STATE OF NEW HAMPSHIRE

BEFORE THE NEW

HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DE 22-049

Petition of PSNH for Approval of Financing Transaction

Technical Statement of Scott T. Balise and Jay E. Dudley

Department of Energy, Division of Regulatory Support

October 28, 2022

On August 24, 2022, Public Service Company of New Hampshire d/b/a Eversource Energy (PSNH or Company), filed a petition for authority to issue long term debt not to exceed an aggregate principal amount of $600 million. PSNH's filing comprised testimony and attachments including information provided by Form F-4 under Rule Puc 308:12(b). On October 11, 2022, the Company updated its filing with supplemental testimony and attachments. The Department recommends that the petition be approved as submitted and updated.

Description of Proposed Financing

PSNH proposes to issue and sell up to $600 million in aggregate principal amount long term debt in the form of first mortgage bonds (the Bonds) during the period from the date of the Commission's order in this docket through December 31, 2022. The Company seeks authority to: (i) refinance PSNH's existing short-term debt balance of $89.3 million (as of June 30, 2022), (ii) refinance existing long-term debt in the amount of $325 million maturing on November 1, 2023, and (iii) to fund, in part, approximately $508 million in planned capital expenditures and other working capital needs for 2023. As such, a portion of the request, approximately $414.3 million, does not represent new indebtedness for PSNH since it constitutes the refinancing of existing debt, whereas the remainder of available funds of approximately $178.58 million (after deducting $7.12 million in estimated issuance costs) constitutes new debt.[1] The maturity of the Bonds will range from 1 to 30 years. The Company proposes to price the Bonds at a fixed rate based on either the 10-year or 30-year U.S. Treasury rate plus a credit spread not to exceed four hundred basis points (4.00%) to be determined at the time of closing. PSNH anticipates that the ultimate rate for the Bonds will be consistent with current market rates; however, because its financing plan will be effective through December 31, 2023, the Company requests approval of the proposed credit spread of 4.00% in order to provide sufficient flexibility in the event of

[1] Under FERC accounting rules, the costs of the bond issuance are deducted from the face amount of the Bonds and are accounted for and amortized as a separate line item in the FERC Form-1 as "Debt Issuance Costs."

unanticipated widening of credit spreads due to uncertainty or volatility in the capital markets. The final financing structure, terms and conditions, amounts, documentation, and rate will be determined at the time of issuance.

The Company provided its Form F-4 dated June 30, 2022, along with attachments to show the impact of the proposed financing on PSNH's balance sheet (Attachment 3), income statement (Attachment 4), capitalization (Attachment 5), and issuance costs (Attachment 2). Upon request from the Department, the Company updated the attachments on October 11, 2022, to reflect the impact of recent increases in the 10-year and 30-year Treasury Bond rates resulting from the Federal Reserve's current policy to increase the Federal Funds rate.[2] The updated attachments consist of PSNH's balance sheet (Attachment 1-002B) and income statement (Attachment 1-001C) to reflect the impact of the rate increases on PSNH's forecasted bond rate increasing from 4.37% to 5.27%. Upon review, Staff concluded that the filings represent a routine financing request. PSNH estimates the cost of the bond issuance to be $7.12 million which includes ratings fees and a projected underwriting fee of 0.875%. PSNH calculates, on a pro forma basis, that the new debt of $178.58 million, plus the refinance of the $89.3 million in short-term debt, and the refinance of $325 million in long-term debt, will result in an increase in annual interest expense of approximately $18.9 million for a total of $75.8 million, as compared with its current total interest expense amount of $56.9 million. The projected effect of the increase in interest expense results in a decrease to PSNH's retained earnings of $9.83 million. The Company's ratio of Funds from Operations (FFO) to debt is also moderately impacted decreasing from 22.3% to 21.4%. In addition, despite incurring the new debt of $185.7 million, PSNH projects that after giving effect to the resulting pro forma adjustments, the proposed financing will not have a significant impact on the Company's current capital structure of 42.3% debt and 57.7% equity, resulting in a post-issuance capital structure of 43.4% debt and 56.6% equity. PSNH represents that it expects to maintain an equity ratio of 56% through additional future earnings and capital contributions from Eversource Energy in 2023. Staff also confirmed PSNH's current bond ratings of A+ with Standard and Poor's, A3 with Moody's Investors Service, and A+ with Fitch Ratings.[3]

Department's Recommendation

The Department has reviewed the Company's petition and supporting documents and believes that PSNH's filing is complete and meets all requirements of Puc 308.12. Accordingly, it is the Department's opinion that, based on the current total of outstanding long term debt reported by PSNH of approximately $1.16 billion, the proposed refinance of existing debt in the amount of $414.3 million (both long-term and short-term), plus new debt of $178.58 million,

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[2] *See* Attachment STB/JED – 1, DOE Data Request 1-001, Direct Supplemental Testimony of Emilie G. O'Neil and Michael J. Dzialo filed on October 11, 2022. For the purposes of this Technical Statement, the Department's interest expense analysis is confined to the updated financial information contained in the updated attachment.

[3] *See* Attachment STB/JED – 2, DOE Data Request 1-002 at 59-60. On June 28, 2022, Moody's Investor's Services maintained its negative outlook for Eversource Energy due to weak credit metrics associated with Eversource's offshore wind investments in Massachusetts with Danish utility holding company Orstead. Eversource Energy is currently reviewing whether to sell all or part of those investments. The Department does not expect these developments to impact the financial condition of PSNH but the Department will continue to monitor the situation.

will not have a significant impact on PSNH's capital structure, and the Company's cost of debt and revenue requirement.

As such, the Department supports the Company's position that approval of the petition would be in the public good, and that it is in conformance with the review standards of RSA Chapter 369. Therefore, the Department recommends that the Commission authorize PSNH to issue $600 million in long term debt, according to the proposed terms, amounts, and interest rate outlined above, for the purposes of refinancing its existing short-term and long-term debt, and to include the issuance of new debt to fund planned capital expenditures for 2023. The Department supports the issuance of an Order *Nisi* for the approval of this petition.

Public Service Company of New Hampshire d/b/a Eversource Energy
Docket No. DE 22-049

Date Request Received: October 03, 2022 **Date of Response: October 11, 2022**
Data Request No. DOE 1-001 **Page 1 of 1**

Request from: Department of Energy

Witness: O'Neil, Emilie G, Dzialo, Michael J

Request:

Reference O'Neil/Dzialo testimony at Bates 7-8, Attachments 3 and 4. Given the recent rate hikes by the Federal Reserve (with additional rate hikes projected by year-end 2022), Eversource's outlook involving market rates and rate spreads, including the Company's requested credit spread of 400 basis points, appears to be out-of-date and no longer applicable. Please update this part of the testimony considering the current interest rate rising environment, and also the impact on the pro forma interest expense provided in Attachments 3 and 4.

Response:

Please see Attachment DOE 1-001A for the Supplemental Testimony of Emilie G. O'Neil and Michael J. Dzialo dated October 11, 2022, Attachment DOE 1-001B for an updated pro forma balance sheet (Originally filed as Attachment 3) and Attachment DOE 1-001C for an updated pro forma income statement (Originally filed as Attachment 4). These documents will also be filed with the Commission to Docket No. 22-049 as supplemental testimony and Attachments 10 and 11.

THE STATE OF NEW HAMPSHIRE

BEFORE THE

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DOCKET NO. DE 22-049

DIRECT SUPPLEMENTAL TESTIMONY
OF
EMILIE G. O'NEIL
AND
MICHAEL J. DZIALO

PETITION OF

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE d/b/a EVERSOURCE

ENERGY FOR APPROVAL OF FINANCING

October 11, 2022

TABLE OF CONTENTS

I. INTRODUCTION

Q. Please state your name and business address.

A. [Witness O'Neil] My name is Emilie G. O'Neil. My business address is 247 Station Drive, Westwood, Massachusetts.

A. [Witness Dzialo] My name is Michael J. Dzialo. My business address is 107 Selden Street, Berlin, Connecticut.

Q. Have you previously submitted testimony in this proceeding?

A. Yes. On August 24, 2022, we submitted direct, pre-filed joint testimony that opened this docket. In that testimony, we described our educational and professional backgrounds.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?

A. On August 24, 2022, Public Service Company of New Hampshire dba Eversource Energy ("PSNH" or the "Company") filed a petition with the New Hampshire Public Utilities Commission (the "Commission") requesting approval of the issuance of long-term debt securities in an aggregate principal amount not to exceed $600 million (the "Long-term Debt") during a period from the date of the Communion's order becoming final in this docket through December 31, 2023. The purpose of our testimony is to provide an update on current conditions in the debt capital markets.

III. UPDATE ON CURRENT DEBT CAPITAL MARKET CONDITIONS

Q. What is the estimated coupon rate for an issuance of secured Long-Term Debt given current market conditions?

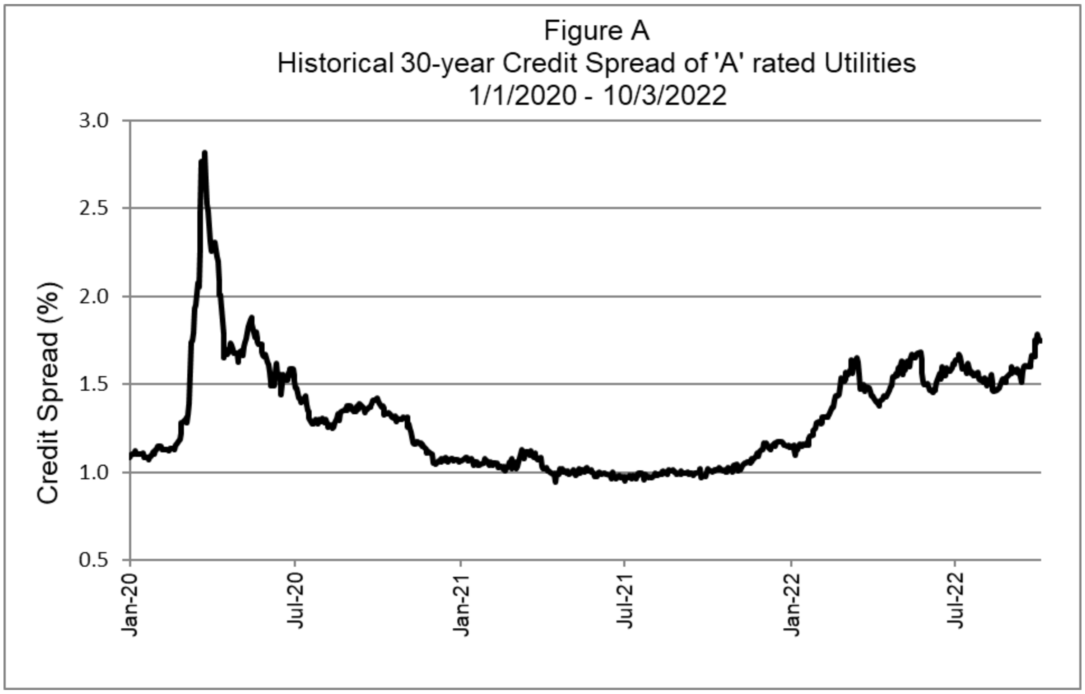
A. The following table reflects current indicative pricing of secured public debt as of September 28, 2022. Between August 1, 2022 and September 28, 2022, the estimated coupon rate of secured 30-year debt has increased from 4.37% to 5.27%.

