefiting from a strong, long-term

commitment from Eversource's senior management team. Because we assess the insulating measures as insufficient to rate these subsidiaries above Eversource's GCP, a one-notch downgrade on Eversource will result in a one-notch downgrade on these subsidiaries.

For more details on our consolidated analysis, see our most recent research update on Eversource, published Jan. 11, 2024, on RatingsDirect.

## CreditWatch

The CreditWatch with negative implications reflects the likelihood that we could lower the ratings on Eversource's subsidiaries over the next 90 days if we downgrade parent Eversource.

## Ratings Score Snapshot– Connecticut Light & Power Co.

Issuer credit rating: A/Watch Neg/--

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Strong

Financial risk: Significant

- Cash flow/Leverage: Significant

Anchor: a-

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Neutral (no impact)
- Comparable rating analysis: Positive (+1 notch)

Stand-alone credit profile: a

- Group credit profile: a-
- Entity status within the group: Insulated (no impact on SACP)

## Ratings Score Snapshot– NSTAR Electric Co.

Issuer credit rating: A/Watch Neg/A-1

Business risk: Excellent

- Country risk: Very low

- Industry risk: Very low
- Competitive position: Excellent

Financial risk: Intermediate

- Cash flow/Leverage: Intermediate

Anchor: a+

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Neutral (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: a+

- Group credit profile: a-
- Entity status within the group: Insulated (-1 notch from SACP)

## Ratings Score Snapshot– Public Service Co. of New Hampshire

Issuer credit rating: A/Watch Neg/--

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Strong

Financial risk: Intermediate

- Cash flow/Leverage: Intermediate

Anchor: a

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Neutral (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: a

- Group credit profile: a-
- Entity status within the group: Insulated (no impact on SACP)

## Ratings Score Snapshot– Yankee Gas Services Co.

Issuer credit rating: A-/Watch Neg/--

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Strong

Financial risk: Significant

- Cash flow/Leverage: Significant

Anchor: a-

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Neutral (no impact)
- Comparable rating analysis: Negative (-1 notch)

Stand-alone credit profile: bbb+

- Group credit profile: a-
- Entity status within the group: Core (+1 notch from SACP)

## Ratings Score Snapshot– NSTAR Gas Co.

Issuer credit rating: A-/Watch Neg/--

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Strong

Financial risk: Significant

- Cash flow/Leverage: Significant

Anchor: a-

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Neutral (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: a-

- Group credit profile: a-
- Entity status within the group: Core (no impact on SACP)

## Ratings Score Snapshot– Eversource Gas Co. of Massachusetts

Issuer credit rating: A-/Watch Neg/--

Business risk: Strong

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Satisfactory

Financial risk: Significant

- Cash flow/Leverage: Significant

Anchor: bbb

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Neutral (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: bbb

- Group credit profile: a-
- Entity status within the group: Core (+2 notches from SACP)

## Ratings Score Snapshot– Aquarion Co.

Issuer credit rating: A-/Watch Neg/--

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Strong

Financial risk: Aggressive

- Cash flow/Leverage: Aggressive

Anchor: bbb

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Neutral (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: bbb

- Group credit profile: a-
- Entity status within the group: Core (+2 notches from SACP)

## Related Criteria

- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global

Corporate Issuers, Dec. 16, 2014

- Criteria | Corporates | Industrials: Key Credit Factors For The Unregulated Power And Gas Industry, March 28, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Criteria | Corporates | Utilities: Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

## Ratings List

**Ratings Affirmed; CreditWatch Action**

| | To | From |
|---|---|---|
| **Connecticut Light & Power Co.** | | |
| **Public Service Co. of New Hampshire** | | |
| Issuer Credit Rating | A/Watch Neg/-- | A/Negative/-- |
| **Aquarion Co.** | | |
| **Yankee Gas Services Co.** | | |
| **NSTAR Gas Co.** | | |
| **Eversource Gas Co. of Massachusetts** | | |
| Issuer Credit Rating | A-/Watch Neg/-- | A-/Negative/-- |
| **NSTAR Electric Co.** | | |
| Issuer Credit Rating | A/Watch Neg/A-1 | A/Negative/A-1 |

**Issue-Level Ratings Affirmed; Recovery Ratings Unchanged**

| | | |
|---|---|---|
| **NSTAR Gas Co.** | | |
| Senior Secured | A | A |
| Recovery Rating | 1+ | 1+ |

**Issue-Level Ratings Affirmed; CreditWatch Action; Recovery Ratings Unchanged**

| | To | From |
|---|---|---|
| **Connecticut Light & Power Co.** | | |
| Senior Secured | A+/Watch Neg | A+ |
| Recovery Rating | 1+ | 1+ |
| Preferred Stock | BBB+/Watch Neg | BBB+ |
| **Aquarion Co.** | | |
| Senior Unsecured | BBB+/Watch Neg | BBB+ |
| **NSTAR Electric Co.** | | |
| Senior Unsecured | A/Watch Neg | A |

| | | |
|---|---|---|
| Preferred Stock | BBB+/Watch Neg | BBB+ |
| Commercial Paper | A-1/Watch Neg | A-1 |
| **Public Service Co. of New Hampshire** | | |
| Senior Secured | A+/Watch Neg | A+ |
| Recovery Rating | 1+ | 1+ |

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Research Update:

# Eversource Energy And All Subsidiaries' Outlooks Now Negative On Increased Execution Risks Related To JV Sale

**October 26, 2023**

## Rating Action Overview

- Earlier this month, the New York State Public Service Commission (NYSPSC) rejected petitions filed by multiple offshore wind developers for price increases in their respective contracts with the New York State Energy Research and Development Authority (NYSERDA). Sunrise Wind LLC, one of the project companies owned by Eversource's joint venture (JV) with Orsted A/S was one of the developers that had its pricing adjustment rejected.
- The denial by the NYSPSC was beyond our previous base case expectation, making the timing of Eversource's exit from its offshore wind business less certain. Furthermore, we believe there is now greater execution risk for the company regarding its projected asset sale proceeds and equity funding plan that could hamper its ability to maintain FFO to debt consistently above 13%.
- As such, we revised our rating outlooks on Eversource and subsidiaries Public Service Co. of New Hampshire (PSCNH), NSTAR Electric (NSTAR-E), NSTAR Gas (NSTAR-G), and Eversource Gas Co. of Massachusetts (EGMA) to negative from stable. At the same time, we affirmed our ratings on Eversource and its subsidiaries. The rating outlooks on the company's Connecticut-based subsidiaries Connecticut Light & Power Co. (CL&P), Aquarion Co., and Yankee Gas Services Co. (Yankee Gas) remain negative.
- The negative outlooks on Eversource, PSCNH, NSTAR-E, NSTAR-G, and EGMA reflect Eversource's minimal financial cushion for the current rating level (reflecting FFO to debt of 13%) coupled with the uncertainties surrounding the sale process of its offshore wind joint venture interest and management's planned issuance of equity.
- The negative outlooks on CL&P, Yankee Gas, and Aquarion incorporate our negative outlook on parent Eversource and that we could also downgrade these subsidiaries over the next 12-18 months if we revise downward our assessment of Connecticut's regulatory jurisdiction.

