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Research Update:

Eversource Energy And Subsidiaries Ratings Affirmed Following FERC Return On Equity Decision, Outlook Stable

April 10, 2026

Rating Action Overview

- The U.S. Federal Energy Regulatory Commission (FERC) recently ordered a reduction in the prospective base return on equity (ROE) for all New England transmission owners, including subsidiaries of Eversource Energy, 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 approximately $940 million in the next 30 days. Eversource has since filed a motion for stay the FERC's order.
- Separately, Eversource recently included its previously announced sale of Aquarion Water Co. in its 2026 earnings guidance. Therefore, we now expect the sale will provide the company with $1.6 billion of net cash proceeds.
- While the potential refund would significantly weaken Eversource's financial measures, we believe the proceeds from the Aquarion sale and its expected securitization financings, combined with management's commitment to support its credit quality with equity and equity-like funding, will enable it to maintain average funds from operations (FFO) to debt consistently above our downgrade threshold.
- Therefore, S&P Global Ratings affirmed its 'BBB+' issuer credit ratings (ICRs) on Eversource and subsidiaries Eversource Gas Co. of Massachusetts, NSTAR Gas Co., as well as its 'A-' ICRs on Connecticut Light & Power Co., NSTAR Electric Co., and Public Service Co. of New Hampshire and its 'BBB' ICR on Yankee Gas Services Co.
- The stable outlooks on the company and its rated subsidiaries reflect our expectation that Eversource will consistently maintain FFO to debt of between 12% and 13% through at least 2028 without increasing its business risk. The outlook also incorporates our belief that management will take prudent financial policy steps to protect the company's credit quality, given its commitment to maintain the existing ratings.

Rating Action Rationale

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These actions reflect our expectation that management will take necessary steps to protect Eversource's credit quality. Our base-case scenario assumes Eversource will be required to refund up to $940 million to its New England transmission customers over an undetermined period that could start as early as 2026. While we expect the refund will significantly weaken the company's consolidated financial measures, we believe the cash proceeds from the expected Aquarion sale and its securitization financings in Connecticut and New Hampshire, combined with management's commitment to support its credit quality--including by funding its growing cash flow deficits with equity and equity-like financing--will enable it to maintain average FFO to debt of more than 12% through 2028. Our ratings on Eversource incorporate a negative comparable ratings analysis modifier, which reflects our view that its financial measures are in the lower end of our expected range for the significant financial risk profile category.

Our assumptions that the company will receive $1.6 billion of net proceeds from its sale of Aquarion in 2026, a constructive prudency review for Connecticut Light & Power's storm costs (leading to securitization proceeds of at least $980 million), securitization proceeds of about $450 million for Public Service Co. of New Hampshire, and sizeable equity and equity-like funding to support its $26 billion capital spending are integral to the rating affirmations. In addition, Eversource has committed to maintain at least a 100 basis point (bps) cushion relative to our 12% FFO to debt downgrade threshold. Therefore, our expectation that management will take appropriate actions to maintain this cushion supports our base case. Our base case also assumes Eversource's utility subsidiaries effectively manage regulatory risk in their respective jurisdictions, including in Connecticut.

We expect the company will complete construction of Revolution Wind in the second half of 2026. In mid-March 2026, Revolution Wind began delivering power to the New England grid. The 65-turbine project remains on target to achieve a commercial operation date (COD) during the second half of 2026. Eversource has a current contingent liability on its balance sheet totaling approximately $448 million, which reflects the purchase price post-closing adjustment payments under the terms of the sale agreement with Global Infrastructure Partners (GIP). We currently incorporate this amount as debt under Eversource. Furthermore, our base case assumes the project achieves COD with immaterial adjustments to this current contingent liability.

Outlook

The stable outlooks on the company and its rated subsidiaries reflect our expectation that Eversource will consistently maintain FFO to debt of between 12% and 13% through at least 2028 without increasing its business risk. The outlook also incorporates our belief that management will take prudent financial policy steps to protect the company's credit quality, given its commitment to maintain the existing ratings.

Downside scenario

We could downgrade Eversource and its subsidiaries in the next 24 months if the company's ability to effectively manage its regulatory risk weakens or its commitment to maintain its credit quality waivers, which would be reflected by FFO to debt of consistently below 12%.

Upside scenario

Although unlikely, we could upgrade Eversource and its subsidiaries in the next 24 months if it maintains FFO to debt of consistently above 15% without increasing 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.

Our Base-Case Scenario

Assumptions

- Ongoing cost recovery through authorized mechanisms and periodic rate-case filings by Eversource's regulated utilities;
- The Aquarion Water Co. sale closes in 2026, providing the company with $1.6 billion in net proceeds while also reducing its EBITDA;
- FERC-related rate refunds lead to up to a $940 million one-time reduction in Eversource's revenue. The prospective change in its base ROE to 9.57% reduces the company's 2026 earnings by at least $70 million after tax;
- Eversource satisfies the contingent liability on its balance sheet totaling $448.2 million upon Revolution Wind's achievement of COD;
- Capital spending of $26.5 billion (net of Aquarion spending of $1.3 billion);
- Eversource funds its cash flow deficits with equity and equity-like funding of between $2.1 billion and $3.6 billion (assuming 50% equity content) and storm cost securitization proceeds in Connecticut and New Hampshire of between $980 million and $1.5 billion;
- Eversource pays minimal cash taxes over the forecast period; and
- All debt maturities are refinanced.

Liquidity

We assess Eversource's liquidity as adequate and expect its sources of cash will be 1.1x its uses over the coming 12 months. Furthermore, we project the company's net liquidity sources will remain positive even if its forecast consolidated EBITDA declines by 10%. We believe Eversource's predictable regulatory framework provides it with a manageable level of cash flow stability, even in times of economic stress, which supports our use of slightly lower thresholds to assess its liquidity.

In addition, we believe Eversource has the ability to absorb high-impact, low-probability events, which reflects its maintenance of about $2.65 billion of committed credit facilities through 2030, as well as its ability to lower its high capital spending (averaging about $4.0 billion-$4.5 billion annually) during stressful periods, which indicates 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 (including over 10 well-established banks), and satisfactory standing in the credit markets.

Overall, we believe Eversource will likely be able to withstand adverse market circumstances over the next 12 months while maintaining sufficient liquidity to meet its obligations. The company has $1.4 billion of long-term debt maturities remaining in 2026, which we expect it will proactively address well in advance of their scheduled due dates.

Principal liquidity sources	Principal liquidity uses
• Credit facility availability of about $2.65 billion; • Cash FFO of about $2.85 billion; • Net cash proceeds from Aquarion sale of $1.6 billion; • Proceeds from Eversource's junior subordinated debt issuance of $1.5 billion; and • Cash of about $135 million.	• Debt maturities, including outstanding commercial paper (CP), of about $3.75 billion; • Contingent liability of $448.2 million reflecting the payment to Global Infrastructure Partners; • Assumed maintenance capital spending of about $3 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 our long-term ICR 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 based on our ICR.

Eversource Energy And Subsidiaries Ratings Affirmed Following FERC Return On Equity Decision, Outlook Stable

Rating Component Scores	
Eversource Energy	
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-
Modifiers	
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.	
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-
Modifiers	
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)

Rating Component Scores	
NSTAR Electric Co.	
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+
Modifiers	
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	
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
Modifiers	
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	
Eversource Gas Company of Massachusetts	
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
Modifiers	
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.	
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-
Modifiers	
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.	
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
Modifiers	
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: 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
- 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 List

Ratings List	
Ratings Affirmed	
Eversource Energy	
Issuer Credit Rating	BBB+/Stable/A-2
Foreign Currency	BBB+/Stable/A-2
Connecticut Light & Power Co.	
Public Service Co. of New Hampshire	
Issuer Credit Rating	A-/Stable/--
Foreign Currency	A-/Stable/--
Eversource Gas Co. of Massachusetts	
NSTAR Gas Co.	
Issuer Credit Rating	BBB+/Stable/--
Foreign Currency	BBB+/Stable/--
NSTAR Electric Co.	
Issuer Credit Rating	A-/Stable/A-2
Foreign Currency	A-/Stable/A-2
Yankee Gas Services Co.	
Issuer Credit Rating	BBB/Stable/--
Foreign Currency	BBB/Stable/--
Eversource Energy	
Senior Unsecured	BBB
Junior Subordinated	BBB-
Eversource Energy	
NSTAR Electric Co.	
Eversource Energy	
Commercial Paper	A-2
Connecticut Light & Power Co.	
NSTAR Electric Co.	
Preferred Stock	BBB
NSTAR Electric Co.	
Senior Unsecured	A-
Ratings Affirmed; Recovery Ratings Unchanged	
Connecticut Light & Power Co.	
Public Service Co. of New Hampshire	
NSTAR Gas Co.	
Senior Secured	A
Recovery Rating	1+

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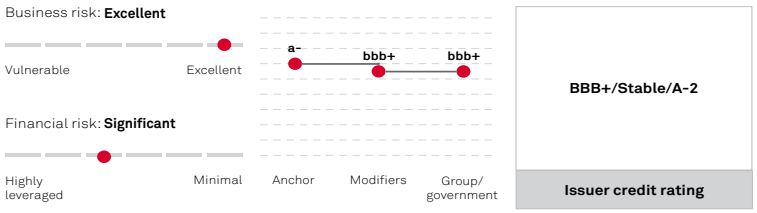
Eversource Energy

December 11, 2025

This report does not constitute a rating action.

Ratings Score Snapshot



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Credit Highlights

Overview

Key strengths	Key risks
Monopolistic electric transmission and distribution, gas distribution, and water utility operations in New England.	Minimal financial cushion.
Effective management of regulatory risk, with mechanisms such as capital trackers, formula rates, revenue decoupling, and multiyear rate plans.	Cost-sharing agreement with Global Infrastructure Partners (GIP) related to the sale of the company's offshore wind investments.
Large customer base of about 3.4 million electric customers across three states, 900,000 gas customers across two states, and 250,000 water customers across three states.	Forecast negative discretionary cash flow indicates future external funding needs.
Mostly residential customer base provides for cash flow stability.	Elevated customer bills compared with national averages subjects the company to heightened political and regulatory scrutiny compared with peers.

The recent Connecticut Public Utilities Regulatory Authority's (PURA) decision to reject Eversource Energy's proposed sale of the Aquarion Water Co. to the South Central Connecticut Regional Water Authority did not affect the ratings on the company. Previously,

we expected the sale would close for an enterprise value of approximately $2.4 billion (including about $800 million of debt) and that Eversource would use proceeds from the transaction to reduce consolidated leverage to maintain funds from operations (FFO) to debt of about 13%. Following the denial of the Aquarion sale, we expect that Eversource's FFO to debt will modestly weaken by about 50 basis points, but we expect the company will maintain financial measures that are above its current FFO-to-debt downgrade threshold of 12%.

While the company has appealed PURA's decision, our revised base-case forecast assumes that Eversource will continue to own and operate Aquarion. Our base case also assumes the company will use existing regulatory rate-making mechanisms and spend $4.9 billion-$5.1 billion annually on capital spending through 2029. We also assume that the company will pay limited cash taxes through 2028, largely driven by its previously announced realizable federal tax benefits from prior offshore wind losses. Overall, we expect Eversource's consolidated FFO to debt will reflect 12%-13% through 2029.

Our base case assumes that the Revolution Wind offshore wind project will be operational by the second half of 2026. We also expect that Eversource will not increase its cost-sharing liability payments to GIP in connection with the company's exit from its offshore wind investments. Eversource announced in October that it had increased its liability related to the payments to GIP, as part of its sale of the South Fork Wind and Revolution Wind offshore wind projects, by approximately $285 million. The company also announced it expects to realize an approximately $210 million federal tax benefit associated with its losses on the sale of its offshore wind investments, resulting in a net aftertax charge of about $75 million.