Secured Institutional Debt	10-year	30-year
U.S. Treasury Yield	3.73%	3.72%
+ Credit Spread	1.25%	1.55%
= Coupon Rate	4.98%	5.27%

(Source: RBC)

Q. Please provide an update on utility credit spreads.

A. The graph in Figure A below shows the historical 30-year credit spread of "A" rated utilities from January 1, 2020 through October 3, 2022. While credit spreads have trended upward during 2022, they remain lower than at the onset of the COVID-19 pandemic. The effect that the COVID-19 pandemic initially had on the financial markets was dramatic. During just the short period between February 24, 2020 and March 24, 2020, the credit spread for "A" rated utility bonds increased 164 basis points, from 1.18% to 2.82%.



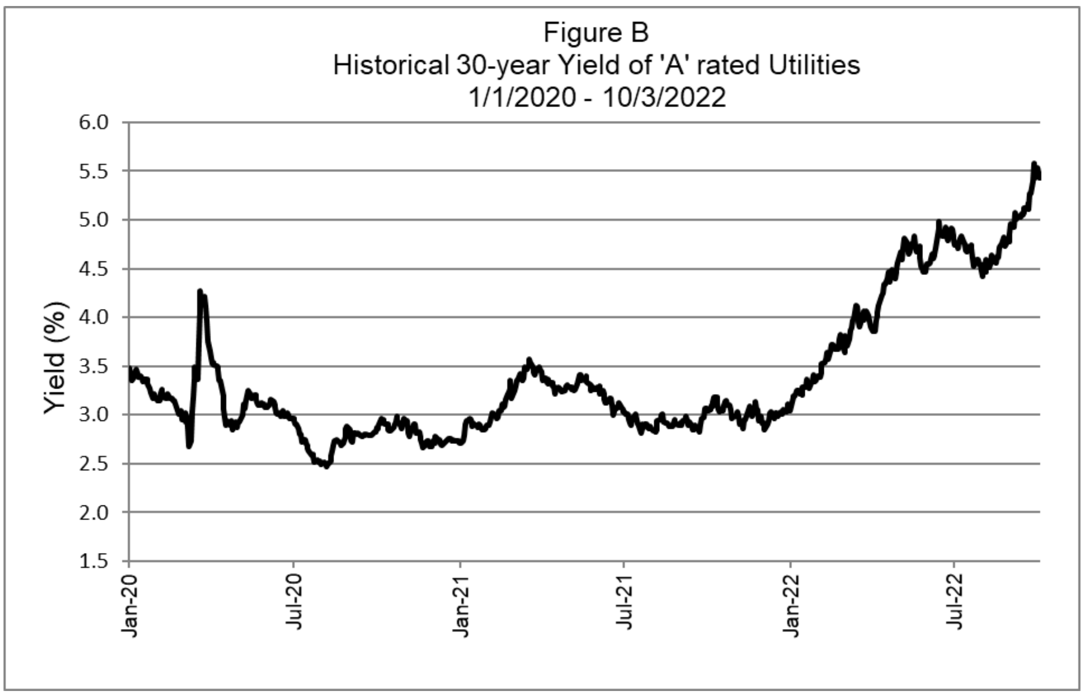
(Source: Bloomberg)

Q. Does the Company still believe that credit spread authority of up to 400 basis points (4.00%) is appropriate?

A. Yes. The Company still believes that credit spread authority of 400 basis points (4.00%) is appropriate. In determining the requested credit spread of 400 basis points, the Company considered current market rates for similarly rated securities as well as historical rates. Given that the Company is proposing a financing plan through December 31, 2023, the plan must include sufficient flexibility to address changing market conditions and volatile markets. A maximum authorized credit spread of 400 basis points (4.00%) will provide PSNH with flexibility in the event of unanticipated widening of credit spreads between now and the time of issuance due to any uncertainty or volatility in the capital markets. However, the Long-Term Debt will be issued at prevailing credit spreads, which are determined by investors at the time of pricing.

Q. Please describe the bond yields for similarly rated utilities?

A. The graph in Figure B below illustrates historic 30-year yields from January 1, 2020 through October 3, 2022 for "A' rated utilities. Over that time frame yields for "A" rated utilities have fluctuated between 2.47 percent and 5.58 percent.



(Source: Bloomberg)

Q. Please illustrate the impact of rising interest rates on the Company's pro forma financial statements.

A. Please refer to Attachment 10 for an updated pro forma balance sheet and Attachment 11 for an updated pro forma income statement. Attachment 10 and Attachment 11 reflect the same assumptions as the pro forma balance sheet and income statement provided as

Attachment 3 and Attachment 4 respectively with the exception that the estimated interest rate on the proposed Long-term Debt has been updated from 4.37% to 5.27% to reflect current market conditions. Any changed values are highlighted in yellow for ease of comparison.

Q. Do these developments in the debt markets impact the Company's request of the Commission to approve the $600 million in financing?

A. No it does not. For the reasons discussed above, we believe that the original proposal, with the addition of the updated information provided in this supplemental testimony and Attachments 10 and 11, support a Commission finding that this financing is just, reasonable and in the public interest.

IV. CONCLUSION

Q. Does this conclude your testimony?

A. Yes, it does.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE d/b/a EVERSOURCE ENERGY
PRO FORMA CONSOLIDATED BALANCE SHEET - ASSETS
AS OF JUNE 30, 2022
(UNAUDITED)
(Thousands of Dollars)

	Per Book	Pro Forma Adjustments		Pro Forma Giving Effect to Adjustments
ASSETS				
Current Assets:				
Cash	$ 133	$ -	a,c,e	$ 133
Receivables, Net	151,444			151,444
Accounts Receivable from Affiliated Companies	7,792			7,792
Unbilled Revenues	48,161			48,161
Fuel, Materials and Supplies	40,810			40,810
Taxes Receivable	2,400	6,954	g	9,354
Current Regulatory Assets	93,225			93,225
Special Deposits	30,935			30,935
Prepaid Property Taxes	19,285			19,285
Prepayments and Other Current Assets	2,907			2,907
Total Current Assets	397,092	6,954		404,046
Property, Plant and Equipment, Net	3,820,237	178,580	e	3,998,817
Deferred Debits and Other Assets:				
Regulatory Assets	643,745			643,745
Other Long-Term Assets	19,797			19,797
Total Deferred Debits and Other Assets	663,542	-		663,542
Total Assets	$ 4,880,871	$ 185,534		$ 5,066,405

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE d/b/a EVERSOURCE ENERGY
PRO FORMA CONSOLIDATED BALANCE SHEET - LIABILITIES
AS OF JUNE 30, 2022
(UNAUDITED)
(Thousands of Dollars)

	Per Book	Pro Forma Adjustments		Pro Forma Giving Effect to Adjustments
LIABILITIES & CAPITALIZATION				
Current Liabilities:				
Notes Payable to Eversource Parent	$ 89,300	$ (89,300)	a	$ -
Rate Reduction Bonds - Current Portion	43,210			43,210
Accounts Payable	179,824			179,824
Accounts Payable to Affiliated Companies	26,994			26,994
Accrued Taxes	8,052	-	b,c,f,g	8,052
Accrued Interest	16,827	18,629	b, f	35,456
Current Regulatory Liabilities	106,554			106,554
Other Current Liabilities	29,893			29,893
Total Current Liabilities	500,654	(70,671)		429,983
Deferred Credits and Other Liabilities:				
Accumulated Deferred Income Taxes	543,771	1,859	c,d	545,630
Regulatory Liabilities	393,673			393,673
Accrued Pension, SERP and PBOP	14,203			14,203
Other Long-Term Liabilities	28,985			28,985
Total Deferred Credits and Other Liabilities	980,632	1,859		982,491
Long-Term Debt	1,164,229	268,117	a,c,d	1,432,346
Rate Reduction Bonds	432,097	-		432,097
Common Stockholder's Equity:				
Common Stock	-			-
Capital Surplus, Paid In	1,268,134			1,268,134
Retained Earnings	535,180	(13,772)	b,d,f	521,408
Accumulated Other Comprehensive Loss	(55)			(55)
Common Stockholder's Equity	1,803,259	(13,772)		1,789,487
Total Liabilities and Capitalization	$ 4,880,871	$ 185,533		$ 5,066,404

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE d/b/a EVERSOURCE ENERGY
PRO FORMA CONSOLIDATED STATEMENT OF RETAINED EARNINGS
AS OF JUNE 30, 2022
(UNAUDITED)
(Thousands of Dollars)

	Per Book	Pro Forma Adjustments		Pro Forma Giving Effect to Adjustments
Balance as of June 30, 2021	$ 483,927	$		$ 483,927
Net Income	153,653	(13,772)	b,d,f	139,881
Dividends on Common Stock	(102,400)			(102,400)
Balance as of June 30, 2022	$ 535,180	$ (13,772)		$ 521,408

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE d/b/a EVERSOURCE ENERGY
PRO FORMA ADJUSTMENTS TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2022
(Thousands of Dollars)