PRIMARY CREDIT ANALYST

**Sloan Millman, CFA, FRM**
New York
+ 1 (212) 438 2146
sloan.millman
@spglobal.com

SECONDARY CONTACT

**Obioma Ugboaja**
New York
+ 1 (212) 438 7406
obioma.ugboaja
@spglobal.com

## Rating Action Rationale

**We believe the NYSPSC's recent rejection of Sunrise Wind's requested price increase presents further execution risk for Eversource's plan to sell its offshore wind JV interest at a valuation level that will maintain Eversource's funds from operations (FFO) to debt consistently above its downgrade threshold of 13%.** Previously, Eversource estimated that the rejection of the pricing adjustment, with no remediating measures, could lead to an impairment of about $400 million of its offshore wind JV interest. While the company can cancel the project and rebid to NYSERDA (the governor of New York directed NYSERDA to hold an accelerated procurement process in case the project is canceled), this development increases uncertainty for the company. Our base case scenario continues to assume that the company will effectively manage these risks and will not incur an impairment charge for its offshore wind projects. This includes risks associated with the recent pricing adjustment rejection and risks regarding treasury guidance concerning investment tax credit adders for domestic content. However, we now believe that the company's execution risks have increased with the NYSPSC's rejection of the pricing adjustments. In addition, we believe that the extent and timing of the company's planned equity issuances is also less certain given its share price underperformance and the recent volatility in the equity markets. Furthermore, these increasing risks are all occurring while the company's financial measures have only minimal financial cushion from its downgrade threshold, increasing the likelihood that the company may not maintain such financial measures.

**We expect Eversource's funds from operations (FFO) to debt to average about 13% over our forecast period, indicative of minimal financial cushion for the current rating.** Our base case scenario for Eversource includes regulated capital spending averaging $4 billion-$4.5 billion annually, dividend growth of about 7% annually, and at least $1 billion of additional equity issuance over the next five years. It also includes formulaic rate increases under the Federal Energy Regulatory Commission's regulatory construct, continued use of existing regulatory mechanisms in Massachusetts and New Hampshire, and the refinancing of all debt maturities. Furthermore, we assume that the company will sell its offshore wind interest and use proceeds from the sale to pay down debt.

**Our negative outlooks on Eversource's Connecticut-based subsidiaries CL&P, Yankee Gas, and Aquarion reflect our negative outlook on parent Eversource as well as our view that we could downgrade these subsidiaries over the next 12-24 months if we revised downward our assessment of Connecticut's regulatory jurisdiction.** We recently revised our outlooks on these subsidiaries to negative from stable following recent negative credit developments in the state of Connecticut, which may indicate that its regulatory jurisdiction may be becoming less supportive of credit quality. For more details, please see our most-recent research update or Credit FAQ on the action. In addition to these risks in Connecticut, we could also downgrade these subsidiaries if parent Eversource were downgraded.

## Liquidity

We assess Eversource's liquidity as adequate, with sources covering uses by 1.1x over the coming 12 months. Furthermore, we project its sources will cover uses even if forecast consolidated EBITDA declines by 10%. We believe the predictable regulatory framework for Eversource provides a manageable level of cash flow stability for the company even in times of economic stress,

supporting our use of slightly lower thresholds to assess liquidity. In addition, Eversource has the ability to absorb high-impact, low-probability events, reflecting that the company maintains about $2.65 billion in committed credit facilities through 2028, and our belief that the company can lower its high capital spending (averaging about $4 billion-$4.5 billion annually) during stressful periods, indicative of a limited need for refinancing under such conditions. Furthermore, our assessment reflects the company's generally prudent risk management, sound relationships with its banking group (which includes over 10 well-established banks), and a satisfactory standing in the credit markets (credit default swap spreads are in line with investment-grade peer utilities). Overall, we believe that the company should be able to withstand adverse market circumstances over the next 12 months with sufficient liquidity to meet its obligations. The company has its next large long-term debt maturities in 2024, with about $2 billion coming due, and we expect the company to proactively address these well in advance of the scheduled due dates, as exemplified by its recent refinancings throughout this year.

Principal liquidity sources:

- Credit facility availability of about $2.65 billion,
- Cash FFO of about $3.4 billion, and
- Cash of about $500 million.

Principal liquidity uses:

- Debt maturities, including outstanding commercial paper, of about $2.7 billion;
- Assumed maintenance and minimal growth capital spending of about $2.3 billion;
- Dividends of about $960 million; and
- Working capital outflows of about $75 million.

## Outlook

### Eversource, PSCNH, NSTAR-E, NSTAR-G, and EGMA

The negative outlooks on Eversource, PSCNH, NSTAR-E, NSTAR-G, and EGMA reflect Eversource's minimal financial cushion for the current rating level coupled with the uncertainties surrounding the sale process of its offshore wind joint venture interest and management's plan to access the equity capital markets. We expect Eversource's FFO to debt to reflect about 13%.

### Downside scenario

We could lower the ratings over the next 12-24 months should Eversource fail to maintain FFO to debt consistently above 13%. This could occur if the company cannot sell its offshore wind assets at an attractive valuation, does not use proceeds from a sale in a credit-supportive manner, does not access the equity capital markets in a manner that at least consistently maintains financial measures above the downgrade threshold, or experiences further adverse regulatory outcomes beyond what we expect. We could also lower the ratings if the company were unable to sell its offshore wind assets while its FFO to debt remains below 16%.