This announcement came after an approximately one-month work stoppage at Revolution Wind following the U.S. Interior Department Bureau of Ocean Energy Management's (BOEM) Aug. 22 stop-work order. The stop-work order was lifted on Sept. 22 following an injunction by the U.S. District Court for the District of Columbia. The BOEM was given 60 days to appeal the injunction, and it did not file an appeal. Work has resumed at Revolution Wind, including the delivery and installation of an onshore substation, and the project remains on track for completion by the second half of 2026. That said, we will monitor developments regarding Revolution Wind that could affect the company's credit quality, including its ongoing litigation and any liabilities that may result.

We continue to monitor regulatory developments in Eversource's jurisdictions and how they may impact the company's credit quality.

Outlook

The stable outlook on Eversource and its rated subsidiaries reflects our expectation it will maintain FFO to debt of 12%-13%. The outlook also reflects our expectation that the company's regulatory risk management will not deteriorate further in Connecticut and it will finance any potential increases in its utility capital spending and Revolution Wind-related costs in a manner that supports its credit quality.

Downside scenario

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

Upside scenario

We could upgrade Eversource and its subsidiaries in the next 24 months if it maintains FFO to debt of more than 15% without increasing its business risk.

Our Base-Case Scenario

Assumptions

- Continued use of existing regulatory mechanisms
- Regulated capital spending averaging $4.9 billion-$5.1 billion annually through 2029
- Dividend growth of 5%-7% annually through 2029
- Negative discretionary cash flow

Key metrics

Eversource Energy--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
EBITDA (reported)	3,328	3,841	3,215	4,482	5,344	5,753	6,120	6,436
Plus: Operating lease adjustment (OLA) rent	12	12	11	15	15	15	15	15
Plus/(less): Other	18	28	18	23	2	5	7	10
EBITDA	3,358	3,881	3,245	4,520	5,362	5,773	6,142	6,461
Less: Cash interest paid	(575)	(646)	(818)	(1,071)	(1,285)	(1,391)	(1,483)	(1,561)
Less: Cash taxes paid	(122)	(78)	(39)	70	(99)	(119)	(169)	(243)
Plus/(less): Other	--	--	--	--	--	--	--	--
Funds from operations (FFO)	2,662	3,157	2,387	3,519	3,977	4,263	4,490	4,657
EBIT	2,083	2,335	2,630	3,018	3,501	3,740	4,060	4,250
Interest expense	618	717	920	1,197	1,315	1,421	1,513	1,591
Cash flow from operations (CFO)	1,907	2,342	1,564	2,061	3,397	4,177	4,353	4,315
Discretionary cash flow (DCF)	(2,059)	(1,941)	(3,651)	(3,360)	(2,614)	(2,137)	(1,903)	(1,863)
Debt (reported)	20,219	22,940	26,754	29,115	31,463	32,871	35,056	36,934
Plus: Lease liabilities debt	107	115	126	124	124	124	124	124
Plus: Pension and other postretirement debt	--	--	--	--	--	--	--	--
Less: Accessible	(67)	(375)	(54)	(27)	(75)	(75)	(75)	(75)

Eversource Energy--Forecast summary

cash and liquid Investments								
Plus/(less): Other	(124)	(101)	(18)	128	526	579	257	301
Debt	20,135	22,579	26,809	29,340	32,037	33,499	35,362	37,284
Equity	14,678	15,551	14,252	15,117	15,882	17,149	17,794	18,462
Adjusted ratios								
Debt/EBITDA (x)	6.0	5.8	8.3	6.5	6.0	5.8	5.8	5.8
FFO/debt (%)	13.2	14.0	8.9	12.0	12.4	12.7	12.7	12.5
FFO cash interest coverage (x)	5.6	5.9	3.9	4.3	4.1	4.1	4.0	4.0
EBITDA interest coverage (x)	5.4	5.4	3.5	3.8	4.1	4.1	4.1	4.1
CFO/debt (%)	9.5	10.4	5.8	7.0	10.6	12.5	12.3	11.6
FOCF/debt (%)	(6.2)	(4.8)	(10.2)	(8.0)	(4.8)	(3.0)	(2.0)	(1.6)
DCF/debt (%)	(10.2)	(8.6)	(13.6)	(11.5)	(8.2)	(6.4)	(5.4)	(5.0)
Return on capital (%)	6.1	6.4	6.6	7.1	7.6	7.6	7.8	7.8
Debt/debt and equity (%)	57.8	59.2	65.3	66.0	66.9	66.1	66.5	66.9

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

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 4.6 million total customers in Connecticut, Massachusetts, and New Hampshire.

Peer Comparison

Eversource Energy--Peer Comparisons

	Eversource Energy	AVANGRID Inc.	FirstEnergy Corp.	National Grid North America Inc.	PPL Corp.
Foreign currency issuer credit rating	BBB+/Stable/A-2	BBB+/Stable/A-2	BBB/Positive/--	BBB+/Stable/A-2	A-/Stable/A-2
Local currency issuer credit rating	BBB+/Stable/A-2	BBB+/Stable/A-2	BBB/Positive/--	BBB+/Stable/A-2	A-/Stable/A-2
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2024-12-31	2023-12-31	2024-12-31	2025-03-31	2024-12-31
Mil.	$	$	$	$	$
Revenue	11,843	8,309	13,410	14,606	8,462
EBITDA	4,520	2,160	4,209	4,103	3,086
Funds from operations (FFO)	3,519	1,739	2,792	2,875	2,536
Interest	1,197	547	1,166	1,266	753

Eversource Energy

Eversource Energy--Peer Comparisons

Cash interest paid	1,071	461	1,255	1,187	673
Operating cash flow (OCF)	2,061	814	2,691	2,496	2,337
Capital expenditure	4,416	2,857	3,957	6,181	2,785
Free operating cash flow (FOCF)	(2,355)	(2,043)	(1,266)	(3,685)	(448)
Discretionary cash flow (DCF)	(3,360)	(2,740)	(2,322)	(3,685)	(1,212)
Cash and short-term investments	27	91	111	479	306
Gross available cash	27	91	111	479	306
Debt	29,340	12,877	25,271	28,237	16,792
Equity	15,117	20,676	13,720	24,402	14,317
EBITDA margin (%)	38.2	26.0	31.4	28.1	36.5
Return on capital (%)	7.1	3.3	6.7	4.5	6.0
EBITDA interest coverage (x)	3.8	3.9	3.6	3.2	4.1
FFO cash interest coverage (x)	4.3	4.8	3.2	3.4	4.8
Debt/EBITDA (x)	6.5	6.0	6.0	6.9	5.4
FFO/debt (%)	12.0	13.5	11.0	10.2	15.1
OCF/debt (%)	7.0	6.3	10.6	8.8	13.9
FOCF/debt (%)	(8.0)	(15.9)	(5.0)	(13.1)	(2.7)
DCF/debt (%)	(11.5)	(21.3)	(9.2)	(13.1)	(7.2)

Business Risk

Our assessment of Eversource's business risk incorporates its large size, regulatory diversity, monopolistic utility operations, and management of regulatory risk. The company's businesses include electric distribution, electric transmission (regulated by the FERC), gas distribution, and water distribution. Regarding the company's transmission business, we generally view the FERC regulatory construct as favorable, primarily because it uses formula rates that enable the recovery of costs with limited regulatory lag.

The company's lower-risk electric distribution, water, and natural gas distribution businesses operate under generally constructive, transparent, and predictable regulatory frameworks. Furthermore, these utilities use various constructive regulatory mechanisms, including formula rates (FERC and Massachusetts), forward test years (FERC), multiyear rate plans (New Hampshire), storm recovery mechanisms (Massachusetts and New Hampshire), securitization of costs related to stranded asset retirements (New Hampshire), and revenue decoupling (all jurisdictions). That said, utility bills in New England are among the highest in the country, which has challenged the company’s ability to manage its regulatory risk, especially in Connecticut. While many of the reasons for these elevated bills are out of the company’s control, the company has faced political scrutiny regarding its rates compared with peers.

Connecticut

In September, the chairman of the PURA resigned, leaving the commission with only two sitting commissioners. Over the past 18 months, we lowered our assessment of the commission’s credit supportiveness, which resulted in the downgrades of Eversource, its Connecticut-based utilities, and other utilities in the state, following a pattern of adverse regulatory decisions.

However, a few weeks after the chairman resigned, Connecticut's governor announced the appointment of four new commissioners and the retirement of one sitting commissioner, all of which is expected to be finalized by year-end. The new appointments will fill the commission with five members, which is larger than the size of the commission historically. Furthermore, the political party affiliations of the commission are balanced, as the commission will now be made up of two Democrats, two Republicans, and one independent member, which could be beneficial for the credit quality of the utilities in the state.

Additionally, the PURA recently rendered a decision in Avangrid subsidiary United Illuminating Co.'s rate case, in which it approved a $66 million rate increase for the company premised on a 9.25% return on equity (ROE) and 51% equity layer, which was two-thirds of the $105 million increase the company asked for.

It also recently rendered a decision in Yankee Gas Service Co.'s rate case, in which it approved an $96.0 million rate increase for the company premised on a 9.32% ROE and 53% equity layer, which was about 46% of the $209.7 million increase Yankee Gas asked for. We view these final orders as supportive of credit quality. That said, none of the new commissioners voted on these decisions--the chair recused himself because he previously participated in the cases during his time with the consumer's council, and the other three new commissioners either recused themselves because they did not have time to prepare for the case given their short tenure or had not been sworn in to the commission yet. We will continue to monitor what the overall commission changes mean for regulatory matters in the state, including future rate cases and the implementation of performance-based ratemaking.

Yankee Gas Rate Case Summary

	Company Request 11/12/2024	Commission Authorized 11/5/2025
Base rate change amount (mil. $)	209.7	96.0
Rate case test year-end date	12/31/23	12/31/23
Rate base (mil. $)	2543.5	2310.0
Rate base valuation method	Average	Average
Return on equity (%)	10.80	9.32
Common equity to total capital (%)	53.81	53.00
Rate of return (%)	7.89	7.03

Source: S&P CapitalIQ Pro and company filings.

Massachusetts

In October, the Massachusetts governor asked the Massachusetts Department of Public Utilities (DPU) to conduct a comprehensive review of gas and electric rates and charges to lower customer costs and bill volatility. Specifically, the governor asked the DPU to review these charges to determine whether they can be eliminated, reduced, or mitigated to reduce bill pressure. We believe this move reflects customer affordability concerns that could heighten regulatory risk in the state if not properly managed. We expect Eversource and other utilities in the state to work closely with the DPU to mitigate potential impacts that could arise because of this directive. We will continue to closely monitor related developments.

New Hampshire

In July, the New Hampshire Public Utilities Commission (PUC) granted Public Service Co. of New Hampshire (PSCNH) a $100.7 million base rate increase, including $61.2 million of previously approved interim rates. Key features of the rate order include an authorized ROE of 9.5%, authorized equity capitalization ratio of 50%, and annual rate increases of inflation plus 1.42% beginning in August 2026 for three years. We view this as supportive of Eversource's credit quality because the rate increase is generally consistent with its revised $102.8 million request in June 2025.