		Debit	Credit
a)	131 - Cash	185,700	
	233 - Notes Payable to Eversource Parent	89,300	
	221 - Long-Term Debt	325,000	
	221 - Long-Term Debt		600,000
	To record the issuance of $600 million of long-term debt, cash received and payoff of short term and long term debt.		
b)	427 - Interest Expense	31,620	
	236 - Accrued Taxes	8,539	
	237 - Accrued Interest		31,620
	409 - Federal Income Tax Expense		6,640
	409 - State Income Tax Expense		1,898
	To record interest expense associated with long-term debt issued and related income taxes.		
c)	181 - Long-Term Debt	7,120	
	236 - Accrued Taxes	1,923	
	131 - Cash		7,120
	283 - Accumulated Deferred Income Taxes		1,923
	To record deferral of issuance expenses associated with the issuance of long-term debt and related income taxes.		
d)	428 - Interest Expense	237	
	283 - Accumulated Deferred Income Taxes	64	
	181 - Long-Term Debt		237
	410 - Federal and State Income Tax Expense		64
	To record 12 months of amortization of issuance expenses associated with the issuance of long-term debt and related income taxes.		
e)	107 - CWIP	178,580	
	131 - Cash		178,580
	To record use of net proceeds for capital expenditures.		
f)	237 - Accrued Interest	12,991	
	409 - Federal Income Tax Expense	2,728	
	409 - State Income Tax Expense	780	
	427 - Interest Expense		12,991
	236 - Accrued Taxes		3,508
	To record reduction in interest expense and related income taxes associated with short term and long term debt retired.		
g)	143 - Taxes Receivable	6,954	
	236 - Accrued Taxes		6,954
	To move change in Accrued Federal and New Hampshire Tax to Taxes Receivable Federal and New Hampshire Taxes are a receivable at June 30, 2022		

Information obtained from, Treasury

Key Assumptions for Pro Forma financials:

1	Pro forma date	6/30/22
2	Maturity - in years	30
3	Debt Amount	$600,000,000
4	Issuance Costs	$7,120,000
5	Proceeds	$592,880,000
7	Debt Interest Rate	5.27%
	Interest - Yearly	$31,620,000
	Amortization of issuance exp - Yearly	$237,333
8	Tax Rate	27.004%
	Federal	21.000%
	State	6.004%

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE d/b/a EVERSOURCE ENERGY
PRO FORMA CONSOLIDATED STATEMENT OF INCOME
FOR THE TWELVE MONTHS ENDED JUNE 30, 2022
(UNAUDITED)
(Thousands of Dollars)

	Per Book	Pro Forma Adjustments		Pro Forma Giving Effect to Adjustments
Operating Revenues	$ 1,251,446	$		$ 1,251,446
Operating Expenses:				
Purchased Power, Fuel and Transmission	434,796			434,796
Operations and Maintenance	252,761			252,761
Depreciation	123,582			123,582
Amortization of Regulatory Assets, Net	78,063			78,063
Energy Efficiency Programs	36,574			36,574
Taxes Other Than Income Taxes	93,908			93,908
Total Operating Expenses	1,019,684			1,019,684
Operating Income	231,762			231,762
Interest Expense	56,948	18,866	b,d,f	75,814
Other Income, Net	21,430			21,430
Net Income Before Income Tax Expense	196,244	(18,866)		177,378
Income Tax Expense	42,591	(5,094)	b,d,f	37,497
Net Income	$ 153,653	$ (13,772)		$ 139,881

Public Service Company of New Hampshire d/b/a Eversource Energy
Docket No. DE 22-049

Date Request Received: October 03, 2022 **Date of Response: October 11, 2022**
Data Request No. DOE 1-002 **Page 1 of 1**

Request from: Department of Energy

Witness: O'Neil, Emilie G, Dzialo, Michael J

Request:

Reference O'Neil/Dzialo testimony at Bates 10. Please provide the most recent credit ratings reports on PSNH and Eversource Energy from Standard & Poor's, Moody's Investors Services, and Fitch Ratings.

Response:

Please see Attachment DOE 1-002A for the most recent reports on PSNH and Eversource Energy from S&P, Moody's Investors Service and Fitch Ratings.

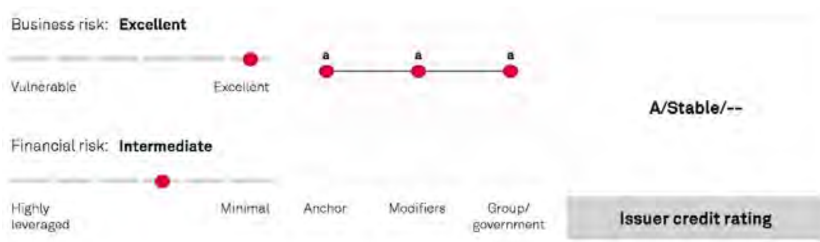
S&P Global Ratings

RatingsDirect®

Public Service Co. of New Hampshire

June 10, 2022

Ratings Score Snapshot



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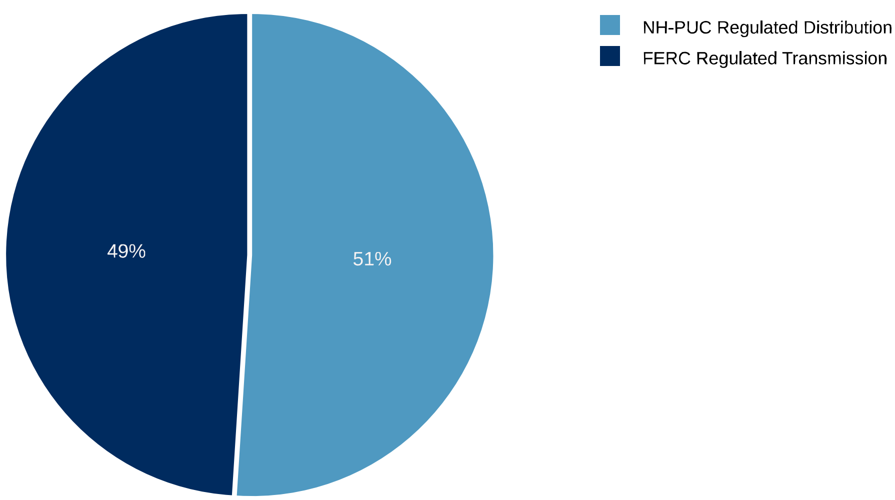
Credit Highlights

Overview

Key strengths	Key risks
Monopolistic rate-regulated electric transmission and distribution utility operations.	A lack of operating diversity makes the company largely dependent on New Hampshire regulators to sustain its credit quality.
Effective management of regulatory risk, with constructive regulatory mechanisms present, such as formula rates for Federal Energy Regulatory Commission (FERC)-regulated transmission, interim rates during distribution rate cases, and securitization of stranded costs related to previously owned generation assets.	Forecast negative discretionary cash flow indicates future external funding needs.
Our view of Public Service Company of New Hampshire (PSCNH) as an insulated subsidiary of parent Eversource Energy allows us to rate it one notch above Eversource.	

We expect PSCNH to effectively manage regulatory risk, supporting our business risk profile assessment. The company benefits from numerous regulatory mechanisms under the generally constructive New Hampshire and FERC regulatory environments. However, given that a large proportion of operations are within New Hampshire, the company is somewhat dependent on New Hampshire regulators to sustain its credit quality.

2021 Net Property Plant And Equipment By Segment

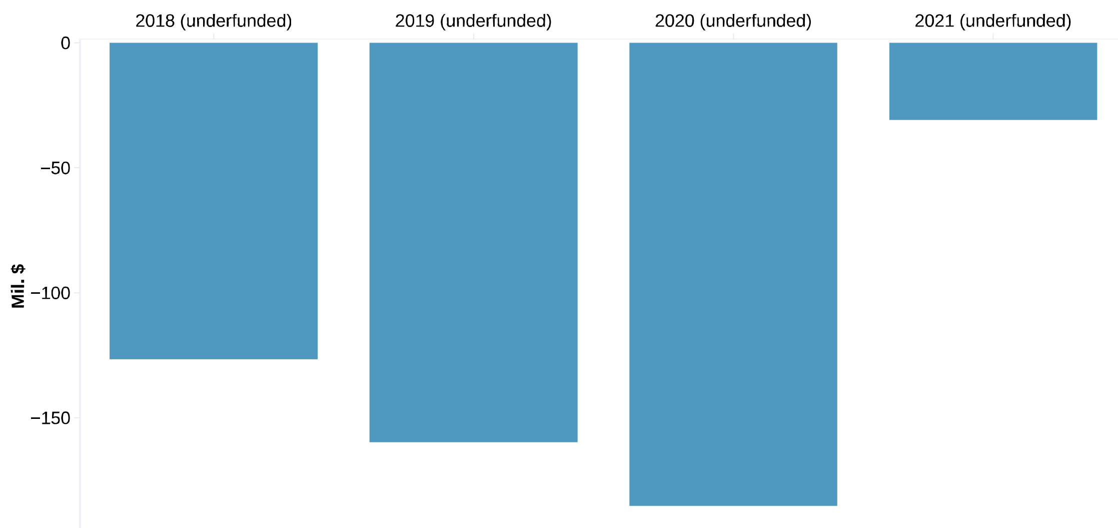


FERC--Federal Energy Regulatory Commission. NH-PUC--New Hampshire Public Utilities Commission. Source: Company filings.

Though FERC proceedings regarding return on equity (ROE) complaints are still outstanding, the company's electric transmission business still operates under a constructive regulatory framework. We view FERC's regulation of electric transmission companies as very supportive of credit quality through its allowance of timely cost recovery mechanisms, forward-looking rate-setting, various true-up mechanisms, and rates based on higher-than-average equity layers and ROE. New England transmission owners have faced some regulatory challenges in recent years, but we expect the overarching credit supportiveness of the regulation they operate under to remain in place.

We expect PSCNH's financial measures to remain within the intermediate financial risk profile category. Specifically, we forecast funds from operations (FFO) to debt to average 17%-20% throughout the forecast period, assessed under our low volatility financial benchmark table.

Postretirement Obligation Funding



Source: Company filings.

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

Outlook

The stable outlook on PSCNH reflects our expectation that it will continue to effectively manage its regulatory risk while maintaining stand-alone FFO to debt of between 17% and 20%.

Downside scenario

We could lower our rating on PSCNH if its stand-alone financial measures weakened such that its FFO to debt fell consistently below 15%. Although unlikely, we could also lower our rating on PSCNH if we lowered our rating on Eversource.

Upside scenario

We could raise our rating on PSCNH if we raised our rating on Eversource and PSCNH's stand-alone FFO to debt improved to consistently above 20%.

Our Base-Case Scenario

Assumptions

- Continued use of existing regulatory mechanisms in New Hampshire for distribution rates, such as periodic rate case filings, interim rates between rate cases, and securitization of stranded costs related to the company's previously owned generation assets;
- Formula rate increases for the company's transmission rates under FERC's regulatory construct;
- Capital spending that averages about $390 million annually;
- Manageable annual dividends to Eversource;
- Equity infusions by Eversource as necessary to maintain PSCNH's capital structure;
- Deconsolidation of the debt and cash flows associated with the company's securitized rate reduction bonds;
- Negative discretionary cash flow; and
- Assumed refinancing of all nonsecuritized debt maturities.