## Upside scenario

We could affirm ratings and revise the outlook back to stable over the next 12-24 months if Eversource is able to effectively manage the execution risks related to its asset sale process while also being able to access the equity capital markets in a timely manner to support the current rating level, so that FFO to debt is consistently greater than 13% over our forecast period.

## CL&P

The negative outlook for CL&P reflects the negative outlook on parent Eversource as well as our view that we could downgrade the company over the next 12-24 months pending our review of the Connecticut regulatory jurisdiction. Under our base case, we expect CL&P's stand-alone FFO to debt to reflect 19%-20%.

## Downside scenario

We could lower our ratings on CL&P over the next 12-24 months if we lowered the ratings on Eversource or if we revised downward our assessment of Connecticut's regulatory jurisdiction while the company maintains stand-alone FFO to debt below 20%.

## Upside scenario

We could affirm our ratings on CL&P and revise our outlook to stable over the next 12-24 months if we did the same for Eversource and if we maintained our current assessment of Connecticut's regulatory jurisdiction while CL&P maintains stand-alone FFO to debt consistently greater than 18%.

We could also affirm our ratings on CL&P and revise the outlook to stable over this period if we did the same for Eversource and if we revised downward our assessment of Connecticut's regulatory jurisdiction, but CL&P's financial measures consistently improved such that its stand-alone FFO to debt were consistently greater than 20%.

## Yankee Gas and Aquarion

The negative outlooks on Yankee Gas and Aquarion reflect our negative outlook on parent Eversource as well as our view that we could downgrade the companies over the next 12-24 months pending our review of the Connecticut regulatory jurisdiction, which could also lead us to revise downward our group assessments of the companies. We expect Yankee Gas and Aquarion's stand-alone FFO to debt to reflect about 14%-16% and 10%, respectively, over our forecast period.

## Downside scenario

We could lower our ratings on Yankee Gas and Aquarion over the next 12-24 months if we downgraded Eversource or if we revised downward our assessment of Connecticut's regulatory jurisdiction while revising downward our group assessments for these companies.

### Upside scenario

We could affirm our ratings on Yankee Gas and Aquarion and revise the outlooks to stable over this period if we did the same for Eversource, and we maintained our current assessment of Connecticut's regulatory jurisdiction while the companies remained core subsidiaries of Eversource, which could occur if the companies effectively managed regulatory risk in Connecticut.

## Company Description

Eversource is a holding company that primarily engages in the energy delivery business through its wholly owned regulated utility subsidiaries. Eversource's subsidiaries include the electric utilities CL&P, NSTAR-E, and PSCNH; the natural gas utilities Yankee Gas, EGMA, and NSTAR-G; and the water utility company Aquarion. Eversource provides energy delivery and water service to approximately 4.4 million total customers in Connecticut, Massachusetts, and New Hampshire.

## Issue Ratings - Subordination Risk Analysis

### Capital structure

- Eversource has about $25.2 billion of debt outstanding, about $13.9 billion of which was issued by the company's operating subsidiaries while the remainder reflects unsecured debt at the holding company.
- Furthermore, Aquarion has about $820 million of debt outstanding, about $465 million of which was issued by its operating subsidiaries while the remainder reflects unsecured debt at that holding-company level.

### Analytical conclusions

- We rate Eversource's senior unsecured debt one notch below the company's long-term issuer credit rating (ICR) at 'BBB+' because it is subordinated to a significant amount of priority debt (more than 50% of total debt) in the company's capital structure.
- We rate Eversource's commercial paper program 'A-2' based on our ICR on the company.
- We rate Aquarion's senior unsecured debt one notch below the company's ICR at 'BBB+' because it is subordinated to a significant amount of priority debt (more than 50% of total debt) in the company's capital structure.
- We rate NSTAR-E's senior unsecured debt in line with the company's ICR at 'A' as it is the senior unsecured debt of a qualifying utility under our criteria.
- We rate NSTAR-E's commercial paper program 'A-1' based on our ICR on the company.
- We rate the preferred stock at CL&P and NSTAR-E 'BBB+', two notches below their respective ICRs, given these instruments' subordination as well as the deferability of their dividends.

## Issue Ratings - Recovery Analysis

### Key analytical factors

CL&P, PSCNH, and NSTAR-G's first-mortgage bonds benefit from a first-priority lien on substantially all of the utilities' real property owned or subsequently acquired. Collateral coverage of more than 1.5x supports a recovery rating of '1+' and an issue-level rating one notch above the issuer credit rating.

## Ratings Score Snapshot

Issuer credit rating: A-/Negative/A-2

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Excellent

Financial risk: Significant

- Cash flow/Leverage: Significant

Anchor: a-

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: a-

Group credit profile: a-

## Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019

- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | Industrials: Key Credit Factors For The Unregulated Power And Gas Industry, March 28, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Criteria | Corporates | Utilities: Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

## Related Research

- Credit FAQ: What's Behind Our Recent Actions On Investor-Owned Utilities In Connecticut?, Sept. 28, 2023
- Research Update: Eversource Energy Outlook Revised To Stable From Positive; Connecticut-Based Subsidiaries' Outlooks Revised To Negative, Sept. 14, 2023

## Ratings List

| **Ratings Affirmed** | | |
|---|---|---|
| **Aquarion Co.** | | |
| **Yankee Gas Services Co.** | | |
| Issuer Credit Rating | A-/Negative/-- | |
| **Connecticut Light & Power Co.** | | |
| Issuer Credit Rating | A/Negative/-- | |
| **Ratings Affirmed; Outlook Action** | | |
| | **To** | **From** |
| **Eversource Energy** | | |
| Issuer Credit Rating | A-/Negative/A-2 | A-/Stable/A-2 |

| | | |
|---|---|---|
| **Eversource Gas Co. of Massachusetts** | | |
| **NSTAR Gas Co.** | | |
| Issuer Credit Rating | A-/Negative/-- | A-/Stable/-- |
| **NSTAR Electric Co.** | | |
| Issuer Credit Rating | A/Negative/A-1 | A/Stable/A-1 |
| **Public Service Co. of New Hampshire** | | |
| Issuer Credit Rating | A/Negative/-- | A/Stable/-- |
| **Issue-Level Ratings Affirmed; Recovery Ratings Unchanged** | | |
| **Connecticut Light & Power Co.** | | |
| Senior Secured | A+ | |
| Recovery Rating | 1+ | |
| **NSTAR Gas Co.** | | |
| Senior Secured | A | |
| Recovery Rating | 1+ | |
| **Public Service Co. of New Hampshire** | | |
| Senior Secured | A+ | |
| Recovery Rating | 1+ | |
| **Issue-Level Ratings Affirmed** | | |
| **Eversource Energy** | | |
| Senior Unsecured | BBB+ | |
| Commercial Paper | A-2 | |
| **Connecticut Light & Power Co.** | | |
| Preferred Stock | BBB+ | |
| **Aquarion Co.** | | |
| Senior Unsecured | BBB+ | |
| **NSTAR Electric Co.** | | |
| Senior Unsecured | A | |
| Preferred Stock | BBB+ | |
| Commercial Paper | A-1 | |