While the PUC lowered the company's equity layer by about 440 basis points, we believe the rate increase--coupled with predictive multiyear rate increases intended to track inflation and provide capital recovery--will reduce regulatory lag for PSCNH. Furthermore, PSCNH received a modestly higher authorized ROE, about 20 basis points above its last rate case order. While the company is appealing aspects of this rate case that concern weather normalization and the timeline to modify its credit card fee structure, we do not believe they are material. We continue to monitor proceedings concerning the company's recovery of $430 million of storm costs and assume credit supportive outcomes in our base case. We expect a regulatory decision for approximately $230 million by year-end 2025 and a decision for the remaining $200 million by the second half of 2026.

PSCNH rate case summary

	Company request* 6/6/2025	Commission authorized 7/25/2025
Base rate change amount (mil. $)	102.8	100.7
Rate case test year-end date	12/31/23	12/31/23
Rate base (mil. $)	1702	1687
Rate base valuation method	Year-end	Year-end
Return on equity (%)	10.30	9.50
Common equity to total capital (%)	53.85	50.00
Rate of return (%)	7.44	6.80

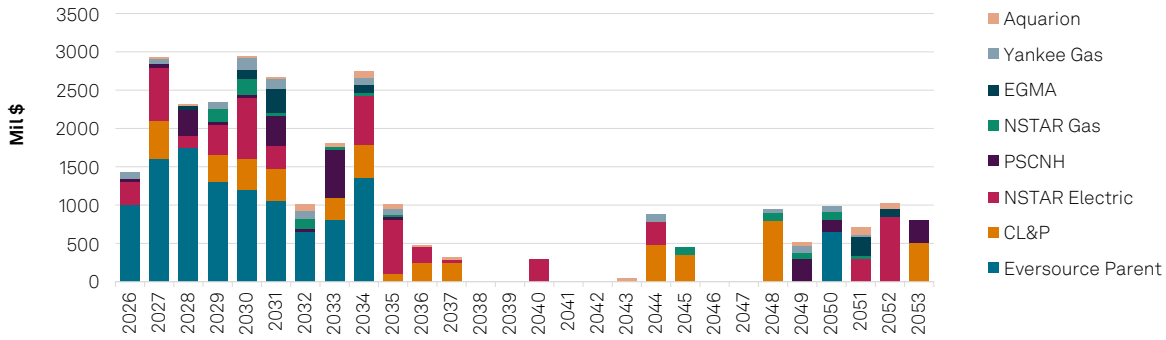
*Indicates the company's revised request following its initial request on June 11, 2024. N/A--Not applicable.
Source: S&P CapitalIQ Pro and company filings.

Financial Risk

We assess Eversource's financial risk using our medial volatility financial benchmark table, reflecting its lower-risk utility operations and effective management of regulatory risk. Our base-case forecast assumes that Eversource will continue to own and operate Aquarion, use existing regulatory rate-making mechanisms, and spend $4.9 billion-$5.1 billion annually on capital spending through 2029. We also assume that the company will pay limited cash taxes through 2028, largely driven by its previously announced realizable federal tax benefits from prior offshore wind losses. Overall, we expect Eversource's consolidated FFO to debt will reflect 12%-13% through 2029.

Debt maturities

Debt Maturities



Source: Company filings

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Eversource Energy--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	8,460	8,842	9,801	12,229	11,852	11,843
EBITDA	2,910	3,181	3,358	3,881	3,245	4,520
Funds from operations (FFO)	2,314	2,604	2,662	3,157	2,387	3,519
Interest expense	568	577	618	717	920	1,197
Cash interest paid	540	528	575	646	818	1,071
Operating cash flow (OCF)	1,947	1,621	1,907	2,342	1,564	2,061
Capital expenditure	2,886	4,033	3,157	3,420	4,292	4,416
Free operating cash flow (FOCF)	(939)	(2,412)	(1,249)	(1,078)	(2,728)	(2,355)
Discretionary cash flow (DCF)	(1,606)	(3,160)	(2,059)	(1,941)	(3,651)	(3,360)
Cash and short-term investments	15	107	67	375	54	27
Gross available cash	15	107	67	375	54	27
Debt	16,358	19,084	20,135	22,579	26,809	29,340
Common equity	12,708	14,141	14,678	15,551	14,252	15,117
Adjusted ratios						
EBITDA margin (%)	34.4	36.0	34.3	31.7	27.4	38.2
Return on capital (%)	6.0	6.6	6.1	6.4	6.6	7.1
EBITDA interest coverage (x)	5.1	5.5	5.4	5.4	3.5	3.8
FFO cash interest coverage (x)	5.3	5.9	5.6	5.9	3.9	4.3
Debt/EBITDA (x)	5.6	6.0	6.0	5.8	8.3	6.5
FFO/debt (%)	14.1	13.6	13.2	14.0	8.9	12.0
OCF/debt (%)	11.9	8.5	9.5	10.4	5.8	7.0
FOCF/debt (%)	(5.7)	(12.6)	(6.2)	(4.8)	(10.2)	(8.0)
DCF/debt (%)	(9.8)	(16.6)	(10.2)	(8.6)	(13.6)	(11.5)

Eversource Energy

Reconciliation Of Eversource Energy 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	29,115	15,195	11,901	4,482	2,409	1,111	4,520	2,160	1,009	4,481
Cash taxes paid	-	-	-	-	-	-	70	-	-	-
Cash interest paid	-	-	-	-	-	-	(1,014)	-	-	-
Lease liabilities	124	-	-	-	-	-	-	-	-	-
Operating leases	-	-	-	15	2	2	(2)	13	-	-
Intermediate hybrids (equity)	78	(78)	-	-	-	4	(4)	(4)	(4)	-
Accessible cash and liquid investments	(27)	-	-	-	-	-	-	-	-	-
Capitalized interest	-	-	-	-	-	64	(64)	(64)	-	(64)
Share-based compensation expense	-	-	-	30	-	-	-	-	-	-
Dividends from equity investments	-	-	-	21	-	-	-	-	-	-
Securitized stranded costs	(367)	-	(58)	(58)	(14)	(14)	14	(43)	-	-
Asset-retirement obligations	467	-	-	30	30	30	-	-	-	-
Nonoperating income (expense)	-	-	-	-	295	-	-	-	-	-
Debt: Debt serviced by third parties	(50)	-	-	-	-	-	-	-	-	-
D&A: Reverse goodwill amortization	-	-	-	-	297	-	-	-	-	-
Total adjustments	225	(78)	(58)	38	610	86	(1,001)	(98)	(4)	(64)
S&P Global Ratings adjusted	**Debt**	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from Operations**	**Operating cash flow**	**Dividends**	**Capital expenditure**
	29,340	15,117	11,843	4,520	3,018	1,197	3,519	2,061	1,005	4,416

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 2030, and our belief the company can lower its high capital spending (averaging about $4.9 billion-$5.1 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, 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. We expect the company to proactively address the upcoming debt maturities well in advance of the scheduled due dates.

Principal liquidity sources	Principal liquidity uses
• Credit facility availability of about $2.65 billion • Cash FFO of about $4.0 billion • Working capital inflows of about $40 million • Cash of about $259 million	• 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 $1.1 billion

Covenant Analysis

Requirements

Eversource's revolving credit agreements include maximum debt-to-capital covenant ratio of 70% for Eversource and 65% for its subsidiaries.

Compliance expectations

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

Environmental, social, and governance factors have no material influence on our credit rating analysis of Eversource.

Issue Ratings--Subordination Risk Analysis

Capital structure

As of Sept. 30, 2025, Eversource had about $29.8 billion of debt outstanding, about $17.7 billion of which was issued by the company's operating subsidiaries while the remainder reflects unsecured debt at the holding company.

Analytical conclusions

Eversource Energy

- We rate Eversource's senior unsecured debt one notch below the long-term issuer credit rating on the company 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.

Rating Component Scores

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
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+**

Related Criteria

- Hybrid Capital: Methodology And Assumptions, Oct. 13, 2025
- Sector-Specific Corporate Methodology, July 7, 2025
- 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

Eversource Energy

- 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 December 11, 2025)*	
Eversource Energy	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured	BBB
Issuer Credit Ratings History	
09-Dec-2024	BBB+/Stable/A-2
05-Mar-2024	A-/Negative/A-2
11-Jan-2024	A-/Watch Neg/A-2
26-Oct-2023	A-/Negative/A-2
14-Sep-2023	A-/Stable/A-2
09-May-2022	A-/Positive/A-2
Related Entities	
Connecticut Light & Power Co.	
Issuer Credit Rating	A-/Stable/NR
Preferred Stock	BBB
Senior Secured	A
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.

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Eversource Energy's Proposed Fixed-To-Fixed Rate Junior Subordinated Notes Due 2056 Rated 'BBB-'

February 23, 2026

DALLAS (S&P Global Ratings) Feb. 23, 2026--S&P Global Ratings today assigned its 'BBB-' issue-level rating to Eversource Energy's proposed fixed-to-fixed rate junior subordinated notes due 2056. The company intends to use the net proceeds from this issuance to repay debt, as well as for general corporate purposes.

We classify these notes as hybrid securities with intermediate equity content (50%) when adjusting Eversource's financial statements. The intermediate equity assessment and the 'BBB-' issue-level rating, two notches below our 'BBB+' long-term issuer credit rating on the company, reflect the securities' subordination and management's ability to defer the interest payments on them. These notes are subordinated to Eversource's existing and future senior debt obligations, which satisfies the subordination condition. In addition, the long-term nature of the proposed notes, along with the company's limited ability and lack of incentives to redeem them for a long-dated period, meet our standards for permanence. Furthermore, management's ability to defer the interest payments due on the notes fulfills the deferability element.

While the coupon floor feature on the notes provides Eversource with less protection against some interest-rate and refinancing scenarios than equivalent hybrids without a floor, we expect the company would replace this instrument with an equivalent or stronger form of equity before a potential redemption to maintain a similar layer of capital to absorb losses or conserve cash when needed. Redeeming the notes without replacing them with an equivalent or stronger form of equity would likely preclude future equity credit, all remaining else equal.

We will reclassify the notes as having no equity content after February 2036 because the remaining period until maturity will be less than 20 years. Pro forma for this issuance, we expect hybrid securities will account for about 4% of Eversource's total capitalization, which is below the 15% threshold in our criteria.

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Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, Oct. 13, 2025
- Criteria | Corporates | General: Sector-Specific Corporate Methodology, July 7, 2025
- 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
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- 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

Related Research

- Eversource Energy, Dec. 11, 2025
- Credit FAQ: How Hybrid Capital Innovations Affect Our View Of Equity Content, March 4, 2025

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 https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria 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 referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

Eversource Energy's Proposed Fixed-To-Fixed Rate Junior Subordinated Notes Due 2056 Rated 'BBB-'

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Bulletin:

Eversource Energy's Financial Measures Will Modestly Weaken From Aquarion Sale Denial

December 2, 2025

This report does not constitute a rating action.

NEW YORK (S&P Global Ratings) Dec. 2, 2025--S&P Global Ratings today said that the Connecticut Public Utilities Regulatory Authority's (PURA) decision to reject Eversource Energy's proposed sale of the Aquarion Water Co. to the South Central Connecticut Regional Water Authority does not immediately affect the ratings on Eversource (BBB+/Stable/A-2). Previously, we expected the sale would close for an enterprise value of approximately $2.4 billion (including about $800 million of debt) and that Eversource would use proceeds from the transaction to reduce consolidated leverage to maintain funds from operations (FFO) to debt of about 13%.