Key metrics

Company Name--Key Metrics*

Mil. $	2020a	2021a	2022e	2023f	2024f
EBITDA	317.5	380.9	340-360	390-410	440-460
Funds from operations (FFO)	246.4	290.9	275-295	305-325	340-360
Capital expenditure	340.5	325.6	415-435	420-440	410-430
Free operating cash flow (FOCF)	(167.0)	(33.4)	(210)-(190)	(150)-(130)	(105)-(85)
Dividends	22.3	260.8	90-110	155-175	130-150
Debt	1,296.0	1,303.4	1,350-1,450	1,650-1,750	1,675-1,775
Debt to EBITDA (x)	4.1	3.4	3.5-4.5	3.5-4.5	3.5-4.5
FFO to debt (%)	19.0	22.3	19-21	18-20	19-21
FFO interest coverage (x)	7.7	8.5	7-8	6.5-7.5	6.5-7.5

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

Company Description

PSCNH is a regulated electric transmission and distribution (T&D) utility engaged in the purchase, delivery, and sale of electricity to about 532,000 customers in New Hampshire. PSCNH is a wholly owned subsidiary of Eversource. Overall, we expect PSCNH to contribute about 10% of Eversource's consolidated EBITDA.

Peer Comparison

Public Service Co. of New Hampshire--Peer Comparisons

	Public Service Co. of New Hampshire	Connecticut Light & Power Co.	Central Maine Power Co.	Narragansett Electric Co.	NSTAR Electric Co.
Foreign currency issuer credit rating	A/Stable/--	A/Positive/NR	A/Stable/A-1	A-/Stable/NR	A/Positive/A-1
Local currency issuer credit rating	A/Stable/--	A/Positive/NR	A/Stable/A-1	A-/Stable/NR	A/Positive/A-1
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2021-12-31	2021-12-31	2021-12-31	2021-03-31	2021-12-31
Mil.	$	$	$	$	$
Revenue	1,116	3,637	978	1,548	3,056
EBITDA	381	1,118	388	370	1,071
Funds from operations (FFO)	291	913	345	311	844
Interest	40	174	51	68	161
Cash interest paid	39	167	53	59	153
Operating cash flow (OCF)	292	607	328	302	692
Capital expenditure	326	787	232	344	952
Free operating cash flow (FOCF)	(33)	(180)	95	(42)	(260)
Discretionary cash flow (DCF)	(294)	(524)	(160)	(42)	(544)
Cash and short-term investments	0	56	24	6	1
Gross available cash	0	56	24	6	1
Debt	1,303	4,267	1,366	1,559	4,275
Equity	1,593	5,358	2,189	2,391	4,995
EBITDA margin (%)	34.1	30.7	39.7	23.9	35.0
Return on capital (%)	8.3	7.2	7.6	6.1	7.9
EBITDA interest coverage (x)	9.6	6.4	7.6	5.4	6.7
FFO cash interest coverage (x)	8.5	6.5	7.5	6.3	6.5
Debt/EBITDA (x)	3.4	3.8	3.5	4.2	4.0
FFO/debt (%)	22.3	21.4	25.3	19.9	19.7
OCF/debt (%)	22.4	14.2	24.0	19.4	16.2
FOCF/debt (%)	(2.6)	(4.2)	7.0	(2.7)	(6.1)
DCF/debt (%)	(22.6)	(12.3)	(11.7)	(2.7)	(12.7)

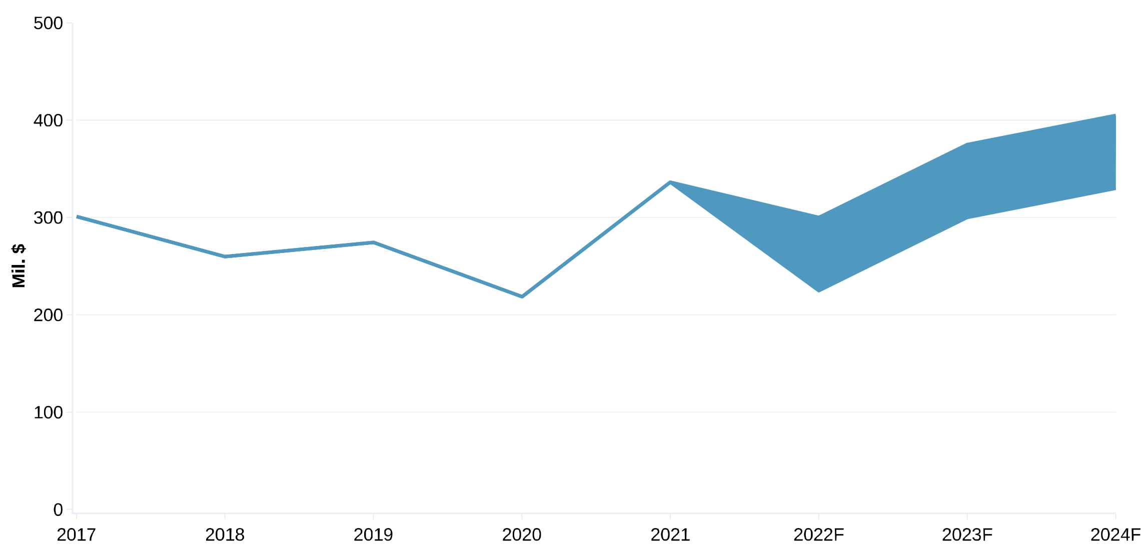
Business Risk

Our business risk assessment for PSCNH primarily reflects the low-risk regulated nature of its T&D electric business. The FERC regulates the transmission portion of its business and, in general, we view the FERC regulatory construct as favorable primarily because it uses formula rates that enable the recovery of costs with limited regulatory lag. On the distribution side of the business, PSCNH has improved its management of regulatory risk in recent years. In 2018, PSCNH divested its thermal and hydroelectric generation assets and issued about $636 million of securitized rate reduction bonds to recover its remaining stranded costs stemming from the divestiture of those assets. In addition, the company operates under an authorized 9.3% ROE and 54.4% equity layer under a multi-year rate plan. However, a somewhat offsetting factor in the company's business risk is its small size, though many of its customers are residential, which provides for more cash flow stability.

Financial Risk

We assess PSCNH's stand-alone financial measures using our low volatility table. This reflects the company's low-risk regulated electric T&D utility business model and effective management of regulatory risk. Under our base case scenario, we expect financial measures to remain within the middle of the range for the intermediate financial risk profile category. Specifically, we expect FFO to debt to average about 17%-20%. Our base case assumes capital spending averages about $390 million per year, manageable annual dividends to the parent, negative discretionary cash flow, the refinancing of all nonsecuritized debt maturities, and equity infusions from the parent as necessary to maintain the company's capital structure. Our base case also assumes the company's continued use of existing regulatory mechanisms and future rate case filings, both of which continue to support our view of the company's credit quality.

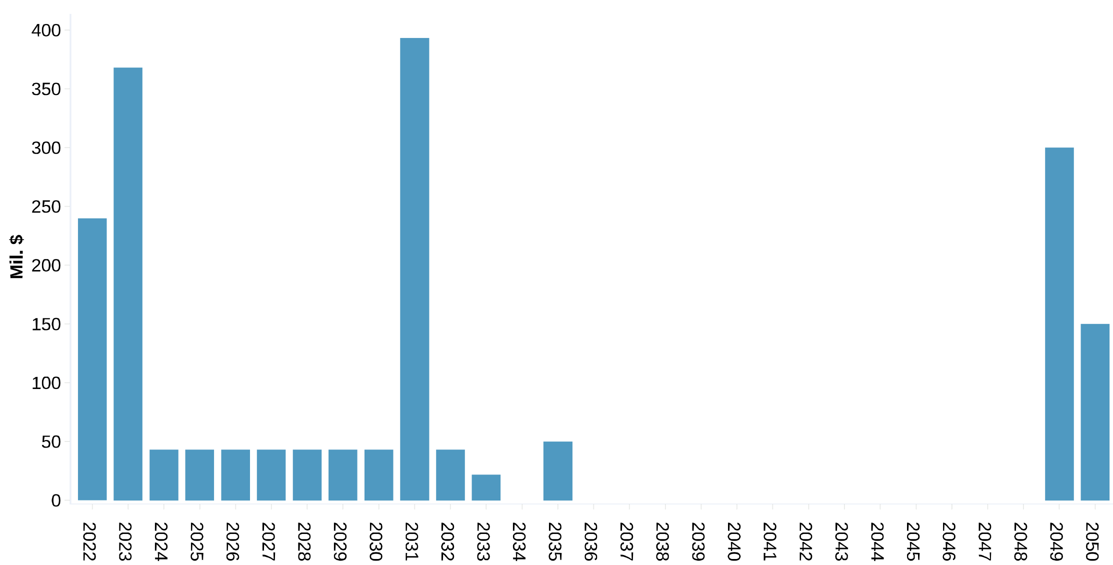
Public Service Co. Of New Hampshire's Operating Cash Flow



Source: Company filings.

Debt maturities

PSCNH Debt Maturities



Source: Company filings.