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.spglobal.com/ratings for further information. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

**Research Update: Eversource Energy And All Subsidiaries' Outlooks Now Negative On Increased Execution Risks Related To JV Sale**

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Research Update:

# Eversource Energy Outlook Revised To Stable From Positive; Connecticut-Based Subsidiaries' Outlooks Revised To Negative

**September 14, 2023**

## Rating Action Overview

- Recent regulatory and legislative developments in Connecticut have been inconsistent with our view of the state's regulatory framework for investor-owned utilities. These include the passing and signing of Senate Bill 7, which discontinued the use of the electric system improvement charge in future rate proceedings, as well as the allowance for Connecticut's Public Utilities Regulatory Authority (PURA) to have discretion regarding the consistent implementation of decoupling. We assess these developments as negative for credit quality. Furthermore, PURA's recent less-than-credit-supportive rate orders could indicate Connecticut's regulatory construct may be becoming less supportive for credit quality.
- As such, we affirmed our ratings on Eversource Energy and its subsidiaries. However, we revised the outlooks for Eversource and subsidiaries NSTAR Electric (NSTAR-E), NSTAR Gas (NSTAR-G), and Eversource Gas Co. of Massachusetts (EGMA) to stable from positive. At the same time, we revised our outlooks on Eversource's Connecticut-based subsidiaries, Connecticut Light & Power Co. (CL&P), Aquarion Co., and Yankee Gas Services Co. (Yankee Gas) to negative.
- The stable outlook on Eversource reflects our view that Eversource will sell its offshore wind assets and solely focus on its regulated transmission and distribution utility assets while maintaining funds from operations (FFO) to debt of 13%-14%.
- The negative outlooks for CL&P, Yankee Gas, and Aquarion reflect our view that we could downgrade the companies over the next 12-18 months if we revise downward our assessment of Connecticut's regulatory jurisdiction.

PRIMARY CREDIT ANALYST

**Sloan Millman, CFA, FRM**
New York
+ 1 (212) 438 2146
sloan.millman
@spglobal.com

SECONDARY CONTACT

**Obioma Ugboaja**
New York
+ 1 (212) 438 7406
obioma.ugboaja
@spglobal.com

## Rating Action Rationale

**Recent negative developments may be indicative that Connecticut's regulatory jurisdiction is becoming less supportive of credit quality.** We currently assess Connecticut's regulatory construct as a more credit supportive regulatory jurisdiction. However, we believe the signing of

Senate Bill 7 into law, which discontinued the use of the electric system improvement charge in future rate proceedings and allows PURA to have discretion regarding the consistent implementation of decoupling, is negative for credit quality. We believe these developments decrease cash flow predictability.

Furthermore, recent rate orders for Aquarion and The United Illuminating Co. (UIL) significantly deviated from our base case. These rate orders did not approve the multiyear rate plans filed and included material disallowances, penalties for UIL, and below-average returns on equity. In addition, we expect that these rate orders will increase regulatory lag for these utilities. In general, we expect utilities in regulatory jurisdictions that we assess as more credit supportive to fully recover all operating and capital costs and operate under a consistent framework that demonstrates regulatory and cash flow stability. Accordingly, we expect to closely monitor further regulatory developments over the next 12-18 months, including PURA's future rate case orders and how the performance-based regulatory framework is implemented.

**We revised Eversource's outlook to stable from positive.** Eversource's operations regulated by the PURA represent about 33% of its consolidated EBIDTA. Although the regulatory constructs of its other regulatory jurisdictions have generally remained consistent, we believe the more challenging regulatory environment in Connecticut increases business risk and pressures credit quality. As such, we revised Eversource's outlook to stable, incorporating these higher risks, which decreases the likelihood of an upgrade.

**We revised the outlooks for Eversource's Connecticut utilities, including CL&P, Aquarion, and Yankee Gas, to negative.** Should we revise downward our assessment of Connecticut's regulatory construct over the next 12-18 months, it would result in an increase in business risk for Eversource's Connecticut utilities, reflecting a weakening ability to effectively manage regulatory risk. In our view, consistent adverse regulatory outcomes could also limit the extent of Eversource's parental support for these utilities in certain situations and would likely result in our reassessment of Eversource's group support of these utilities to below core. This would then likely result in a ratings downgrade for CL&P, Aquarion, and Yankee Gas.

**Though challenges in the U.S. offshore wind energy space continue to persist, we expect Eversource to exit its joint venture with Orsted imminently.** Eversource recently closed on the sale of its 50% stake in an uncommitted 175,000 acres of Massachusetts offshore wind lease area to Orsted for $625 million. It plans to use a portion of the sale proceeds for a tax equity investment of approximately $545 million for the South Fork Offshore Wind Project. However, due to inflationary pressures, supply chain challenges, and rising interest rates, the company wrote off approximately $330 million (post-tax) from its now about $2.1 billion investment in its offshore wind joint venture with Orsted. This includes interests in three projects that are at various stages of development, with in-service dates between 2023 and 2026.

The company also announced that there could be an additional $800 million in impairments to its investment (pretax) depending on the final draft of treasury guidance concerning investment tax credit adders for domestic content and whether the New York State Public Service Commission grants the Sunrise Wind Project about a 27% price increase. Our base case assumes no further impairments.

Orsted also announced a large impairment on its entire U.S. portfolio. While we view recent developments as challenging for Eversource, we still anticipate that it will sell its joint venture interest soon and use proceeds in a credit-supportive manner. This said, if Eversource cannot sell these assets in the near term, it would be negative for credit quality.