Following the denial of the Aquarion sale, we expect that Eversource's FFO to debt will modestly weaken by about 50 basis points, but we expect the company will maintain financial measures that are above its current FFO to debt downgrade threshold of 12%. Our revised base-case forecast assumes that Eversource will continue to own and operate Aquarion, use existing regulatory rate-making mechanisms, and spend $4.8 billion-$4.9 billion annually on capital spending through 2029. We also assume that the company will pay limited cash taxes through 2028, largely driven by its previously announced realizable federal tax benefits from prior offshore wind losses.

Furthermore, our base case assumes that the Revolution Wind offshore wind project will be operational by the second half of 2026 and that Eversource will not increase its cost-sharing liability payments to Global Infrastructure Partners in connection with the company's exit from its offshore wind investments. Overall, we expect Eversource's consolidated FFO to debt will reflect 12%-13% through 2029.

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Eversource Energy's Financial Measures Will Modestly Weaken From Aquarion Sale Denial

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Bulletin:

Eversource Energy Credit Quality Not Immediately Affected By Revolution Wind Stop Work Order

August 27, 2025

This report does not constitute a rating action.

NEW YORK (S&P Global Ratings) Aug. 27, 2025—S&P Global Ratings today said the U.S. Interior Department's Bureau of Ocean Energy Management's (BOEM) stop work order concerning the Revolution Wind offshore wind project does not immediately affect the ratings on Eversource Energy (BBB+/Stable/A-2). On Aug. 22, the BOEM ordered the project's owner, which is a joint venture between Orsted and Global Infrastructure Partners (GIP), to halt all ongoing activities related to the project as it seeks to address concerns related to the protection of national security interests of the U.S. and the prevention of interference with reasonable uses of the exclusive economic zone, the high seas, and the territorial seas.

According to Orsted, the project is 80% complete with all offshore foundations installed and 45 out of 65 wind turbines installed. Eversource is no longer an owner of the project, but as part of its agreement to sell its interest in the project to GIP, it must compensate GIP for any shortfalls in the project's projected internal rate of return, inclusive of abandonment.

A prolonged work stoppage of the Revolution Wind offshore wind project would likely significantly increase Eversource's payments to GIP and weaken its credit quality. However, we expect the work stoppage will be resolved over the next several weeks. In April 2025, the BOEM issued a stop work order for the Empire Wind project regarding environmental analysis and it resolved these issues in about a month. However, we will continue to monitor developments regarding Revolution Wind and we could reassess our ratings on Eversource and its subsidiaries if we believe the work stoppage will be materially longer than expected.

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Eversource Energy Credit Quality Not Immediately Affected By Revolution Wind Stop Work Order

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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

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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

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

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
- 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: 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:

Eversource Energy Outlook Remains Negative Following Close Of Offshore Wind Sale To Global Infrastructure Partners

October 2, 2024

What's new: On Sept. 30, 2024, Eversource Energy announced it completed the sale of its 50% interests in the 132-megawatt South Fork Wind project and the 704-megawatt Revolution Wind project to Global Infrastructure Partners (GIP) for gross proceeds of $745 million. The company disclosed that the final gross proceeds were approximately $375 million lower than the anticipated purchase price of $1.12 billion. As a result of the company's sale of its remaining ownership interest in all of its off-shore wind projects, it anticipates it will recognize a net loss of $520 million, incremental to the approximately $2 billion of offshore wind impairments it incurred in 2023.

Why it matters: We assess Eversource's sale price at about $375 million below its prior expectations and at a net loss of more than $500 million as negative for credit quality. Furthermore, we also view Eversource's agreement with GIP, which includes a cost-sharing agreement if Revolution Wind's costs increase, as negative for credit quality. We will also actively monitor regulatory developments in Connecticut, including future rate case orders, which could also potentially be negative for Eversource's credit quality.

Despite the company's recent announcements, we expect Eversource's 2024 financial measures will significantly improve. Eversource's funds from operations (FFO) to debt for 2023 was just 8.9%, and we expect that 2024 and beyond will reflect about 14%. This remains indicative of only a minimal financial cushion from Eversource's 14% downgrade threshold. Our base-case scenario incorporates the successful recovery of about $1.2 billion of 2023 regulatory deferrals, the future sale of Aquarion Water Co., equity issuance of about $1.3 billion through 2027 (most of which we expect to be done by the end of 2024), future Revolution Wind construction costs are generally consistent with the company's revised budget, timely recovery of future power costs, and management's willingness and ability to implement other credit supportive initiatives should it face setbacks.

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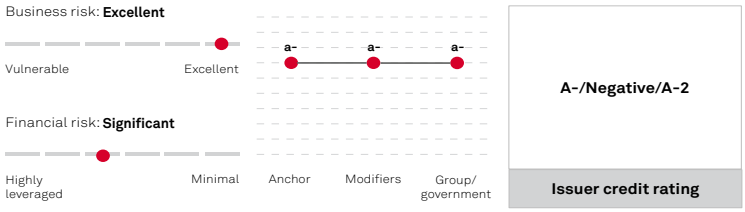
Ratings Score Snapshot



Recent Research

- Eversource Energy Ratings Off CreditWatch On N.Y. Selecting Its Wind Farm; Outlook Negative; Aquarion Water Downgraded, March 5, 2024
- Eversource Energy Outlook Remains Negative Following Construction Partner's Impairment Announcement, Aug. 21, 2024

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.

Outlook

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 if 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.

Key Metrics

Eversource Energy--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	Dec-31-2027
	2020a	2021a	2022a	2023a	2024e	2025f	2026f	2027f
Adjusted ratios								
Debt/EBITDA (x)	6.0	6.0	5.8	8.3	5.5-6.5	5.0-6.0	5.0-6.0	4.5-5.5
FFO/debt (%)	13.6	13.2	14.0	8.9	13.5-14.5	14.0-15.0	13.5-14.5	13.0-14.0
FFO cash interest coverage (x)	5.9	5.6	5.9	3.9	4.5-5.5	4.0-5.0	4.0-5.0	4.0-5.0

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

Financial Summary

Eversource Energy--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	8,433	8,460	8,842	9,801	12,229	11,852
EBITDA	2,715	2,910	3,181	3,358	3,881	3,245
Funds from operations (FFO)	2,042	2,314	2,604	2,662	3,157	2,387
Interest expense	536	568	577	618	717	920
Cash interest paid	515	540	528	575	646	818
Operating cash flow (OCF)	1,769	1,947	1,621	1,907	2,342	1,564
Capital expenditure	2,504	2,886	4,033	3,157	3,420	4,292
Free operating cash flow (FOCF)	(735)	(939)	(2,412)	(1,249)	(1,078)	(2,728)
Discretionary cash flow (DCF)	(1,371)	(1,606)	(3,160)	(2,059)	(1,941)	(3,651)
Cash and short-term investments	108	15	107	67	375	54
Gross available cash	108	15	107	67	375	54
Debt	14,951	16,358	19,084	20,135	22,579	26,809
Common equity	11,565	12,708	14,141	14,678	15,551	14,252
Adjusted ratios						
EBITDA margin (%)	32.2	34.4	36.0	34.3	31.7	27.4
Return on capital (%)	6.3	6.0	6.6	6.1	6.4	6.6
EBITDA interest coverage (x)	5.1	5.1	5.5	5.4	5.4	3.5
FFO cash interest coverage (x)	5.0	5.3	5.9	5.6	5.9	3.9
Debt/EBITDA (x)	5.5	5.6	6.0	6.0	5.8	8.3

Eversource Energy--Financial Summary

FFO/debt (%)	13.7	14.1	13.6	13.2	14.0	8.9
OCF/debt (%)	11.8	11.9	8.5	9.5	10.4	5.8
FOCF/debt (%)	(4.9)	(5.7)	(12.6)	(6.2)	(4.8)	(10.2)
DCF/debt (%)	(9.2)	(9.8)	(16.6)	(10.2)	(8.6)	(13.6)

Peer Comparison

Eversource Energy--Peer Comparisons

	Eversource Energy	Avangrid Inc.	FirstEnergy Corp.	National Grid North America Inc.	PPL Corp.
Foreign currency issuer credit rating	A-/Negative/A-2	BBB+/Stable/A-2	BBB/Positive/--	BBB+/Stable/A-2	A-/Stable/A-2
Local currency issuer credit rating	A-/Negative/A-2	BBB+/Stable/A-2	BBB/Positive/--	BBB+/Stable/A-2	A-/Stable/A-2
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2023-12-31	2023-12-31	2023-12-31	2024-03-31	2023-12-31
Mil.	$	$	$	$	$
Revenue	11,852	8,309	12,808	13,225	8,312
EBITDA	3,245	2,160	3,800	3,860	3,033
Funds from operations (FFO)	2,387	1,739	2,693	2,967	2,152
Interest	920	547	1,135	1,031	675
Cash interest paid	818	461	1,048	884	600
Operating cash flow (OCF)	1,564	814	1,330	1,977	1,788
Capital expenditure	4,292	2,857	3,303	4,929	2,378
Free operating cash flow (FOCF)	(2,728)	(2,043)	(1,973)	(2,952)	(590)
Discretionary cash flow (DCF)	(3,651)	(2,740)	(2,951)	(2,952)	(1,313)
Cash and short-term investments	54	91	137	1,538	331
Gross available cash	54	91	137	1,538	331
Debt	26,809	12,877	25,907	23,479	15,634
Equity	14,252	20,676	10,916	23,619	14,173
EBITDA margin (%)	27.4	26.0	29.7	29.2	36.5
Return on capital (%)	6.6	3.3	7.2	4.9	5.8
EBITDA interest coverage (x)	3.5	3.9	3.3	3.7	4.5
FFO cash interest coverage (x)	3.9	4.8	3.6	4.4	4.6
Debt/EBITDA (x)	8.3	6.0	6.8	6.1	5.2
FFO/debt (%)	8.9	13.5	10.4	12.6	13.8
OCF/debt (%)	5.8	6.3	5.1	8.4	11.4
FOCF/debt (%)	(10.2)	(15.9)	(7.6)	(12.6)	(3.8)
DCF/debt (%)	(13.6)	(21.3)	(11.4)	(12.6)	(8.4)

Rating Component Scores	
Foreign currency issuer credit rating	**A-/Negative/A-2**
Local currency 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-**
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-**

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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Tear Sheet:

Eversource Energy Outlook Remains Negative Following Construction Partner's Impairment Announcement

August 21, 2024

What's new: On Aug. 15, 2024, Orsted A/S announced an approximately $315 million impairment in its 50% interest in the Revolution Wind offshore wind project. The project is currently jointly owned by Eversource Energy and Orsted, but Eversource is in the process of selling its project interest to Global Infrastructure Partners (see "Eversource Energy Ratings Off CreditWatch On N.Y. Selecting Its Wind Farm; Outlook Negative; Aquarion Water Downgraded", published March 5, 2024, on RatingsDirect). The impairment reflects a commissioning delay until 2026 due to a larger-than-expected environmental remediation for a substation that Eversource is constructing.

Why it matters: Eversource's agreement with Global Infrastructure Partners includes a cost-sharing agreement if Revolution Wind's costs increase; as such, Eversource could face incremental cost pressure related to this project. That said, while these higher costs could further pressure Eversource's financial measures, we believe the company's remediating actions could potentially stabilize credit quality. These actions include the complete divestiture of its offshore wind assets to Global Infrastructure Partners once Revolution Wind is complete, the planned issuance of $1.3 billion of equity through 2027 (most of which we expect to be done by the end of 2024), and the company's plan to sell Aquarion Water Co. We will continue monitoring the situation and expect to fully assess the company's ability to maintain funds from operations to debt above our downgrade threshold of 14%.