Public Service Co. of New Hampshire--Financial Summary

Period ending	Dec-31-2016	Dec-31-2017	Dec-31-2018	Dec-31-2019	Dec-31-2020	Dec-31-2021

Public Service Co. of New Hampshire--Financial Summary

Reporting period	2016a	2017a	2018a	2019a	2020a	2021a
Display currency (mil.)	$	$	$	$	$	$
Revenues	959	982	1,032	1,002	1,016	1,116
EBITDA	387	381	358	307	318	381
Funds from operations (FFO)	376	308	304	265	246	291
Interest expense	52	53	47	42	41	40
Cash interest paid	47	47	27	39	37	39
Operating cash flow (OCF)	362	301	213	229	173	292
Capital expenditure	305	312	276	306	340	326
Free operating cash flow (FOCF)	57	(11)	(64)	(77)	(167)	(33)
Discretionary cash flow (DCF)	(21)	(35)	(744)	(348)	(189)	(294)
Cash and short-term investments	5	1	1	0	0	0
Gross available cash	5	1	1	0	0	0
Debt	1,308	1,387	964	1,108	1,296	1,303
Common equity	1,387	1,351	1,303	1,392	1,543	1,593
Adjusted ratios						
EBITDA margin (%)	40.4	38.8	34.7	30.7	31.2	34.1
Return on capital (%)	9.7	9.9	8.6	9.2	8.4	8.3
EBITDA interest coverage (x)	7.4	7.1	7.6	7.2	7.8	9.6
FFO cash interest coverage (x)	8.9	7.6	12.5	7.9	7.7	8.5
Debt/EBITDA (x)	3.4	3.6	2.7	3.6	4.1	3.4
FFO/debt (%)	28.7	22.2	31.6	24.0	19.0	22.3
OCF/debt (%)	27.6	21.7	22.0	20.6	13.4	22.4
FOCF/debt (%)	4.4	(0.8)	(6.6)	(7.0)	(12.9)	(2.6)
DCF/debt (%)	(1.6)	(2.5)	(77.1)	(31.5)	(14.6)	(22.6)

Reconciliation Of Public Service Co. of New Hampshire 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	1,771	1,593	1,177	439	232	57	381	336	261	326
Cash taxes paid	-	-	-	-	-	-	(51)	-	-	-
Cash interest paid	-	-	-	-	-	-	(57)	-	-	-
Lease liabilities	1	-	-	-	-	-	-	-	-	-

Reconciliation Of Public Service Co. of New Hampshire 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
Postretirement benefit obligations/ deferred compensation	24	-	-	-	-	-	-	-	-	-
Capitalized interest	-	-	-	-	-	1	(1)	(1)	-	(1)
Share-based compensation expense	-	-	-	3	-	-	-	-	-	-
Securitized stranded costs	(497)	-	(62)	(62)	(18)	(18)	18	(43)	-	-
Asset-retirement obligations	4	-	-	0	0	0	-	-	-	-
Nonoperating income (expense)	-	-	-	-	25	-	-	-	-	-
Total adjustments	(468)	-	(62)	(58)	7	(17)	(90)	(44)	-	(1)
S&P Global Ratings adjusted	**Debt**	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from Operations**	**Operating cash flow**	**Dividends**	**Capital expenditure**
	1,303	1,593	1,116	381	239	40	291	292	261	326

Liquidity

We assess PSCNH's liquidity as adequate because we believe its sources of cash will likely be more than 1.1x its uses over the next 12 months. We also anticipate that its net sources will remain positive even if its EBITDA declines by 10%. Our assessment also reflects PSCNH's generally prudent risk management, sound relationships with banks, and generally satisfactory standing in the credit markets.

Principal liquidity sources

- Cash FFO of $285 million, and
- Cash on hand of about $180 million.

Principal liquidity uses

- Debt maturities of about $240 million, and
- Maintenance capital spending of about $180 million.

Covenant Analysis

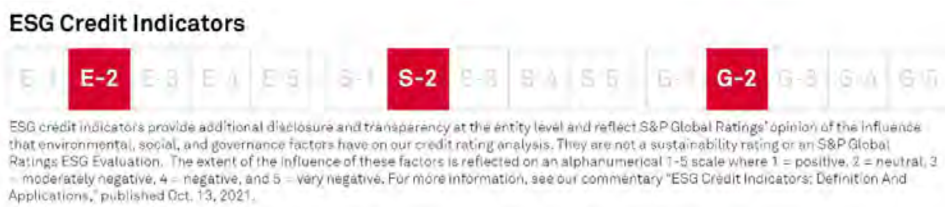
Requirements

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

Compliance expectations

As of March 31, 2022, PSCNH was in compliance with this covenant, and we expect it to remain in compliance throughout our forecast.

Environmental, Social, And Governance



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

Group Influence

We assess PSCNH as a core subsidiary of Eversource because it is highly unlikely to be sold, is integral to the overall group strategy, is successful at what it does, possesses the strong long-term commitment from parent management, is a significant contributor to the group, operates as a profit center of the group, and is closely linked to the parent's name and reputation. PSCNH contributes approximately 10% of Eversource's EBITDA.

Furthermore, we rate PSCNH one notch higher than Eversource's 'a-' group credit profile because of the strength of PSCNH's stand-alone credit profile and the cumulative value of structural and regulatory protections in place that insulate it from Eversource.

Key insulating measures include:

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

Issue Ratings--Recovery Analysis

Key analytical factors

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

Rating Component Scores

Foreign currency issuer credit rating	**A/Stable/--**
Local currency 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**
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Satisfactory (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	**a**
Group credit profile	a-
Entity status within group	Insulated (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
- 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 June 10, 2022)*

Public Service Co. of New Hampshire	
Issuer Credit Rating	A/Stable/--
Senior Secured	A+
Issuer Credit Ratings History	
25-Jul-2019	A/Stable/--
12-Feb-2019	A+/Negative/--
05-Dec-2017	A+/Stable/--
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 Energy	
Issuer Credit Rating	A-/Positive/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured	BBB+
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
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.

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
12 July 2022

Update

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RATINGS

Public Service Company of New Hampshire

Domicile	Manchester, New Hampshire, United States
Long Term Rating	A3
Type	LT Issuer Rating
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Public Service Company of New Hampshire

Update to credit analysis

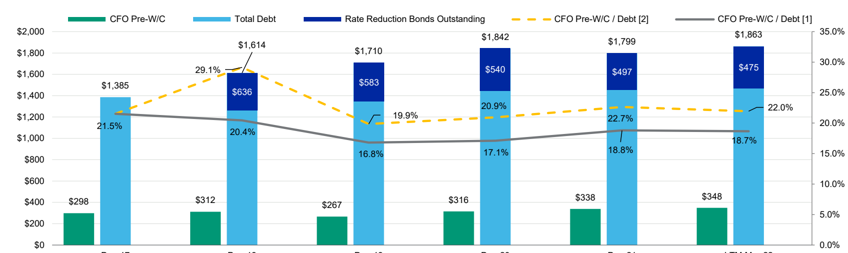
Summary

Public Service Company of New Hampshire's (PSNH) credit profile reflects its low risk business profile as an electric transmission and distribution (T&D) utility operating within a credit supportive New Hampshire regulatory environment. The regulatory framework includes the utilization of timely recovery mechanisms for prudent costs and investments. The credit profile also considers PSNH's substantial transmission business that is under the purview of the Federal Energy Regulatory Commission (FERC), a highly credit supportive regulatory framework.

PSNH's credit also reflects its stable financial profile, which we expect will be maintained over the next few years, including a ratio of cash flow from operations pre-working capital changes (CFO pre-W/C) to debt of about 20%, excluding the impact of securitization rate reduction bonds (RRBs). The credit profile is constrained by its small size, scale and operations in a single state, which is somewhat mitigated by its position within the large and diverse Eversource corporate family.

Exhibit 1

Historical CFO Pre-W/C, Total Debt and ratio of CFO Pre-W/C to Debt ($ MM) [1][2]



[1] Ratio of CFO Pre-W/C to Debt including the impact of Rate Reduction Bonds
[2] Adjusted ratio of CFO Pre-W/C to Debt excluding the impact of Rate Reduction Bonds
Source: Moody's Financial Metrics

Credit strengths

» Low risk regulated T&D operations

» Credit supportive New Hampshire regulatory environment allows for timely recovery of prudent costs and investments

» Substantial portion of rate base operates under the highly credit supportive FERC rate construct

» Solid financial profile expected to remain stable

» Position as part of Eversource's diverse family of low-risk regulated utilities

Credit challenges

» Relatively small size and geographic concentration in a single state

» Capital investments remain elevated and require additional debt financing

» NH regulation is based on historical test year and lacks revenue decoupling mechanism, unlike affiliated utilities operating in neighboring states

» Ongoing FERC ROE complaint proceedings continue to pose potential some uncertainty on returns

Rating outlook

PSNH's stable outlook reflects our expectation that the regulatory framework under the purview of the New Hampshire Public Utilities Commission (NHPUC) and FERC will remain credit supportive and that PSNH's financial profile will remain stable, including a ratio of CFO pre-W/C to debt of about 20%, excluding the impact of the securitization RRBs.

Factors that could lead to an upgrade

PSNH could be upgraded if the New Hampshire regulatory environment becomes more credit supportive through increased use of cost and investment recovery provisions (e.g. decoupling, forward test years, formula rates) and PSNH's financial metrics remain strong, including a ratio of CFO pre-W/C to debt above 22% on sustained basis.

Factors that could lead to a downgrade

PSNH could be downgraded if the credit supportiveness of the New Hampshire regulatory environment deteriorates such that the outcomes of rate case proceedings cause the company's financial profile to weaken through cost recovery delays or insufficient rates of return. A downgrade could also occur if PSNH's financial performance declines such that its ratio of CFO pre-W/C to debt falls below 18% for an extended period, excluding the impact of the securitization bonds.

Key indicators

Exhibit 2

Public Service Company of New Hampshire [1]

	Dec-18	Dec-19	Dec-20	Dec-21	LTM Mar-22
CFO Pre-W/C + Interest / Interest	5.8x	5.1x	6.1x	6.7x	7.0x
CFO Pre-W/C / Debt	19.4%	15.6%	17.1%	18.8%	18.7%
CFO Pre-W/C – Dividends / Debt	10.1%	-0.3%	15.9%	4.3%	4.6%
Debt / Capitalization	47.5%	47.5%	47.0%	45.8%	46.3%

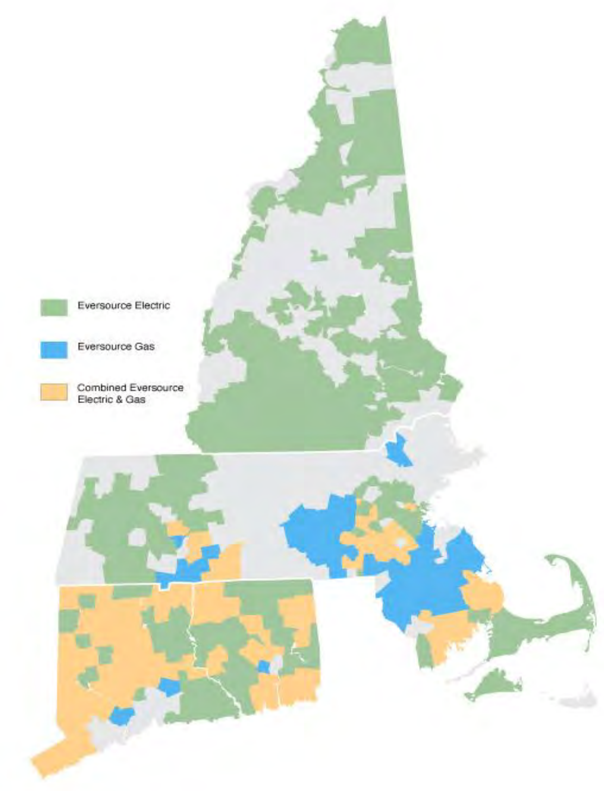
[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Source: Moody's Financial Metrics

Profile

Headquartered in Manchester, NH, Public Service Company of New Hampshire is a regulated T&D utility serving approximately 532,000 retail customers in 211 communities. PSNH is regulated by the New Hampshire Public Utilities Commission and the Federal Energy Regulatory Commission.