**We expect Eversource's FFO to debt to average 13%-14% over our forecast, indicative of minimal financial cushion for the rating.** We assess Eversource's financial risk profile using our medial volatility financial benchmark table, reflecting its lower-risk utility operations and management of regulatory risk. Our base-case scenario for Eversource includes regulated capital spending averaging $4 billion-$4.5 billion annually, dividend growth of about 7% annually, and at least $1 billion of additional equity issuance over the next five years. It also includes formulaic rate increases under the Federal Energy Regulatory Commission's (FERC) regulatory construct, continued use of existing regulatory mechanisms in Massachusetts and New Hampshire, and the refinancing of all debt maturities.

Furthermore, we assume that the sale of the offshore wind joint venture will occur by year-end and it will use proceeds from the sale to pay down debt.

**We assess CL&P's financial measures using our medial volatility table.** Currently, PURA regulates approximately 55% of CL&P's rate base, and the balance is regulated by FERC. While we continue to assess FERC's regulatory construct as a most credit supportive regulatory jurisdiction, we believe the regulatory environment in Connecticut is becoming more challenging, weakening our consolidated view of CL&P's regulatory assessment. As such, we now assess CL&P's financial profile against our medial volatility table.

While this revised assessment does not affect our 'a' stand-alone credit profile (SACP) on CL&P, we did revise the company's financial risk profile downward to significant from intermediate, reflecting the use of the medial volatility table. Additionally, we revised the comparable rating analysis modifier to positive from neutral, reflecting our expectations that CL&P's stand-alone financial measures will consistently reflect the higher half of its revised financial risk profile category.

Under our base case, we expect CL&P's FFO to debt to average 19%-20%. Our base case assumes base rates remain through 2025, continued use of the electric system improvements surcharge and revenue decoupling mechanisms through 2025, and formulaic rate increases under the FERC regulatory construct. We also assume capital spending averages about $900 million annually, dividends average about $400 million annually, minimal equity infusions by the parent, negative discretionary cash flow, and the refinancing of all debt maturities.

**Our outlooks on Eversource's subsidiaries based outside of Connecticut are stable.** The outlooks on NSTAR-G and EGMA reflect our outlook on Eversource because they are core subsidiaries to the company with insufficient insulating measures in place to warrant higher ratings. Our outlooks on NSTAR-E and Public Service Co. of New Hampshire (PSCNH) reflect the outlook on Eversource, the strength of both companies' SACPs, and our view that the cumulative of the insulating measures in place at both companies are sufficient to rate these utilities one notch above Eversource.

## Outlook– Eversource, NSTAR-G, and EGMA

The stable outlook on Eversource reflects our view that the company will sell its offshore wind assets and solely focus on its regulated transmission and distribution utility assets while maintaining FFO to debt of 13%-14%.

### Downside scenario

We could lower the ratings on Eversource over the next 12-24 months if it fails to maintain FFO to debt consistently above 13%. This could occur if the company experiences further adverse regulatory outcomes beyond what we expect, cannot sell its offshore wind assets at an attractive valuation, or does not use proceeds from a sale in a credit-supportive manner. We could also lower the ratings if the company is unable to sell its offshore wind assets while its FFO to debt remains below 16%.

### Upside scenario

While less likely, we could upgrade Eversource if FFO to debt is consistently greater than 16% without any further increase to business risk beyond our base case.

## Outlook– CL&P

The negative outlook for CL&P reflects our view that we could downgrade the company over the next 12-18 months pending our review of the Connecticut regulatory jurisdiction.

### Downside scenario

We could lower our ratings on CL&P over the next 12-18 months if we revise downward our assessment of Connecticut's regulatory jurisdiction while the company maintains stand-alone FFO to debt below 20%.

### Upside scenario

We could affirm our ratings on CL&P and revise our outlook to stable over the next 12-18 months if we revise downward our assessment of Connecticut's regulatory jurisdiction and CL&P's financial measures improve such that its stand-alone FFO to debt is consistently greater than 20%.

We could also affirm our ratings on CL&P and revise the outlook to stable over this period if we maintain our current assessment of Connecticut's regulatory jurisdiction and CL&P's stand-alone FFO to debt is consistently greater than 18%.

## Outlook– Yankee Gas and Aquarion

The negative outlooks for Yankee Gas and Aquarion reflect our view that we could downgrade the companies over the next 12-18 months pending our review of the Connecticut regulatory jurisdiction, which could also lead us to revise downwards our group assessments for the companies.

### Downside scenario

We could lower our ratings on Yankee Gas and Aquarion over the next 12-18 months if we revise downward our assessment of Connecticut's regulatory jurisdiction and we revise downwards our group assessments for the companies.

### Upside scenario

We could affirm our ratings on Yankee Gas and Aquarion and revise the outlooks to stable over this period if we maintain our current assessment of Connecticut's regulatory jurisdiction while the companies remain core subsidiaries of Eversource. This could occur if the companies effectively manage regulatory risk in Connecticut.

## Outlook– NSTAR-E

Our stable outlook on NSTAR-E reflects our stable outlook on Eversource as well as our expectation that NSTAR-E's effective risk management will persist and its stand-alone FFO to debt will reflect 18%-20%.

### Downside scenario

We could lower the rating on NSTAR-E if we downgrade Eversource. We could also lower the rating on NSTAR-E if its stand-alone FFO to debt weakens to consistently below 12%.

### Upside scenario

We could raise the rating on NSTAR-E if we upgrade Eversource while NSTAR-E's FFO to debt consistently exceeds 15%.

## Outlook– PSCNH

The stable outlook on PSCNH reflects our outlook on Eversource as well as our expectation that PSCNH will maintain its effective risk management and its stand-alone FFO to debt will reflect 18%-20%.

### Downside scenario

We could lower our rating on PSCNH if we lower our rating on Eversource. We could also lower our rating on PSCNH if its stand-alone financial measures weaken such that FFO to debt is consistently below 15%.

### Upside scenario

We could raise our rating on PSCNH if we raise our rating on Eversource while PSCNH's FFO to debt improves to consistently above 20%.