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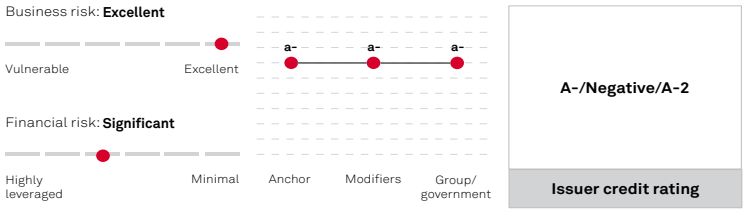
Ratings Score Snapshot



Recent Research

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

Company Description

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.

Outlook

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 if 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.

Financial Summary

Eversource Energy--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	8,433	8,460	8,842	9,801	12,229	11,852
EBITDA	2,715	2,910	3,181	3,358	3,881	3,245
Funds from operations (FFO)	2,042	2,314	2,604	2,662	3,157	2,387
Interest expense	536	568	577	618	717	920
Cash interest paid	515	540	528	575	646	818
Operating cash flow (OCF)	1,769	1,947	1,621	1,907	2,342	1,564
Capital expenditure	2,504	2,886	4,033	3,157	3,420	4,292
Free operating cash flow (FOCF)	(735)	(939)	(2,412)	(1,249)	(1,078)	(2,728)
Discretionary cash flow (DCF)	(1,371)	(1,606)	(3,160)	(2,059)	(1,941)	(3,651)
Cash and short-term investments	108	15	107	67	375	54
Gross available cash	108	15	107	67	375	54
Debt	14,951	16,358	19,084	20,135	22,579	26,809
Common equity	11,565	12,708	14,141	14,678	15,551	14,252
Adjusted ratios						
EBITDA margin (%)	32.2	34.4	36.0	34.3	31.7	27.4
Return on capital (%)	6.3	6.0	6.6	6.1	6.4	6.6
EBITDA interest coverage (x)	5.1	5.1	5.5	5.4	5.4	3.5
FFO cash interest coverage (x)	5.0	5.3	5.9	5.6	5.9	3.9
Debt/EBITDA (x)	5.5	5.6	6.0	6.0	5.8	8.3
FFO/debt (%)	13.7	14.1	13.6	13.2	14.0	8.9
OCF/debt (%)	11.8	11.9	8.5	9.5	10.4	5.8
FOCF/debt (%)	(4.9)	(5.7)	(12.6)	(6.2)	(4.8)	(10.2)
DCF/debt (%)	(9.2)	(9.8)	(16.6)	(10.2)	(8.6)	(13.6)

Peer Comparison

Eversource Energy--Peer Comparisons

	Eversource Energy	Avangrid Inc.	FirstEnergy Corp.	National Grid North America Inc.	PPL Corp.

Eversource Energy Outlook Remains Negative Following Construction Partner's Impairment Announcement

Eversource Energy--Peer Comparisons

Foreign currency issuer credit rating	A-/Negative/A-2	BBB+/Stable/A-2	BBB/Positive/--	BBB+/Stable/A-2	A-/Stable/A-2
Local currency issuer credit rating	A-/Negative/A-2	BBB+/Stable/A-2	BBB/Positive/--	BBB+/Stable/A-2	A-/Stable/A-2
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2023-12-31	2023-12-31	2023-12-31	2024-03-31	2023-12-31
Mil.	$	$	$	$	$
Revenue	11,852	8,309	12,808	13,225	8,312
EBITDA	3,245	2,160	3,800	3,860	3,033
Funds from operations (FFO)	2,387	1,739	2,693	2,967	2,152
Interest	920	547	1,135	1,031	675
Cash interest paid	818	461	1,048	884	600
Operating cash flow (OCF)	1,564	814	1,330	1,977	1,788
Capital expenditure	4,292	2,857	3,303	4,929	2,378
Free operating cash flow (FOCF)	(2,728)	(2,043)	(1,973)	(2,952)	(590)
Discretionary cash flow (DCF)	(3,651)	(2,740)	(2,951)	(2,952)	(1,313)
Cash and short-term investments	54	91	137	1,538	331
Gross available cash	54	91	137	1,538	331
Debt	26,809	12,877	25,907	23,479	15,634
Equity	14,252	20,676	10,916	23,619	14,173
EBITDA margin (%)	27.4	26.0	29.7	29.2	36.5
Return on capital (%)	6.6	3.3	7.2	4.9	5.8
EBITDA interest coverage (x)	3.5	3.9	3.3	3.7	4.5
FFO cash interest coverage (x)	3.9	4.8	3.6	4.4	4.6
Debt/EBITDA (x)	8.3	6.0	6.8	6.1	5.2
FFO/debt (%)	8.9	13.5	10.4	12.6	13.8
OCF/debt (%)	5.8	6.3	5.1	8.4	11.4
FOCF/debt (%)	(10.2)	(15.9)	(7.6)	(12.6)	(3.8)
DCF/debt (%)	(13.6)	(21.3)	(11.4)	(12.6)	(8.4)

Rating Component Scores	
Foreign currency issuer credit rating	**A-/Negative/A-2**
Local currency 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-**
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-**

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

Eversource Energy Outlook Remains Negative Following Construction Partner's Impairment Announcement

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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.

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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
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- 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
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- 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.

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Tear Sheet:

Eversource Energy Ratings Remain On CreditWatch Negative After Sale Announcement For Sunrise Wind Interest

January 29, 2024

What's new: On Jan. 24, 2024, Eversource Energy announced that Ørsted agreed to acquire Eversource's 50% interest in Sunrise Wind LLC (Sunrise). Sunrise, a 924 megawatt offshore wind farm being built to deliver power to New York, is one of three offshore wind farms being developed that Eversource jointly owns with Ørsted. The acquisition is conditional upon the successful award to Sunrise in the ongoing New York 4 solicitation for offshore wind capacity, signing of an Offshore Wind Renewable Energy Certificates (OREC) contract with the New York State Energy Research and Development Authority (NYSERDA), finalization of acquisition agreements between all parties, receipt of construction and operations plan, and relevant regulatory approvals. Accordingly, if Sunrise is not successful in the New York 4 solicitation, then the existing OREC contract for Sunrise will be cancelled per New York's requirements, and Eversource and Ørsted's current 50/50 joint venture for Sunrise will remain in place while the parties evaluate its next steps.

Why it matters: The potential sale of Eversource's share of Sunrise does not fully mitigate financial pressures the company faces. Eversource previously disclosed that it expects to record impairment charges between $1.4 billion and $1.6 billion related to its three wind projects that it plans to sell, much of which is related to pricing and operational hurdles at Sunrise. Furthermore, while Eversource is in advanced negotiations to sell its remaining offshore wind assets and has come to an agreement on Sunrise with Ørsted, the agreement with Ørsted is conditional on Sunrise winning the New York 4 solicitation. Given no further updates related to the previously disclosed impairments, we continue to believe the impairment charges are a likely indication that the final valuations on Eversource's offshore wind assets could be significantly affected once they are sold and continue to expect Eversource's financial measures to consistently remain below our downgrade threshold absent significant credit supportive measures. For the 12 months ended September 2023, Eversource's funds from operations (FFO) to debt was 9.7%, significantly below our downgrade threshold. As such, we will continue to monitor subsequent developments given our current CreditWatch placement of the ratings on the company.

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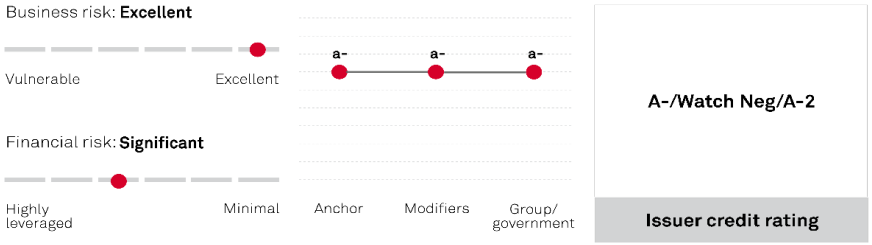
Ratings Score Snapshot

Eversource Energy Ratings Remain On CreditWatch Negative After Sale Announcement For Sunrise Wind Interest



Recent Research

- Eversource Energy Ratings Placed On CreditWatch Negative Following Offshore Wind Impairment, Jan. 11, 2024
- Eversource Energy Subsidiaries Ratings Placed On CreditWatch Negative Following CreditWatch Placement Of Parent Rating, Jan. 11, 2024

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.

CreditWatch

The CreditWatch placement with negative implications reflects the likelihood 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%.

Financial Summary

Eversource Energy--Financial Summary

Period ending	Dec-31-2017	Dec-31-2018	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022
Reporting period	2017a	2018a	2019a	2020a	2021a	2022a
Display currency (mil.)	$	$	$	$	$	$

Eversource Energy--Financial Summary

Revenues	7,752	8,433	8,460	8,842	9,801	12,229
EBITDA	2,770	2,715	2,910	3,181	3,358	3,881
Funds from operations (FFO)	2,300	2,042	2,314	2,604	2,662	3,157
Interest expense	468	536	568	577	618	717
Cash interest paid	439	515	540	528	575	646
Operating cash flow (OCF)	1,999	1,769	1,947	1,621	1,907	2,342
Capital expenditure	2,336	2,504	2,886	4,033	3,157	3,420
Free operating cash flow (FOCF)	(337)	(735)	(939)	(2,412)	(1,249)	(1,078)
Discretionary cash flow (DCF)	(935)	(1,371)	(1,606)	(3,160)	(2,059)	(1,941)
Cash and short-term investments	38	108	15	107	67	375
Gross available cash	38	108	15	107	67	375
Debt	14,605	14,951	16,358	19,084	20,135	22,579
Common equity	11,164	11,565	12,708	14,141	14,678	15,551
Adjusted ratios						
EBITDA margin (%)	35.7	32.2	34.4	36.0	34.3	31.7
Return on capital (%)	8.1	6.3	6.0	6.6	6.1	6.4
EBITDA interest coverage (x)	5.9	5.1	5.1	5.5	5.4	5.4
FFO cash interest coverage (x)	6.2	5.0	5.3	5.9	5.6	5.9
Debt/EBITDA (x)	5.3	5.5	5.6	6.0	6.0	5.8
FFO/debt (%)	15.8	13.7	14.1	13.6	13.2	14.0
OCF/debt (%)	13.7	11.8	11.9	8.5	9.5	10.4
FOCF/debt (%)	(2.3)	(4.9)	(5.7)	(12.6)	(6.2)	(4.8)
DCF/debt (%)	(6.4)	(9.2)	(9.8)	(16.6)	(10.2)	(8.6)

Peer Comparison

Eversource Energy--Peer Comparisons

	Eversource Energy	Avangrid Inc.	FirstEnergy Corp.	National Grid North America Inc.	PPL Corp.
Foreign currency issuer credit rating	A-/Watch Neg/A-2	BBB+/Stable/A-2	BBB-/Positive/--	BBB+/Stable/A-2	A-/Stable/A-2
Local currency issuer credit rating	A-/Watch Neg/A-2	BBB+/Stable/A-2	BBB-/Positive/--	BBB+/Stable/A-2	A-/Stable/A-2
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2022-12-31	2022-12-31	2022-12-31	2023-03-31	2022-12-31
Mil.	$	$	$	$	$
Revenue	12,229	7,923	12,396	14,410	7,902
EBITDA	3,881	2,010	3,333	3,501	2,669
Funds from operations (FFO)	3,157	1,663	2,270	2,873	2,053
Interest	717	376	1,048	804	515
Cash interest paid	646	332	1,041	698	453
Operating cash flow (OCF)	2,342	996	2,653	2,379	1,759

Eversource Energy--Peer Comparisons

Capital expenditure	3,420	2,466	2,728	4,479	2,148
Free operating cash flow (FOCF)	(1,078)	(1,470)	(75)	(2,100)	(389)
Discretionary cash flow (DCF)	(1,941)	(2,161)	(987)	(4,230)	(1,194)
Cash and short-term investments	375	69	160	1,348	356
Gross available cash	375	69	160	1,348	356
Debt	22,579	10,037	23,191	19,635	14,162
Equity	15,551	20,342	10,643	22,385	14,158
EBITDA margin (%)	31.7	25.4	26.9	24.3	33.8
Return on capital (%)	6.4	4.2	6.4	4.6	5.5
EBITDA interest coverage (x)	5.4	5.3	3.2	4.4	5.2
FFO cash interest coverage (x)	5.9	6.0	3.2	5.1	5.5
Debt/EBITDA (x)	5.8	5.0	7.0	5.6	5.3
FFO/debt (%)	14.0	16.6	9.8	14.6	14.5
OCF/debt (%)	10.4	9.9	11.4	12.1	12.4
FOCF/debt (%)	(4.8)	(14.6)	(0.3)	(10.7)	(2.7)
DCF/debt (%)	(8.6)	(21.5)	(4.3)	(21.5)	(8.4)

Rating Component Scores

Foreign currency issuer credit rating	**A-/Watch Neg/A-2**
Local currency 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-**
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-**

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
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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%.