PSNH is the third largest subsidiary of Eversource Energy (Baa1 negative) with total assets of approximately $4.8 billion as of 31 March 2022. Its affiliated companies include the regulated electric utilities, Connecticut Light and Power (A3 stable), NSTAR Electric (A1 stable); natural gas local distribution companies, Yankee Gas Services (Baa1 stable), Eversource Gas Company of Massachusetts (unrated) and NSTAR Gas (unrated); and water companies, Aquarion Company (Baa2 stable), which operates regulated water utilities Aquarion Water Company of Connecticut (A3 stable), Aquarion Water Company of Massachusetts (unrated) and Aquarion Water Company of New Hampshire (unrated).

Exhibit 3
Eversource Energy Service Territories



Source: Eversource Energy

Detailed credit considerations

Credit supportive New Hampshire regulatory environment provides timely recovery of prudent costs and investments

PSNH's distribution assets, which account for more than half of its rate base, operate in a credit supportive New Hampshire regulatory environment overseen by the NHPUC. PSNH's customer rates allow the utility to recover its costs and investments in a relatively timely manner. PSNH recovers its power costs through a periodically adjusted default service rate; costs related to system upgrades and transmission services through a transmission cost adjustment mechanism (TCAM); and costs related to energy efficiency programs and certain stranded costs through other cost recovery charges. PSNH is also allowed to implement interim rate increases during rate case proceedings, which helps reduce regulatory lag.

On 15 December 2020, the NHPUC approved a settlement authorizing a permanent rate increase of $45 million (including a $28.3 million interim rate increase implemented 1 July 2019) effective 1 January 2021. The NHPUC also approved recovery of plant additions during 2019, 2020 and 2021 through three step increases effective 1 January 2021, 1 August 2021 and 1 August 2022. In July 2021, the NHPUC authorized the second step increase of $11 million, effective 1 August 2021, related to plant additions during 2020. The settlement was based on an authorized ROE of 9.3% and equity layer of 54.4%.

The recent settlement agreement followed PSNH's first rate case filing in a decade. As part of a 2015 Restructuring and Rate Stabilization Agreement (RRSA), PSNH agreed to a distribution rate freeze through at least 1 July 2017. PSNH's initial rate application was filed on 28 May 2019. The company originally sought a rate increase of $69.9 million, which was premised on a return on equity (ROE) of 10.4% and an equity ratio of 54.85%. The rate order also allowed PSNH to begin amortizing unrecovered storm costs of $68.5 million over a five-year period beginning 1 August 2019. The rate case process and final rate order were delayed longer than usual during 2020 due to the coronavirus pandemic.

Rate increases approved by the NHPUC are based on historical test years, adjusted for known-and-measurable changes, which tends to create regulatory lag compared to the future test years used in some other regulatory jurisdictions.

Past regulatory developments have also been credit positive, particularly the RRSA approved by the NHPUC in July 2016, which allowed PSNH to divest its generation fleet, including its fossil fuel and hydro plants. The asset sales were completed in 2018 and enabled PSNH to transition from a vertically integrated electric utility to a lower risk electric T&D utility. The company was able to recover the majority of stranded costs related to the divestiture through the use of securitization financing, since proceeds from the asset sale were lower than book value, a credit positive. On 8 May 2018, PSNH issued rate reduction bonds with proceeds of $635.7 million.

In addition, in August 2016, the NHPUC approved a settlement that established a framework for implementing statewide energy efficiency programs under an energy efficiency standard. The agreement included the implementation of a lost revenue adjustment mechanism (LRAM), effective 1 January 2017, to recover lost revenue due to the implementation of energy efficiency measures.

Transmission assets benefit from FERC regulation with stable and predictable cash flows and limited regulatory lag

A substantial portion of PSNH's rate base relates to transmission assets under the purview of FERC, which we view as highly credit supportive given its rate construct and above average authorized returns. FERC regulated rates are set based on a formulaic forward-looking cost of service model with annual true-up mechanisms that adjust for changes in network load that impacts demand. This ensures the utility's ability to earn its authorized ROE and enhances the stability and predictability of cash flow, a significant credit positive. Transmission projects generally enter rate base after they are placed into commercial operation, although certain FERC approved projects can recover construction work in progress (CWIP) costs in rates, another credit positive.

In addition, FERC regulated returns are generally higher than most states. PSNH is currently allowed a FERC regulated return of a base ROE of 10.57% plus incentive adders for a total of 11.1%. It is unclear whether the base ROE allowed by FERC for transmission owners in the Independent System Operator-New England (ISO-NE) region will be reduced further as the base ROE may be changed as FERC's ROE methodology continues to evolve. More discussion on this matter below.

Of PSNH's planned capital investments from 2022-2026, roughly $1.1 billion is geared towards growing its transmission rate base. The planned capital investments include several projects identified under a 10-year study in five different areas in New Hampshire that already have approval from the ISO-NE.

Financial profile expected to remain stable and support credit quality

For the 12-months ended 31 March 2022, PSNH's ratio of CFO pre-W/C to debt was 18.7% while its CFO pre-W/C less dividends (RCF) to debt was 4.6%. Excluding the impact of the rate reduction bonds (about $475 million outstanding as of 31 March 2022), PSNH's ratio of CFO pre-W/C to debt was about 22%.

For the LTM period, PSNH distributed $262 million up to its parent. The utility's dividends to its parent can vary year-to-year as Eversource may rely heavily on different subsidiaries depending on the year. For example, PSNH's 2020 dividend to its parent was

$22 million. Eversource typically offsets upstream dividend distributions from its subsidiaries with capital contributions down to its utilities on an as needed basis in order to maintain the utility's target capital structure. This is evidenced by the $160 million in capital contributions Eversource provided to PSNH over the same LTM period. As such, when netting parent capital contributions against dividend distributions up to the parent, PSNH's ratio of RCF to debt would have been approximately 13%.

Going forward, we expect PSNH's financial metrics to remain stable and support its credit quality. When accounting for the RRB securitization debt on balance sheet, in accordance with US GAAP accounting, we expect PSNH's ratio of CFO pre-W/C to debt to be in the high teens range. Excluding the impact of the securitization bonds, we expect PSNH's ratio of CFO pre-W/C to debt to remain consistent at about 20% over the next few years.

FERC Section 206 complaint remains an overhang, but further downward reduction in ROEs is likely limited

As a result of FERC's decisions to date, authorized ROEs for New England transmission owners, including PSNH, have been reduced compared to returns, pre-complaints. While the complaint proceedings are still pending final resolution from FERC, we expect any further changes in authorized ROEs to be limited. We expect total ROEs, including incentive adders, should still remain above the average authorized ROEs allowed in most states. In addition, we do not expect any changes to the formulaic, forward-looking, credit supportive ratemaking framework allowed by the FERC.

Four separate complaints were filed at FERC by groups of New England state attorneys general, state regulatory commissions, consumer advocates, consumer groups, municipal parties and other parties challenging the historical authorized base ROE of 11.14% that had been utilized by New England transmission owners since 2005. Each complaint covered a refund period of 15 months. FERC ruled on the first ISO-NE Section 206 complaint in June 2014 and cut the authorized ROE to 10.57% from 11.14%. FERC's order also limited the total authorized ROE, including incentive adders, to 11.74%, which is the high end of the zone of reasonableness.

PSNH has refunded $2.8 million associated with the first complaint, reflecting reductions in both the base ROE and the incentive cap, for the refund period from October 2011 to December 2012. Additionally, PSNH has reserved $3.1 million for the difference in rates during the refund period of December 2012 through March 2014 for the second complaint. No reserves were recorded for the later complaints because tariff rates are set based on the current 10.57% base authorized ROE established by FERC in response to the first complaint. While we continue to expect the final authorized ROEs to remain below the historical base rate of 11.14%, we do not expect the authorized ROE to be much lower than the 10.57% base ROE that FERC originally ruled on in the first complaint in June 2014.

In April 2021, the FERC issued a Supplemental Notice of Proposed Rulemaking (SNOPR), which proposes to modify the NOPR's incentive for participation in an RTO by limiting the incentive for utilities participating in an RTO to 50 bps and only permitting them to earn the incentive for three years. If this proposal ends up being included in a final rule, PSNH would no longer be eligible for the 50 bps RTO incentive adder. However, a time frame has not been established for FERC to issue a final rule, and any impacts would be prospective. The elimination of the adder would be credit negative but it is not expected to materially impact the company's financial profile.

ESG considerations

PSNH has low carbon transition risk within the regulated utility sector, particularly compared to vertically integrated electric utilities, mainly due to its lack of generation asset ownership. All commodity costs associated with power procurement for customers are passed through to customers with effective cost recovery mechanisms. PSNH continues to invest in hardening, modernizing, and making its electric distribution network more resilient and reliable particularly as the company faces extreme weather events due to climate change.

Social risks are primarily related to health and safety, demographic and societal trends, customer and regulatory relations. PSNH continues to work towards ensuring safe, reliable and affordable electricity service to its customers by investing in its transmission and distribution infrastructure and maintaining safe working conditions for employees. Regarding affordability, we see the potential for rising social risks associated with an inflationary environment, rising energy bills stemming from higher natural gas prices and the potential effect of increasing interest rates longer term. A higher inflationary environment could make customers less able to absorb rate increases. Should this influence state regulators' decisions on rate increases or cost recovery, the company's financial profile and cash flow coverage ratios could weaken.

From a governance perspective, financial and risk management policies including a strong financial profile are important characteristics for managing environmental and social risks, particularly considering the company's elevated capital expenditure program. PSNH's governance is based on its parent, Eversource. We view the management and governance of PSNH as generally strong and consistent with Eversource's overall governance.

Liquidity analysis

PSNH maintains sufficient liquidity reflecting its stable and predictable cash flow generation, modest cash balance and access to its parent's joint revolving credit facility. As of 31 March 2022, PSNH had around $4 million of cash on hand.

For the 12-months ended 31 March 2022, PSNH generated cash flow from operations of $319 million, incurred capital expenditures of $366 million and distributed dividends to its parent of $262 million, resulting in negative free cash flow of $308 million. The shortfall in meeting its outflows using internally generated cash flow was primarily funded with long-term debt issuances and capital contributions from its parent. Over the next few years, we expect that PSNH will continue to fund its capital investment needs using internally generated cash, short and long-term debt borrowings and capital contributions from its parent. We expect that PSNH's financial policies including its dividend policy, parent equity contributions and any long-term debt issuances, will be managed in a manner that maintains the utility's targeted capital structure including an equity ratio of about 54% authorized by regulators.