## Company Description

Eversource is a holding company that primarily engages in the energy delivery business through its wholly owned regulated utility subsidiaries. Eversource's subsidiaries include the electric utilities CL&P, NSTAR-E., and PSCNH; the natural gas utilities Yankee Gas., EGMA, and NSTAR-G; and the water utility company Aquarion. Eversource provides energy delivery and water service to

approximately 4.4 million total customers in Connecticut, Massachusetts, and New Hampshire.

## Issue Ratings - Subordination Risk Analysis

### Capital structure

- Eversource has close to $25 billion of debt outstanding, about $13.5 billion of which was issued by the company's operating subsidiaries, while the remainder reflects unsecured debt at the holding company.
- Furthermore, Aquarion has about $820 million of debt outstanding, about $465 million of which was issued by its operating subsidiaries, while the remainder reflects unsecured debt at that holding-company level.

### Analytical conclusions

- We rate Eversource's senior unsecured debt one notch below the company's long-term issuer credit rating (ICR) at 'BBB+' because it is subordinated to a significant amount of priority debt (more than 50% of total debt) in the company's capital structure.
- We rate Eversource's commercial paper program 'A-2' based on our ICR on the company.
- We rate Aquarion's senior unsecured debt one notch below the company's ICR at 'BBB+' because it is subordinated to a significant amount of priority debt (more than 50% of total debt) in the company's capital structure.
- We rate NSTAR-E's senior unsecured debt in line with the company's ICR at 'A' as it is the senior unsecured debt of a qualifying utility under our criteria.
- We rate NSTAR-E's commercial paper program 'A-1' based on our ICR on the company.
- We rate the preferred stock at CL&P and NSTAR-E 'BBB+', two notches below their respective ICRs, given these instruments' subordination as well as the deferability of their dividends.

## Issue Ratings - Recovery Analysis

### Key analytical factors

CL&P, PSCNH, and NSTAR-G's first-mortgage bonds benefit from a first-priority lien on substantially all of the utilities' real property owned or subsequently acquired. Collateral coverage of more than 1.5x supports a recovery rating of '1+' and an issue-level rating one notch above the issuer credit rating.

## Ratings Score Snapshot– Eversource

Issuer credit rating: A-/Stable/A-2

Business risk: Excellent

- Country risk: Very low

- Industry risk: Very low
- Competitive position: Excellent

Financial risk: Significant

- Cash flow/Leverage: Significant

Anchor: a-

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: a-

- Group credit profile: a-

## Ratings Score Snapshot- CL&P

Issuer credit rating: A/Negative/--

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Strong

Financial risk: Significant

- Cash flow/Leverage: Significant

Anchor: a-

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Positive (+1 notch)

Stand-alone credit profile: a

- Group credit profile: a-
- Entity status within the group: Insulated (no impact on SACP)

## Ratings Score Snapshot– Yankee Gas

Issuer credit rating: A-/Negative/--

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Strong

Financial risk: Significant

- Cash flow/Leverage: Significant

Anchor: a-

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Negative (-1 notch)

Stand-alone credit profile: bbb+

- Group credit profile: a-
- Entity status within the group: Core (+1 notch to SACP)

## Ratings Score Snapshot– Aquarion

Issuer credit rating: A-/Negative/--

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Strong

Financial risk: Aggressive

- Cash flow/Leverage: Aggressive

Anchor: bbb

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: bbb

- Group credit profile: a-
- Entity status within the group: Core (+2 notches to SACP)

## Ratings Score Snapshot– NSTAR-E

Issuer credit rating: A/Stable/A-1

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Excellent

Financial risk: Intermediate

- Cash flow/Leverage: Intermediate

Anchor: a+

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: a+

- Group credit profile: a-
- Entity status within the group: Insulated (-1 notch from SACP)

## Ratings Score Snapshot– NSTAR-G

Issuer credit rating: A-/Stable/--

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Strong

Financial risk: Significant

- Cash flow/Leverage: Significant

Anchor: a-

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: a-

- Group credit profile: a-
- Entity status within the group: Core (no impact on SACP)

## Ratings Score Snapshot- EGMA

Issuer credit rating: A-/Stable/--

Business risk: Strong

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Satisfactory

Financial risk: Significant

- Cash flow/Leverage: Significant

Anchor: bbb

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)

- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: bbb

- Group credit profile: a-
- Entity status within the group: Core (+2 notches to SACP)

## Ratings Score Snapshot- PSCNH

Issuer credit rating: A/Stable/--

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Strong

Financial risk: Intermediate

- Cash flow/Leverage: Intermediate

Anchor: a

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: a

- Group credit profile: a-
- Entity status within the group: Insulated (no impact on SACP)

## Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
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- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
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- Criteria | Corporates | Utilities: Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

## Ratings List

**Ratings Affirmed; Outlook Action**

| | To | From |
|---|---|---|
| **Eversource Energy** | | |
| Issuer Credit Rating | A-/Stable/A-2 | A-/Positive/A-2 |
| **Aquarion Co.** | | |
| Issuer Credit Rating | A-/Negative/-- | A-/Developing/-- |
| **Connecticut Light & Power Co.** | | |
| Issuer Credit Rating | A/Negative/-- | A/Stable/-- |
| **Eversource Gas Co. of Massachusetts** | | |
| **NSTAR Gas Co.** | | |
| Issuer Credit Rating | A-/Stable/-- | A-/Positive/-- |
| **NSTAR Electric Co.** | | |
| Issuer Credit Rating | A/Stable/A-1 | A/Positive/A-1 |
| **Yankee Gas Services Co.** | | |
| Issuer Credit Rating | A-/Negative/-- | A-/Positive/-- |

| | |
|---|---|
| **Ratings Affirmed** | |
| **Public Service Co. of New Hampshire** | |
| Issuer Credit Rating | A/Stable/-- |
| **Issue-Level Ratings Affirmed** | |
| **Eversource Energy** | |
| Senior Unsecured | BBB+ |
| Commercial Paper | A-2 |
| **Aquarion Co.** | |
| Senior Unsecured | BBB+ |
| **Connecticut Light & Power Co.** | |
| Preferred Stock | BBB+ |
| **NSTAR Electric Co.** | |
| Senior Unsecured | A |
| Preferred Stock | BBB+ |
| Commercial Paper | A-1 |
| **Public Service Co. of New Hampshire** | |
| Senior Secured | A+ |
| **Issue-Level Ratings Affirmed; Recovery Ratings Unchanged** | |
| **Connecticut Light & Power Co.** | |
| Senior Secured | A+ |
| Recovery Rating | 1+ |
| **NSTAR Gas Co.** | |
| Senior Secured | A |
| Recovery Rating | 1+ |
| **Public Service Co. of New Hampshire** | |
| Senior Secured | A+ |
| Recovery Rating | 1+ |