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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

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- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
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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 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.

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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.

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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.

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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.

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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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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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Tear Sheet:

Eversource Energy Clarifies Next Steps For Its Offshore Wind Sale But Still Faces Regulatory Hurdles In Connecticut

August 3, 2023

Eversource reiterated its earnings guidance and detailed the next steps for the sale of its offshore wind joint venture (JV) with Orsted. During the company's second-quarter earnings call, management conveyed that--after recognizing a $331 million impairment charge--the fair value of its investment in the JV was about $2.1 billion. Furthermore, management noted that it expects to announce the sale before the end of the year, which reduces the uncertainty around its timing. We will continue to monitor the sale process. Overall, we continue to expect Eversource will use the proceeds from the sale in a credit-supportive manner while maintaining average funds from operations (FFO) to debt of 13%-14%.

Separately, we are continuing to monitor regulatory developments in Connecticut. Earlier in the year, the company's water subsidiary, Aquarion Co., appealed the rate decision it received from the Connecticut Public Utilities Regulatory Authority (PURA) to the Connecticut Superior Court after the PURA ordered a rate reduction of $2 million (see link to research update below). In addition, the PURA issued a draft order to Avangrid's subsidiary, The United Illuminating Co. (UI), that called for a $2 million rate reduction following the company's request for a $137 million rate increase over three years (see link to tear sheet below). We will continue to monitor these regulatory developments and others, including the state's implementation of performance-based ratemaking for electric utilities and the measures from Connecticut Senate Bill 7. However, if the draft order for UI is essentially adopted, this would represent the second consecutive PURA rate case order that we do not assess as credit supportive. If this trend persists, it may negatively affect our broader assessment of Connecticut's regulatory construct, as well as Eversource's credit quality, given that it derives about 30% of its cash flow from this jurisdiction.

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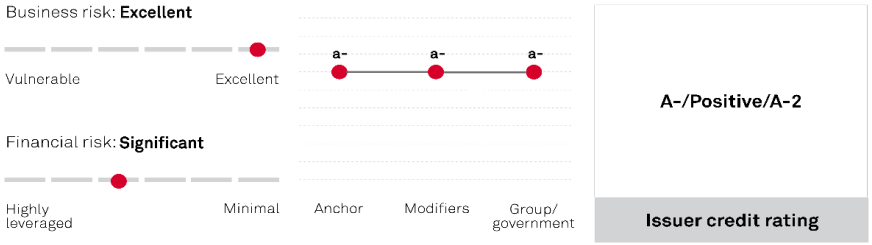
Ratings Score Snapshot



Recent Research

- Tear Sheet: The United Illuminating Co. Has Sufficient Financial Headroom Despite Draft Order, July 27, 2023
- Aquarion Co. Outlook Revised To Developing On Increased Regulatory Risks; Ratings Affirmed, June 1, 2023

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/or water service to approximately 4.4 million total customers in Connecticut, Massachusetts, and New Hampshire.

Outlook

The positive outlook on Eversource reflects the likelihood that it will sell all of its offshore wind investments and focus solely on its regulated utility businesses. The outlook also reflects our expectation that the company will maintain FFO to debt of more than 13% while continuing to effectively manage its regulatory risk in Connecticut and Massachusetts.

Downside scenario

We could affirm our ratings on Eversource and revise our outlook to stable over the next 12 months if it does not sell its entire offshore wind JV and completely exit the higher-risk generation business or it fails to maintain FFO to debt in line with our expectations. We could also revise our outlook to stable if we conclude the company will continue to face regulatory risks in its key jurisdictions that weaken its business risk profile.

Upside scenario

We could raise our ratings on Eversource over the next 12 months if it sells its entire offshore wind JV, consistently maintains FFO to debt of more than 13%, and continues to effectively manages its regulatory risk at a significantly better than level that of its peers in Connecticut and Massachusetts.

Financial Summary

Eversource Energy--Financial Summary

Period ending	Dec-31-2017	Dec-31-2018	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022
Reporting period	2017a	2018a	2019a	2020a	2021a	2022a
Display currency (mil.)	$	$	$	$	$	$
Revenues	7,752	8,433	8,460	8,842	9,801	12,229
EBITDA	2,770	2,715	2,910	3,181	3,358	3,881
Funds from operations (FFO)	2,300	2,042	2,314	2,604	2,662	3,157
Interest expense	468	536	568	577	618	717
Cash interest paid	439	515	540	528	575	646
Operating cash flow (OCF)	1,999	1,769	1,947	1,621	1,907	2,342
Capital expenditure	2,336	2,504	2,886	4,033	3,157	3,420
Free operating cash flow (FOCF)	(337)	(735)	(939)	(2,412)	(1,249)	(1,078)
Discretionary cash flow (DCF)	(935)	(1,371)	(1,606)	(3,160)	(2,059)	(1,941)
Cash and short-term investments	38	108	15	107	67	375
Gross available cash	38	108	15	107	67	375
Debt	14,605	14,951	16,358	19,084	20,135	22,579
Common equity	11,164	11,565	12,708	14,141	14,678	15,551
Adjusted ratios						
EBITDA margin (%)	35.7	32.2	34.4	36.0	34.3	31.7
Return on capital (%)	8.1	6.3	6.0	6.6	6.1	6.4
EBITDA interest coverage (x)	5.9	5.1	5.1	5.5	5.4	5.4
FFO cash interest coverage (x)	6.2	5.0	5.3	5.9	5.6	5.9
Debt/EBITDA (x)	5.3	5.5	5.6	6.0	6.0	5.8
FFO/debt (%)	15.8	13.7	14.1	13.6	13.2	14.0
OCF/debt (%)	13.7	11.8	11.9	8.5	9.5	10.4
FOCF/debt (%)	(2.3)	(4.9)	(5.7)	(12.6)	(6.2)	(4.8)
DCF/debt (%)	(6.4)	(9.2)	(9.8)	(16.6)	(10.2)	(8.6)

Peer Comparison

Eversource Energy--Peer Comparisons

	Eversource Energy	Avangrid Inc.	FirstEnergy Corp.	National Grid North America Inc.	PPL Corp.

Eversource Energy--Peer Comparisons

Foreign currency issuer credit rating	A-/Positive/A-2	BBB+/Stable/A-2	BBB-/Positive/--	BBB+/Stable/A-2	A-/Stable/A-2
Local currency issuer credit rating	A-/Positive/A-2	BBB+/Stable/A-2	BBB-/Positive/--	BBB+/Stable/A-2	A-/Stable/A-2
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2022-12-31	2022-12-31	2022-12-31	2023-03-31	2022-12-31
Mil.	$	$	$	$	$
Revenue	12,229	7,923	12,396	14,410	7,902
EBITDA	3,881	2,010	3,333	3,501	2,669
Funds from operations (FFO)	3,157	1,663	2,270	2,873	2,053
Interest	717	376	1,048	804	515
Cash interest paid	646	332	1,041	698	453
Operating cash flow (OCF)	2,342	996	2,653	2,379	1,759
Capital expenditure	3,420	2,466	2,728	4,479	2,148
Free operating cash flow (FOCF)	(1,078)	(1,470)	(75)	(2,100)	(389)
Discretionary cash flow (DCF)	(1,941)	(2,161)	(987)	(4,230)	(1,194)
Cash and short-term investments	375	69	160	1,348	356
Gross available cash	375	69	160	1,348	356
Debt	22,579	10,037	23,191	19,635	14,162
Equity	15,551	20,342	10,643	22,385	14,158
EBITDA margin (%)	31.7	25.4	26.9	24.3	33.8
Return on capital (%)	6.4	4.2	6.4	4.6	5.5
EBITDA interest coverage (x)	5.4	5.3	3.2	4.4	5.2
FFO cash interest coverage (x)	5.9	6.0	3.2	5.1	5.5
Debt/EBITDA (x)	5.8	5.0	7.0	5.6	5.3
FFO/debt (%)	14.0	16.6	9.8	14.6	14.5
OCF/debt (%)	10.4	9.9	11.4	12.1	12.4
FOCF/debt (%)	(4.8)	(14.6)	(0.3)	(10.7)	(2.7)
DCF/debt (%)	(8.6)	(21.5)	(4.3)	(21.5)	(8.4)

Environmental, Social, And Governance

ESG Credit Indicators



ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicator Definitions And Applications," published Oct. 13, 2021.

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

Rating Component Scores

Foreign currency issuer credit rating	**A-/Positive/A-2**
Local currency issuer credit rating	**A-/Positive/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-**
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-**

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
- 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
- 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: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Eversource Energy Clarifies Next Steps For Its Offshore Wind Sale But Still Faces Regulatory Hurdles In Connecticut

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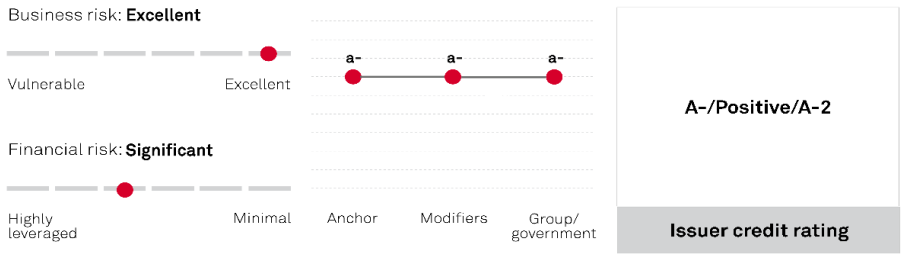
Eversource Energy

January 20, 2023

Ratings Score Snapshot



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Credit Highlights

Overview

Key strengths	Key risks
Low-risk regulated utility operations under supportive regulatory frameworks.	Forecast negative discretionary cash flow indicates future external funding needs.
Management of regulatory risk is effective, with mechanisms such as capital trackers, formula rates, revenue decoupling, and securitization of costs related to stranded asset retirements.	The company's offshore wind joint venture with Orsted introduces considerably more construction, operational, and counter party risks to the company than its regulated utility operations, though the company is exploring selling these assets.
Large customer base of about 3.3 million electric customers across three states, 885,000 gas customers across two states, and 235,000 water customers across three states.	Bill pressures within the company's service territory due to commodity supply constraints could introduce regulatory and collection risks.
Close to 35% of the company's rate base is regulated by the Federal Energy Regulatory Commission (FERC), and we generally view the FERC regulatory compact as favorable for credit quality.	Rising interest rates and inflation could pressure financial measures.