PSNH, along with affiliated entities, CL&P, NSTAR Gas, Yankee Gas, EGMA and AWC-CT have access to Eversource's $2 billion revolving joint credit facility that expires on 15 October 2026. Under the revolving credit facility, PSNH has a borrowing sublimit of up to $300 million. Borrowings under this facility are not subject to a material adverse change clause, but there is one financial maintenance covenant that sets a limit of total debt to total capitalization of 65%. Eversource and its subsidiaries were in compliance with the financial maintenance covenant as of 31 March 2022. Eversource uses the facility totaling $2 billion to backstop its same sized commercial paper program. Eversource has typically used its short-term financings to help fund its subsidiaries' capex programs, pension contributions, working capital requirements (including any storm related costs) and/or debt repayments until longer term financing is arranged. At 31 March 2022, approximately $606.2 million was available on the commercial paper program. There was $196.4 million of intercompany loans from Eversource to PSNH as of 31 March 2022.

PSNH's nearest debt maturities are $325 million of bonds due in November 2023.

Rating methodology and scorecard factors

Exhibit 4
Methodology Scorecard Factors
Public Service Company of New Hampshire

Regulated Electric and Gas Utilities Industry Scorecard [1][2]	Current LTM 3/31/2022		Moody's 12-18 Month Forward View As of Date Published [3]	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	A	A	A	A
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	A	A	A	A
b) Sufficiency of Rates and Returns	A	A	A	A
Factor 3 : Diversification (10%)				
a) Market Position	Baa	Baa	Baa	Baa
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	6.1x	Aa	6x - 6.5x	Aa
b) CFO pre-WC / Debt (3 Year Avg)	17.2%	Baa	19% - 22%	A
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	6.9%	Ba	12% - 15%	Baa
d) Debt / Capitalization (3 Year Avg)	46.9%	A	44% - 48%	A
Rating:				
Scorecard-Indicated Outcome Before Notching Adjustment		A3		A2
HoldCo Structural Subordination Notching		0		0
a) Scorecard-Indicated Outcome		A3		A2
b) Actual Rating Assigned		A3		A3

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 3/31/2022(L)
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics

Appendix

Exhibit 5

Cash Flow and Credit Metrics [1]

CF Metrics	Dec-18	Dec-19	Dec-20	Dec-21	LTM Mar-22
As Adjusted					
FFO	**312**	**267**	**316**	**338**	**348**
+/- Other	0	0	0	0	0
CFO Pre-WC	**312**	**267**	**316**	**338**	**348**
+/- ΔWC	-50	16	-64	29	2
CFO	**262**	**283**	**252**	**367**	**350**
- Div	150	271	22	261	262
- Capex	326	309	365	357	397
FCF	**-214**	**-297**	**-135**	**-251**	**-308**
(CFO Pre-W/C) / Debt	19.4%	15.6%	17.1%	18.8%	18.7%
(CFO Pre-W/C - Dividends) / Debt	10.1%	-0.3%	15.9%	4.3%	4.6%
FFO / Debt	19.4%	15.6%	17.1%	18.8%	18.7%
RCF / Debt	10.1%	-0.3%	15.9%	4.3%	4.6%
Revenue	1,048	1,066	1,079	1,177	1,223
Interest Expense	65	64	62	60	58
Net Income	88	127	136	139	137
Total Assets	4,137	4,351	4,665	4,741	4,802
Total Liabilities	2,837	2,964	3,122	3,148	3,190
Total Equity	1,301	1,386	1,543	1,593	1,612

[1] All figures and ratios are calculated using Moody's estimates and standard adjustments. Periods are Financial Year-End unless indicated. LTM = Last Twelve Months
Source: Moody's Financial Metrics

Exhibit 6

Peer Comparison Table [1]

	Public Service Company of New Hampshire A3 (Stable)			NSTAR Electric Company A1 (Stable)			Unitil Energy Systems, Inc. Baa1 (Stable)			Connecticut Light and Power Company (The) A3 (Stable)			Consolidated Edison Company of New York, Inc. Baa1 (Stable)		
(In US millions)	FYE Dec-20	FYE Dec-21	LTM Mar-22	FYE Dec-20	FYE Dec-21	LTM Mar-22	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-20	FYE Dec-21	LTM Mar-22	FYE Dec-20	FYE Dec-21	LTM Mar-22
Revenue	1,079	1,177	1,223	2,941	3,056	3,182	162	159	173	3,548	3,637	3,936	10,647	11,716	12,028
CFO Pre-W/C	316	338	348	870	844	870	23	28	32	617	861	839	2,200	2,693	3,003
Total Debt	1,842	1,799	1,863	4,082	4,199	4,316	131	149	130	4,409	4,281	4,281	20,710	20,296	20,003
CFO Pre-W/C + Interest / Interest	6.1x	6.7x	7.0x	7.0x	6.3x	6.3x	4.2x	5.1x	5.7x	4.7x	5.9x	5.8x	3.8x	4.3x	4.7x
CFO Pre-W/C / Debt	17.1%	18.8%	18.7%	21.3%	20.1%	20.1%	17.9%	18.8%	24.4%	14.0%	20.1%	19.6%	10.6%	13.3%	15.0%
CFO Pre-W/C – Dividends / Debt	15.9%	4.3%	4.6%	14.9%	13.3%	16.7%	13.5%	14.3%	20.4%	12.3%	12.1%	11.5%	5.9%	8.4%	10.1%
Debt / Capitalization	47.0%	45.8%	46.3%	40.5%	39.0%	39.5%	52.4%	52.8%	47.1%	40.4%	38.2%	37.5%	49.3%	46.8%	45.9%

[1] All figures & ratios calculated using Moody's estimates & standard adjustments. FYE = Financial Year-End. LTM = Last Twelve Months. RUR* = Ratings under Review, where UPG = for upgrade and DNG = for downgrade
Source: Moody's Financial Metrics

Ratings

Exhibit 7

Category	Moody's Rating
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE	
Outlook	Stable
Issuer Rating	A3
First Mortgage Bonds	A1
PARENT: EVERSOURCE ENERGY	
Outlook	Negative
Issuer Rating	Baa1
Senior Unsecured	Baa1
Pref. Shelf	(P)Baa3
Commercial Paper	P-2

Source: Moody's Investors Service

REPORT NUMBER 1332385

MOODY'S
INVESTORS SERVICE

Public Service Company of New Hampshire

The 'A–' Long-Term Issuer Default Rating (IDR) of Public Service Company of New Hampshire (PSNH) primarily reflects the utility's low-risk regulated electric transmission and distribution (T&D) operations and strong financial profile.

Key Rating Drivers

Low-Risk Business Profile: PSNH's ratings largely reflect the low business risk and stable cash flow of its regulated electric T&D operations. PSNH has no commodity exposure and fully passes through all power supply costs to customers. A significant share of PSNH's rate base is derived from electric transmission investments regulated by the Federal Energy Regulatory Commission (FERC).

Balanced Regulatory Environment: Fitch Ratings considers the regulatory environment overseen by the New Hampshire Public Utilities Commission (NHPUC) to be somewhat balanced. Authorized ROEs are lower than the industry average, but a transmission cost adjustment and lost revenue adjustment mechanisms help to provide some cash flow stability. The NHPUC allowed PSNH to issue rate reduction bonds in 2018 to recover the stranded costs associated with the state-mandated sale of PSNH's thermal and hydroelectric generation facilities. PSNH's FERC-regulated electric transmission business provides beneficial regulatory diversification.

2019 Rate Case Decision: Fitch considers the outcome of PSNH's 2019 rate case to be balanced and supportive of credit quality. The NHPUC approved a settlement on June 27, 2019 to implement a temporary annual base distribution rate increase of $28.3 million. The new rates were implemented Aug. 1, 2019 and were effective July 1, 2019. The agreement also permitted PSNH to recover approximately $68.5 million in unrecovered storm costs over five years beginning Aug. 1, 2019, with debt carrying charges, included in the temporary rate increase.

On Dec. 15, 2020, the NHPUC approved an Oct. 9, 2020 settlement agreement that included a permanent rate increase of $45.0 million at PSNH, effective Jan. 1, 2021. PSNH was also permitted three step increases, effective Jan. 1, 2021, Aug. 1, 2021 and Aug. 1, 2022, to reflect plant additions in 2019, 2020 and 2021, respectively. The agreement allowed for the effect of the permanent rate increase to be extended back to the temporary rate period. In lieu of a customer rate increase for this recoupment of revenue, the NHPUC directed a portion of PSNH's regulatory liability from the 2017 Tax Cuts and Jobs Act to offset bill effects to customers.

On Dec. 23, 2020, the NHPUC approved the first step adjustment for 2019 plant in service to recover a revenue requirement of $10.6 million, effective Jan. 1, 2021. On July 30, 2021, the NHPUC approved the second step adjustment for 2020 plant in service to recover a revenue requirement of $11.0 million, subject to reconciliation after completion of an audit, with rates effective Aug. 1, 2021.

Transmission Capex: PSNH's capex became more focused on transmission assets following the 2018 sale of the utility's generation facilities. Management expects to spend approximately $1.15 billion on transmission capex over 2022–2026. FERC-regulated transmission projects receive timely recovery of their costs, formulaic rates and attractive ROEs, which should enable PSNH to maintain its solid financial profile.

Strong Financial Metrics: PSNH's ratings are also supported by strong financial metrics. Growth in FERC-regulated transmission projects is expected to further strengthen cash flows,

Ratings

Rating Type	Rating	Outlook	Last Rating Action
Long-Term IDR	A–	Stable	Affirmed April 8, 2022
Senior Secured Debt	A+	—	Affirmed April 8, 2022

Click here for full list of ratings

Applicable Criteria

Parent and Subsidiary Linkage Rating Criteria (December 2021)

Corporate Rating Criteria (October 2021)

Sector Navigators - Addendum to the Corporate Rating Criteria (October 2021)

Corporates Recovery Ratings and Instrument Ratings Criteria (April 2021)

Corporate Hybrids Treatment and Notching Criteria (November 2020)

Related Research

The Connecticut Light and Power Company (June 2022)

Eversource Energy (June 2022)

NSTAR Electric Company (June 2022)

NSTAR Gas Company (June 2022)

North American Utilities: Weathering the Storm (Fourth-Quarter and YE 2021 Earnings Wrap-Up) (March 2022)

Fitch Ratings 2022 Outlook: North American Utilities, Power and Gas (December 2021)

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with reductions in operations and maintenance expense and other cost-cutting initiatives improving EBITDA margins. Fitch expects PSNH's FFO leverage to average around 3.8x–4.2x through 2025.