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Research Update:

# Connecticut Light & Power Co. Outlook Revised To Stable From Positive On Expectation For Weaker Financial Performance

**May 22, 2023**

## Rating Action Overview

- We expect Connecticut Light & Power Co.'s (CL&P) financial measures will modestly weaken, primarily reflecting rising capital spending.
- As such, we revised our outlook on the company to stable from positive.
- We affirmed all ratings on the company, including our 'A' issuer credit rating, 'A+' rating on the company's first mortgage bonds, and 'BBB+' rating on the company's preferred stock.
- The stable outlook on CL&P reflects our expectation for the company to effectively manage its regulatory risk and maintain funds from operations (FFO) to debt that averages about 19%-20% over the next 24 months.

PRIMARY CREDIT ANALYST

**Sloan Millman, CFA, FRM**
New York
+ 1 (212) 438 2146
sloan.millman
@spglobal.com

SECONDARY CONTACT

**Obioma Ugboaja**
New York
+ 1 (212) 438 7406
obioma.ugboaja
@spglobal.com

## Rating Action Rationale

**We anticipate modestly weaker financial measures for CL&P given its increased capital spending plan.** We project CL&P's capital spending will increase to about $900 million annually from our previous expectation of about $750 million. Over the next five years, we expect total capital spending to be about $4.5 billion. The company focuses most of the incremental spending on reliability and we expect it will finance much of the increased spending with debt, modestly weakening financial performance. Previously we anticipated CL&P's stand-alone FFO to debt would be 20%-24% through 2024, but now we expect it to be 19%-20%.

**We assess CL&P's business risk profile as excellent.** We assess the company at the lower half of its business risk profile category compared with peers. Our assessment reflects its lower-risk, regulated transmission and distribution (T&D) electricity business. The transmission portion (about 45% of EBITDA) is regulated by FERC. We view the FERC regulatory construct as highly credit supportive because it uses formula rates that enable the recovery of costs and a healthy return on capital with limited regulatory lag. The Connecticut Public Utilities Regulatory Authority

regulates the company's distribution business (about 55% of EBITDA), and the company benefits from timely recovery of purchased power costs, revenue decoupling, as well as capital tracking mechanisms.

We will continue to actively monitor regulatory developments in Connecticut, including CL&P's sister company Aquarion Co.'s, appeal of its rate case order and any direct or indirect ramifications this may have for CL&P. Currently, we expect CL&P will delay its next rate case filing until 2025. We will continue to monitor the progress of performance-based ratemaking, which presents some uncertainty for the company.

**We assess CL&P's financial measures using our low-volatility table, reflecting its low-risk electric transmission and distribution operations and effective management of regulatory risk.** Under our base-case scenario, we expect the company's FFO to debt to average about 19%-20% over our forecast period. Our base case assumes base rates remain through 2025, continued use of the ESI surcharge and revenue decoupling mechanisms, capital spending that averages about $900 million annually, dividends that average about $400 million annually, modest equity infusions by the parent, negative discretionary cash flow, and the refinancing of all debt maturities.

**We assess CL&P as an insulated subsidiary of parent Eversource.** We rate CL&P one notch higher than Eversource's 'a-' group credit profile because of the strength of CL&P's stand-alone credit profile and the cumulative value of structural and regulatory protections in place that insulate it from Eversource.

Key insulating measures include:

- CL&P's businesses are independently regulated in the state in which it operates and by FERC.
- CL&P holds itself out as a separate entity from Eversource.
- CL&P has its own funding arrangements that are independent from the rest of the group.
- CL&P has no significant operational dependence on other group entities.
- CL&P maintains its own records.
- CL&P does not commingle funds, assets, or cash flows with the rest of the Eversource group.
- CL&P's financial performance is independent of Eversource.
- We believe there is a strong economic basis for Eversource to preserve CL&P's credit strength due to CL&P's low-risk, profitable, and regulated operations that make up a large portion of Eversource's operations.
- CL&P is a regulated utility with a regulatory capital structure.
- There are no cross-default provisions between CL&P and Eversource that imply a default at Eversource would lead to a default at CL&P, which supports our opinion that a default at Eversource would not directly lead to a default at the company.

## Outlook

The stable outlook on CL&P reflects our expectation for the company to effectively manage its regulatory risk and maintain stand-alone FFO to debt around 19%-20% over the next 24 months.

## Downside scenario

We could lower the ratings on CL&P over the next 24 months if its business risk profile deteriorates due to poor operational performance or adverse regulatory developments in Connecticut. We could also lower our ratings on CL&P if its financial performance materially weakens, such that stand-alone FFO to debt is consistently below 16%. Although unlikely, we could also downgrade CL&P if we downgrade parent Eversource.

## Upside scenario

We could raise our ratings on CL&P over the next 24 months if CL&P's stand-alone FFO to debt consistently improves to greater than 21% and it effectively manages its regulatory risk, while we upgrade Eversource.

# Company Description

CL&P is a regulated electric transmission and distribution utility engaged in the purchase, delivery, and sale of electricity to about 1.28 million customers in Connecticut. CL&P is a wholly owned subsidiary of Eversource Energy. Overall, we expect CL&P to contribute about a third of Eversource's consolidated EBITDA.

# Our Base-Case Scenario

- Distribution base rates in place through 2025;
- Continued use of revenue decoupling and the ESI surcharge;
- Formulaic rates for the company's transmission operations;
- Capital spending that averages about $900 million annually;
- Dividends that average about $400 million annually;
- Negative discretionary cash flow;
- The refinancing of all debt maturities; and
- Modest equity infusions by the parent.