Eversource Energy

Our assessment of Eversource's effective regulatory risk management underpins the rating. We assess Eversource's business risk profile as excellent largely on its low-risk and regulated electric transmission and distribution (T&D), gas distribution, and water utility operations, which provide essential services to a combined 4.4 million customers across the Northeast region of the U.S. In addition, the company effectively manages its regulatory risk across Connecticut, Massachusetts, and New Hampshire and benefits from having a large portion of its operations under a credit-supportive FERC regulatory framework.

We are still monitoring the company's strategic review concerning its offshore wind joint venture with Orsted. In mid-2022, we revised our outlook on Eversource to positive from stable following its announcement that it would explore strategic alternatives for its interest in its offshore wind joint venture, including the potential sale of all of it. The strategic review is still ongoing, though we expect an announcement within the upcoming year around a potential sale. Overall, we view the offshore wind generation business as entailing more risk than Eversource's transmission and distribution (T&D) businesses, as it introduces construction risks, supply chain risks, and counterparty risks that are materially different than its utility businesses. As such, we would likely view Eversource's operations as having less business risk should the company sell its interest in the JV while maintaining its focus on its regulated utility businesses. Furthermore, we expect the company would use any upfront sales proceeds to fund regulated utility spending and repay debt, which could support near-term credit measures.

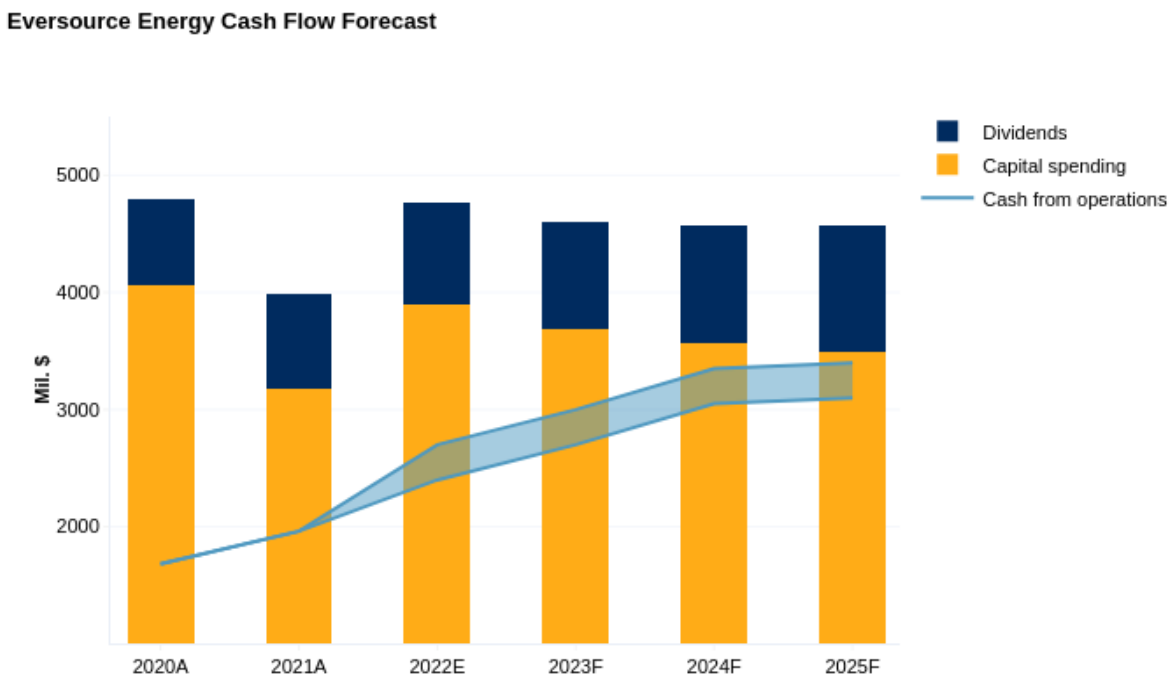
Offshore Wind JV Updates As Of October 2022

Costs locked in for the three projects	82%
Offshore investment to date	$1.8B
Company spending throughout 2022	$900M-$1B
Company expected spending 2023-2026	$3B-$3.6B
Company expected long-term average ROE	11%-13%*
Company expectation for South Fork Wind in service	Late 2023
Company expectation for Revolution Wind in service	2025
Company expectation for Sunrise Wind in service	Late 2025

*Return expectations exclude impacts of IRA
Source: Company filings

Gas supply constraints in New England have led to concerns over bill pressures for Eversource's electric and gas customers. Due to the increased commodity price environment, Eversource's electric and gas distribution customers experienced double-digit percentage bill increases during the fall and winter months of 2022. Although gas and power prices have since declined, these bill increases received regulatory and political scrutiny from parties in all the company's service territories, culminating in a Connecticut General Assembly representative introducing a bill that would give the general assembly legislative authority to approve regulatorily authorized bill increases for gas and electric utilities in the state. This bill is still very early on in the legislative process. While Eversource does not own any electric generation or gas production facilities and employs commodity cost and purchased power trackers to ensure timely recovery of these costs, effectively handling its energy procurement process is an important facet of its regulatory risk management. Furthermore, this issue could increase arrearages, especially so in Connecticut, though we note the winter moratorium on bill disconnects is scheduled to end in May 2023. As such, we will continue to monitor subsequent developments that could affect credit quality.

Under our base-case scenario, we assume the company will maintain funds from operations (FFO) to debt of about 14%. We currently analyze Eversource's financial measures using our medial volatility table. Our base case assumes its continued use of existing regulatory mechanisms, capital spending of about $3.6 billion annually, dividends increasing by about 7%-10% annually, and the refinancing of its long-term debt maturities.



Source: Company filings, S&P Ratings

Outlook

Our positive outlook on Eversource reflects the likelihood that it will sell all of its offshore wind investments and focus solely on its regulated utility businesses. The outlook also reflects our expectation that the company will maintain FFO to debt of more than 13% while continuing to effectively manage its regulatory risk in Connecticut and Massachusetts.

Downside scenario

We could affirm our ratings on Eversource and revise our outlook to stable over the next 18 months if it does not sell its entire offshore wind joint venture and completely exit the higher-risk generation business or it fails to maintain its FFO to debt in line with our expectations. We could also revise our outlook to stable if we conclude that regulatory risk in its key jurisdictions will persist and constrain the company's business risk.

Upside scenario

We could raise our ratings on Eversource over the next 12-18 months if it sells its entire offshore wind joint venture, consistently maintains FFO to debt of more than 13%, and continues to effectively manages its regulatory risk at a level significantly better than that of its peers in Connecticut and Massachusetts.

Our Base-Case Scenario

Assumptions

- Continued use of existing regulatory mechanisms;
- Periodic rate cases;
- Formulaic rates under a credit-supportive FERC regulatory framework;
- Regulated capital spending averaging about $3.6 billion annually through 2026;
- Dividend growth of 7%-10% annually through 2026; and
- Negative discretionary cash flow.

Key metrics

Eversource Energy--Key Metrics*

	2021a	2022e	2023f	2024f	2025f
EBITDA ($)	3,358.1	3,550-3,650	3,850-3,950	4,250-4,350	4,450-4,550
FFO ($)	2,661.9	2,650-2,750	2,800-2,900	3,250-3,350	3,300-3,400
Capital expenditures ($)	3,156.7	3,800-3,900	3,600-3,700	3,500-3,600	3,400-3,500
Discretionary cash flow ($)	(2,058.5)	(2,300)-(2,200)	(1,850)-(1,750)	(1,400)-(1,300)	(1,400)-(1,300)
Debt ($)	20,134.7	21,500-22,500	20,500-21,500	21,750-22,750	23,000-24,000
FFO to debt (%)	13.2	11.5-13.5	12.5-14.5	14-16	13-15
Debt to EBITDA (x)	6.0	5.5-6.5	5-6	4.5-5.5	4.5-5.5
FFO cash interest coverage (x)	5.6	5-6	5-6	5-6	4.5-5.5

*All figures adjusted by S&P Global Ratings. a--Actual. e--Estimate. f--Forecast.

Company Description

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Peer Comparison

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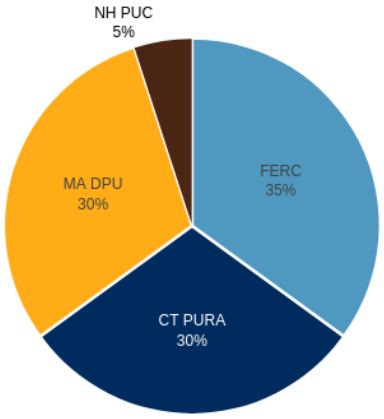
Foreign currency issuer credit rating	A-/Positive/A-2	BBB+/Stable/A-2	BBB-/Stable/--	BBB+/Stable/A-2	A-/Stable/A-2
Local currency issuer credit rating	A-/Positive/A-2	BBB+/Stable/A-2	BBB-/Stable/--	BBB+/Stable/A-2	A-/Stable/A-2
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2021-12-31	2021-12-31	2021-12-31	2022-03-31	2021-12-31
Mil.	$	$	$	$	$
Revenue	9,801	6,974	11,052	14,212	5,783
EBITDA	3,358	1,968	3,521	3,396	2,619
Funds from operations (FFO)	2,662	1,649	2,425	2,650	2,142
Interest	618	348	1,147	683	941
Cash interest paid	575	317	1,102	725	193
Operating cash flow (OCF)	1,907	1,537	2,810	2,811	1,566
Capital expenditure	3,157	2,943	2,418	4,220	1,967
Free operating cash flow (FOCF)	(1,249)	(1,406)	392	(1,409)	(401)
Discretionary cash flow (DCF)	(2,059)	(2,062)	(457)	(1,409)	(2,690)
Cash and short-term investments	67	1,474	1,462	1,082	3,571
Gross available cash	67	1,474	1,462	1,082	3,571
Debt	20,135	8,031	24,194	18,980	7,829
Equity	14,678	19,961	8,675	22,635	13,963
EBITDA margin (%)	34.3	28.2	31.9	23.9	45.3
Return on capital (%)	6.1	3.7	6.0	4.7	4.8
EBITDA interest coverage (x)	5.4	5.7	3.1	5.0	2.8
FFO cash interest coverage (x)	5.6	6.2	3.2	4.7	12.1
Debt/EBITDA (x)	6.0	4.1	6.9	5.6	3.0
FFO/debt (%)	13.2	20.5	10.0	14.0	27.4
OCF/debt (%)	9.5	19.1	11.6	14.8	20.0
FOCF/debt (%)	(6.2)	(17.5)	1.6	(7.4)	(5.1)
DCF/debt (%)	(10.2)	(25.7)	(1.9)	(7.4)	(34.4)

Business Risk

Our assessment of Eversource's business risk profile incorporates its large size, operational and regulatory diversity, low-operating-risk business, and effective management of regulatory risk. The company's businesses include electric distribution, electric transmission (regulated by the FERC), gas distribution, and water distribution. Regarding the company's transmission business, we generally view the FERC regulatory construct as favorable, primarily because it uses formula rates that enable the recovery of costs with limited regulatory lag.

Eversource Energy

Eversource Energy - Estimated Regulatory Mix (By EBITDA %)



Source: S&P Global Ratings; company filings.