## Connecticut Light & Power Co.--forecast summary

**Industry sector: electric**

| | --Fiscal year ended Dec. 31-- | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (Mil. $) | **2019a** | **2020a** | **2021a** | **2022a** | **2023e** | **2024f** | **2025f** | **2026f** | **2027f** |
| **Key forecasts** | | | | | | | | | |
| Revenues, adjusted | 3,233 | 3,548 | 3,637 | 4,818 | 4,101 | 4,371 | 4,347 | 4,847 | 5,069 |
| EBITDA, reported | 1,034 | 1,120 | 1,107 | 1,481 | 1,176 | 1,286 | 1,245 | 1,517 | 1,622 |
| Plus: operating lease adjustment (OLA) rent | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Plus/(less): others | 12 | 13 | 11 | 12 | 12 | 12 | 12 | 12 | 12 |

### Connecticut Light & Power Co.--forecast summary (cont.)

**Industry sector: electric**

| | --Fiscal year ended Dec. 31-- | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (Mil. $) | **2019a** | **2020a** | **2021a** | **2022a** | **2023e** | **2024f** | **2025f** | **2026f** | **2027f** |
| EBITDA, adjusted | 1,047 | 1,133 | 1,118 | 1,494 | 1,188 | 1,299 | 1,258 | 1,530 | 1,635 |
| Less: cash interest paid, adjusted | (154) | (158) | (167) | (175) | (190) | (211) | (227) | (241) | (252) |
| Less: cash taxes paid, adjusted | (81) | (11) | (38) | (118) | (63) | (123) | (106) | (157) | (173) |
| Funds from operations (FFO), adjusted | 812 | 964 | 913 | 1,202 | 935 | 964 | 925 | 1,132 | 1,210 |
| Discretionary cash flow (DCF), adjusted | (538) | (511) | (524) | (305) | (474) | (330) | (289) | (204) | (135) |
| Debt, reported | 3,582 | 3,915 | 4,215 | 4,216 | 4,691 | 4,951 | 5,216 | 5,420 | 5,555 |
| Plus: lease liabilities debt | 4 | 2 | 0 | 2 | 2 | 2 | 2 | 2 | 2 |
| Plus: pension and other postretirement debt | 309 | 378 | 21 | -- | -- | -- | -- | -- | -- |
| Less: accessible cash and liquid Investments | -- | (91) | (56) | (11) | (11) | (11) | (11) | (11) | (11) |
| Plus/(less): others | 83 | 84 | 86 | 88 | 88 | 88 | 88 | 88 | 88 |
| Debt, adjusted | 3,978 | 4,288 | 4,267 | 4,295 | 4,769 | 5,029 | 5,294 | 5,499 | 5,634 |
| Cash and short-term investments, reported | -- | 91 | 56 | 11 | 11 | 11 | 11 | 11 | 11 |
| **Key adjusted ratios** | | | | | | | | | |
| Debt/EBITDA (x) | 3.8 | 3.8 | 3.8 | 2.9 | 4.0 | 3.9 | 4.2 | 3.6 | 3.4 |
| FFO/debt (%) | 20.4 | 22.5 | 21.4 | 28.0 | 19.6 | 19.2 | 17.5 | 20.6 | 21.5 |

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast.

## Liquidity

We assess CL&P's liquidity as adequate, with sources covering uses by over 1.1x over the coming 12 months. We also expect that its sources will cover uses even if consolidated EBITDA declines 10%. We believe the predictable regulatory framework for CL&P provides manageable cash flow stability even in economic stress, supporting our use of slightly lower thresholds to assess liquidity. In addition, CL&P can absorb high-impact, low-probability events, with limited need for refinancing. We believe that CL&P can reduce its capital spending (averaging about $900 million annually) during periods of stress. This indicates a limited need for refinancing under such conditions. Furthermore, our assessment reflects its generally prudent risk management, sound relationships with its banks (which includes well-established banks), and a solid standing in the credit markets (bond yields are in line with other similarly rated investment-grade issuers). Overall, we believe CL&P should withstand adverse market circumstances over the next 12 months with sufficient liquidity to meet its obligations. In addition, its next long-term debt maturity of about $140 million is due in 2024, and we expect CL&P to proactively address debt maturities well in advance of their due dates.

Principal liquidity sources

- Cash FFO of about $900 million over the next 12 months

Principal liquidity uses

- Debt maturities to its parent of about $320 million over the next 12 months; and

- Assumed maintenance capital spending of about $490 million over the next 12 months.

## Environmental, Social, And Governance

### ESG credit indicators: E-2, S-2, G-2

ESG factors have no material influence on our credit rating analysis of CL&P. However, we note that there has been some concern over affordability of the company's rates by regulators, which we continue to monitor.

## Issue Ratings - Subordination Risk Analysis

We rate CL&P's preferred stock 'BBB+', two notches below our issuer credit rating on the company because the dividends on these instruments are deferrable and because the instruments are subordinate to other debt in the utility's capital structure.

### Capital structure

CL&P has $116.2 million of preferred stock outstanding on its balance sheet.

### Analytical conclusions

We rate CL&P's preferred stock 'BBB+', two notches below our issuer credit rating on the company because the dividends on these instruments are deferrable and because the instruments are subordinate to other debt in the utility's capital structure.

## Issue Ratings - Recovery Analysis

### Key analytical factors

CL&P's first-mortgage bonds benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage of more than 1.5x supports a recovery rating of '1+' and an issue-level rating one notch above our issuer credit rating.

## Ratings Score Snapshot

Issuer credit rating: A/Stable/--

Business risk: Excellent

- Country risk: Very Low
- Industry risk: Very Low
- Competitive position: Excellent

Financial risk: Intermediate

- Cash flow/leverage: Intermediate

Anchor: a

- Diversification/portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: a

- Group credit profile: a-
- Entity status within group: Insulated

## Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Criteria | Corporates | Utilities: Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

## Ratings List

**Research Update: Connecticut Light & Power Co. Outlook Revised To Stable From Positive On Expectation For Weaker Financial Performance**

**Ratings Affirmed; Outlook Action**

| | To | From |
|---|---|---|
| **Connecticut Light & Power Co.** | | |
| Issuer Credit Rating | A/Stable/-- | A/Positive/-- |
| **Ratings Affirmed; Recovery Ratings Unchanged** | | |
| **Connecticut Light & Power Co.** | | |
| Senior Secured | A+ | A+ |
| Recovery Rating | 1+ | 1+ |
| **Ratings Affirmed** | | |
| Preferred Stock | BBB+ | BBB+ |

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**Research Update: Connecticut Light & Power Co. Outlook Revised To Stable From Positive On Expectation For Weaker Financial Performance**

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