The company's lower-risk electric distribution, water, and natural gas distribution businesses operate under generally constructive, transparent, and predictable regulatory frameworks. Furthermore, these utilities use various constructive regulatory mechanisms, including formula rates, forward test years, multi-year rate plans, storm recovery mechanisms, securitization of costs related to stranded asset retirements, and revenue decoupling.

NSTAR Electric Rate Case Summary

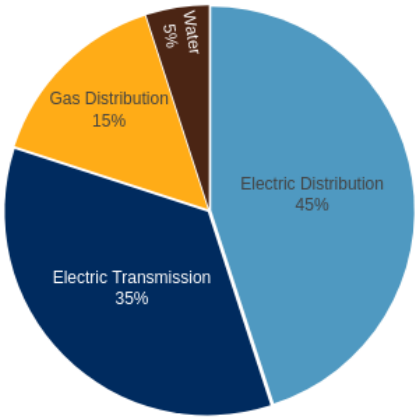
	Company request	Commission authorized
Rate Change Amount (mil. $)	93.4	64.3
Rate case test year-end date	12/31/2020	12/31/2020
Rate base (mil. $)	4095.2	3930.1
Rate base valuation method	Year-end	Year-end
Return on equity (%)	10.50	9.80
Common equity to total capital (%)	53.21	53.21
Rate of return (%)	7.43	7.06

Aquarion Water Co. Of CT Rate Case Request

	Company request rate year 1	Company request rate year 2	Company request rate year 3
Rate change amount ($ mil)	38.9	13.6	8.8
Rate case test year-end date	12/19/2022	12/31/2023	12/31/2024
Rate base (mil. $)	1074.7	1102.6	1157.9
Rate base valuation method	Post test year	Year-end	Year-end
Return on equity (%)	10.35	10.35	10.35
Common equity to total capital (%)	53.06	53.06	53.06
Rate of return (%)	7.50	7.50	7.50

The benefits from the company's lower-risk businesses are somewhat offset by Eversource's current investments in higher risk contracted offshore wind. However, overall, we assess the company at the higher end of the range for its business risk profile category given that the vast majority of its operations come from its low-risk regulated network utility operations, and that the company generally manages regulatory risk effectively.

Eversource Energy - Estimated Business Mix (By EBITDA %)



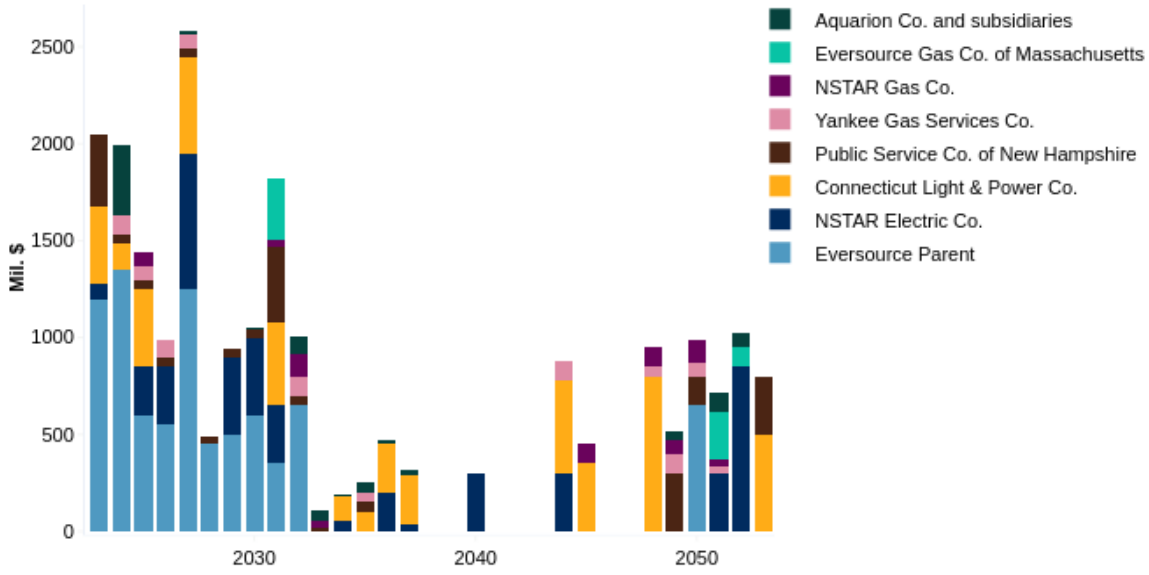
Source: S&P Global Ratings; company filings.

Financial Risk

We assess Eversource's financial risk using our medial volatility financial benchmark table, reflecting its lower-risk utility operations and effective management of regulatory risk. Under our base-case scenario for Eversource of regulated capital spending averaging about $3.6 billion, dividend growth of 7%-10% annually, equity issuance, formulaic rate increases under FERC's regulatory construct, and continued use of existing regulatory mechanisms we expect Eversource's FFO to debt to average about 14% over the next three years.

Debt maturities

Eversource Debt Maturities



Source: Company filings.

Eversource Energy--Financial Summary

Period ending	Dec-31-2016	Dec-31-2017	Dec-31-2018	Dec-31-2019	Dec-31-2020	Dec-31-2021
Reporting period	2016a	2017a	2018a	2019a	2020a	2021a
Display currency (mil.)	$	$	$	$	$	$
Revenues	7,639	7,752	8,433	8,460	8,842	9,801
EBITDA	2,676	2,770	2,715	2,910	3,181	3,358
Funds from operations (FFO)	2,395	2,300	2,042	2,314	2,604	2,662
Interest expense	442	468	536	568	577	618

Eversource Energy--Financial Summary

Cash interest paid	416	439	515	540	528	575
Operating cash flow (OCF)	2,172	1,999	1,769	1,947	1,621	1,907
Capital expenditure	1,966	2,336	2,504	2,886	4,033	3,157
Free operating cash flow (FOCF)	206	(337)	(735)	(939)	(2,412)	(1,249)
Discretionary cash flow (DCF)	(362)	(935)	(1,371)	(1,606)	(3,160)	(2,059)
Cash and short-term investments	30	38	108	15	107	67
Gross available cash	30	38	108	15	107	67
Debt	11,878	14,605	14,951	16,358	19,084	20,135
Common equity	10,790	11,164	11,565	12,708	14,141	14,678
Adjusted ratios						
EBITDA margin (%)	35.0	35.7	32.2	34.4	36.0	34.3
Return on capital (%)	8.5	8.1	6.3	6.0	6.6	6.1
EBITDA interest coverage (x)	6.1	5.9	5.1	5.1	5.5	5.4
FFO cash interest coverage (x)	6.8	6.2	5.0	5.3	5.9	5.6
Debt/EBITDA (x)	4.4	5.3	5.5	5.6	6.0	6.0
FFO/debt (%)	20.2	15.8	13.7	14.1	13.6	13.2
OCF/debt (%)	18.3	13.7	11.8	11.9	8.5	9.5
FOCF/debt (%)	1.7	(2.3)	(4.9)	(5.7)	(12.6)	(6.2)
DCF/debt (%)	(3.0)	(6.4)	(9.2)	(9.8)	(16.6)	(10.2)

Reconciliation Of Eversource Energy 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-31-2021										
Company reported amounts		20,219	14,755	9,863	3,328	1,993	582	3,358	1,963	813	3,175
Cash taxes paid		-	-	-	-	-	-	(122)	-	-	-
Cash interest paid		-	-	-	-	-	-	(569)	-	-	-
Lease liabilities		107	-	-	-	-	-	-	-	-	-
Operating leases		-	-	-	12	2	2	(2)	10	-	-
Intermediate hybrids (equity)		78	(78)	-	-	-	4	(4)	(4)	(4)	-
Accessible cash and liquid investments		(67)	-	-	-	-	-	-	-	-	-

Eversource Energy

Reconciliation Of Eversource Energy 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
Capitalized interest	-	-	-	-	-	18	(18)	(18)	-	(18)
Share-based compensation expense	-	-	-	28	-	-	-	-	-	-
Dividends from equity investments	-	-	-	22	-	-	-	-	-	-
Securitized stranded costs	(497)	-	(62)	(62)	(18)	(18)	18	(43)	-	-
Asset-retirement obligations	395	-	-	29	29	29	-	-	-	-
Nonoperating income (expense)	-	-	-	-	77	-	-	-	-	-
Debt: Fair value adjustments	(44)	-	-	-	-	-	-	-	-	-
Debt: other	(56)	-	-	-	-	-	-	-	-	-
Total adjustments	(84)	(78)	(62)	30	90	35	(696)	(55)	(4)	(18)
S&P Global Ratings adjusted	**Debt**	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from Operations**	**Operating cash flow**	**Dividends**	**Capital expenditure**
	20,135	14,678	9,801	3,358	2,083	618	2,662	1,907	809	3,157

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 forecasted 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 2027, and our belief that the company can lower its high capital spending (averaging about $3.6 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 (CDS spreads is 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 2023, with about $1.6 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 issuances in the first quarter of the year.

Principal liquidity sources

- Credit facility availability of about $2.65 billion;
- Cash FFO of about $2.9 billion; and
- Cash on hand of about $1.3 billion.

Principal liquidity uses

- Assumed maintenance capital spending of about $1.9 billion;
- Debt maturities, including outstanding commercial paper, of about $2 billion; and
- Dividends of about $915 million.

Covenant Analysis

Requirements

Eversource's revolving credit agreements include maximum debt-to-capital covenant ratios of 65% for Eversource and its subsidiaries.

Compliance expectations

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 Credit Indicators

E-1	**E-2**	E-3	E-4	E-5	S-1	**S-2**	S-3	S-4	S-5	G-1	**G-2**	G-3	G-4	G-5

ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicator Definitions And Applications," published Oct. 13, 2021.

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

Issue Ratings--Subordination Risk Analysis

Capital structure

Eversource has close to $22.2 billion of debt outstanding, about $13.7 billion of which is issued by the company's operating subsidiaries with the remainder being unsecured debt at the holding company.

Analytical conclusions

We rate Eversource's senior unsecured debt 'BBB+' because it is subordinated to a significant amount of priority debt (more than 50% of total debt) within the company's capital structure. We rate the company's commercial paper program 'A-2' based on our issuer credit rating on the company.

Eversource Energy

Rating Component Scores

Foreign currency issuer credit rating	**A-/Positive/A-2**
Local currency issuer credit rating	**A-/Positive/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-**
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-**

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: Methodology: Industry Risk, 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
- Criteria | Corporates | General: Corporate Methodology, 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 Detail (as of January 20, 2023)*

Eversource Energy

Eversource Energy

Ratings Detail (as of January 20, 2023)*

Issuer Credit Rating	A-/Positive/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured	BBB+

Issuer Credit Ratings History

09-May-2022	A-/Positive/A-2
25-Jul-2019	A-/Stable/A-2
12-Feb-2019	A+/Negative/A-1

Related Entities

Aquarion Co.

Issuer Credit Rating	A-/Positive/--
Senior Unsecured	BBB+

Connecticut Light & Power Co.

Issuer Credit Rating	A/Positive/NR
Preferred Stock	BBB+
Senior Secured	A+

Eversource Gas Co. of Massachusetts

Issuer Credit Rating	A-/Positive/--

NSTAR Electric Co.

Issuer Credit Rating	A/Positive/A-1
Commercial Paper	
Local Currency	A-1
Preferred Stock	BBB+
Senior Unsecured	A

NSTAR Gas Co.

Issuer Credit Rating	A-/Positive/--
Senior Secured	A

Public Service Co. of New Hampshire

Issuer Credit Rating	A/Stable/--
Senior Secured	A+

Yankee Gas Services Co.

Issuer Credit Rating	A-/Positive/--

*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.

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