Parent/Subsidiary Linkage: Parent and subsidiary linkage exists and follows a weak parent/strong subsidiary approach. Fitch considers PSNH and sister utilities NSTAR Electric Company (A/Stable), The Connecticut Light and Power Company (CL&P; A–/Stable) and NSTAR Gas Company (A–/Stable) to be stronger than parent Eversource Energy (BBB+/Stable) due to the utilities' low-risk, regulated operations and the relatively balanced regulatory jurisdictions in which they operate.

Fitch considers the legal ring-fencing factor "porous" due to the general protections afforded by economic regulation, including a restriction on dividend payments; the access and control factor is also evaluated as "porous." Eversource centrally manages the treasury function for its utilities and is the sole source of equity. Eversource and most of its utility subsidiaries share a revolving credit facility; however, each subsidiary issues its own long-term debt. Fitch would allow the utilities' Long-Term IDRs to be up to two notches higher than Eversource's.

Financial Summary

($ Mil., as of Dec. 31)	2018	2019	2020	2021
Gross Revenue	1,006	1,002	1,016	1,116
Operating EBITDA	247	246	261	291
Cash Flow from Operations (Fitch Defined)	186	231	175	293
Capital Intensity (Capex/Revenue) (%)	27.6	30.8	33.7	29.3
Total Debt with Equity Credit	864	984	1,153	1,286
FFO Leverage (x)	2.8	4.1	4.8	3.7
FFO Interest Coverage (x)	6.5	5.6	5.9	8.9
Total Debt with Equity Credit/Operating EBITDA (x)	3.5	4.0	4.4	4.4

Source: Fitch Ratings, Fitch Solutions.

Rating Derivation Relative to Peers

PSNH compares adequately with peers at its 'A–' Long-Term IDR. PSNH has a similar business risk profile as Central Maine Power Company (CMP; BBB+/Stable) and The United Illuminating Company (UI; A–/Stable). PSNH operates in what Fitch considers to be a relatively balanced regulatory environment in New Hampshire, while CMP and UI operate in somewhat more restrictive regulatory environments in Maine and Connecticut. All three entities benefit from significant exposure to FERC-regulated transmission assets, which are relatively low risk and provide stable and predictable cash flow. Fitch expects FFO leverage to average around 3.8x–4.2x through 2025 for PSNH, 3.2x–3.8x for CMP, and 3.2x–3.6x for UI.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- FFO leverage expected to remain less than 3.5x on a sustained basis.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- FFO leverage expected to exceed 4.5x on a sustained basis;
- An adverse regulatory decision that meaningfully reduces the stability and predictability of earnings and cash flow.

Liquidity and Debt Structure

Adequate Liquidity: Fitch considers the liquidity for Eversource and each of its regulated utility subsidiaries to be adequate.

Eversource has a $2.0 billion CP program that it uses to provide its subsidiaries with intercompany loans. Eversource had $1,393.8 million of CP borrowings outstanding at March 31, 2022, leaving $606.2 million of available borrowing capacity.

Eversource, CL&P, PSNH, NSTAR Gas, Yankee Gas Services Company (not rated), Eversource Gas Company of Massachusetts (EGMA; not rated) and Aquarion Water Company of Connecticut (not rated) participate in a joint $2.0 billion revolving credit facility (RCF) that terminates on Oct. 15, 2026. Under the RCF, CL&P has a $600 million borrowing sublimit; PSNH, NSTAR Gas, EGMA and Yankee Gas each has a $300 million sublimit; and Aquarion Water Company of Connecticut has a $100 million sublimit. The RCF serves to backstop Eversource's CP program. No RCF borrowings were outstanding as of March 31, 2022.

Eversource and its utility subsidiaries require modest cash on hand and had $46.2 million of unrestricted cash at March 31, 2022.

Manageable Debt Maturities: Long-term debt maturities over the next five years are manageable. PSNH has $325 million of 3.5% first mortgage bonds due Nov. 1, 2023.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Liquidity and Debt Maturities

Liquidity Analysis

($ Mil.)	12/31/20	12/31/21
Total Cash and Cash Equivalents	0	0
Short-Term Investments	0	0
Less: Not Readily Available Cash and Cash Equivalents	0	0
Fitch-Defined Readily Available Cash and Cash Equivalents	**0**	**0**
Availability Under Committed Lines of Credit	254	189
Total Liquidity	**254**	**189**
LTM EBITDA After Associates and Minorities	261	291
LTM FCF	(190)	(294)

Source: Fitch Ratings, Fitch Solutions, Public Service Company of New Hampshire.

Scheduled Long-Term Debt Maturities

($ Mil.)	12/31/21
2022	0
2023	325
2024	0
2025	0
2026	0
Thereafter	850
Total	**1,175**

Source: Fitch Ratings, Fitch Solutions, Public Service Company of New Hampshire.

Key Assumptions

Fitch's Key Assumptions Within Its Rating Case for the Issuer Include

- Transmission capex totaling $1.15 billion over 2022–2026;
- Operating and maintenance expense relatively flat;
- Normal weather.

Financial Data

	Historical			
($ Mil., as of Dec. 31)	2018	2019	2020	2021
Summary Income Statement				
Gross Revenue	1,006	1,002	1,016	1,116
Revenue Growth (%)	2.5	(0.4)	1.4	9.8
Operating EBITDA (Before Income from Associates)	247	246	261	291
Operating EBITDA Margin (%)	24.5	24.6	25.7	26.0
Operating EBITDAR	249	246	261	291
Operating EBITDAR Margin (%)	24.8	24.6	25.7	26.0
Operating EBIT	182	195	204	214
Operating EBIT Margin (%)	18.1	19.5	20.0	19.2
Gross Interest Expense	(48)	(42)	(41)	(39)
Pretax Income (Including Associate Income/Loss)	163	175	179	190
Summary Balance Sheet				
Readily Available Cash and Equivalents	1	0	0	0
Total Debt with Equity Credit	864	984	1,153	1,286
Total Adjusted Debt with Equity Credit	884	986	1,155	1,286
Net Debt with Equity Credit	863	984	1,153	1,286
Summary Cash Flow Statement				
Operating EBITDA	247	246	261	291
Cash Interest Paid	(48)	(42)	(41)	(39)
Cash Tax	(27)	(3)	(34)	(51)
Dividends Received Less Dividends Paid to Minorities (Inflow/(Out)flow)	0	0	0	0
Other Items Before FFO	90	(5)	12	110
Funds Flow from Operations	262	196	198	310
FFO Margin (%)	26.1	19.5	19.5	27.8
Change in Working Capital	(76)	36	(23)	(17)
Cash Flow from Operations (Fitch Defined)	186	231	175	293
Total Non-Operating/Nonrecurring Cash Flow	0	0	0	0
Capex	(277)	(309)	(343)	(326)
Capital Intensity (Capex/Revenue) (%)	27.6	30.8	33.7	29.3
Common Dividends	(150)	(271)	(22)	(261)
FCF	(241)	(349)	(190)	(294)
Net Acquisitions and Divestitures	199	0	0	0
Other Investing and Financing Cash Flow Items	(22)	55	38	45
Net Debt Proceeds	231	68	126	89
Net Equity Proceeds	(165)	225	25	160
Total Change in Cash	1	(1)	0	0
Leverage Ratios (x)				
Total Net Debt with Equity Credit/Operating EBITDA	3.5	4.0	4.4	4.4
Total Adjusted Debt/Operating EBITDAR	3.5	4.0	4.4	4.4

	Historical			
($ Mil., as of Dec. 31)	**2018**	**2019**	**2020**	**2021**
Total Adjusted Net Debt/Operating EBITDAR	3.5	4.0	4.4	4.4
Total Debt with Equity Credit/Operating EBITDA	3.5	4.0	4.4	4.4
FFO Adjusted Leverage	2.8	4.1	4.8	3.7
FFO Adjusted Net Leverage	2.8	4.1	4.8	3.7
FFO Leverage	2.8	4.1	4.8	3.7
FFO Net Leverage	2.8	4.1	4.8	3.7
Calculations for Forecast Publication				
Capex, Dividends, Acquisitions and Other Items Before FCF	(229)	(580)	(365)	(587)
FCF After Acquisitions and Divestitures	(43)	(349)	(190)	(294)
FCF Margin (After Net Acquisitions) (%)	(4.2)	(34.8)	(18.7)	(26.4)
Coverage Ratios (x)				
FFO Interest Coverage	6.5	5.6	5.9	8.9
FFO Fixed-Charge Coverage	6.2	5.6	5.9	8.9
Operating EBITDAR/Interest Paid + Rents	5.0	5.8	6.4	7.4
Operating EBITDA/Interest Paid	5.2	5.8	6.4	7.4
Additional Metrics (%)				
CFO-Capex/Total Debt with Equity Credit	(10.6)	(7.9)	(14.5)	(2.6)
CFO-Capex/Total Net Debt with Equity Credit	(10.6)	(7.9)	(14.5)	(2.6)

CFO – Cash flow from operations.
Source: Fitch Ratings, Fitch Solutions.

Ratings Navigator

FitchRatings

Public Service Company of New Hampshire

ESG Relevance:

Corporates Ratings Navigator
North American Utilities

Bar Chart Legend:			
Vertical Bars = Range of Rating Factor		Bar Arrows = Rating Factor Outlook	
Bar Colors = Relative Importance		⇧	Positive
■	Higher Importance	⇩	Negative
■	Average Importance	⇳	Evolving
■	Lower Importance	□	Stable

FitchRatings

Public Service Company of New Hampshire

Corporates Ratings Navigator
North American Utilities

Operating Environment

aa+	Economic Environment	aa	Very strong combination of countries where economic value is created and where assets are located.
aa	Financial Access	aa	Very strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance	aa	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
b-			
ccc+			

Management and Corporate Governance

aa-	Management Strategy	aa	Coherent strategy and very strong track record in implementation.
a+	Governance Structure	a	Experienced board exercising effective check and balances. Ownership can be concentrated among several shareholders.
a	Group Structure	a	Group structure shows some complexity but mitigated by transparent reporting.
a-	Financial Transparency	a	High quality and timely financial reporting.
bbb+			

Regulatory Environment

a	Degree of Transparency and Predictability	bbb	Generally transparent and predictable regulation with limited political interference.
a-	Timeliness of Cost Recovery	a	Minimal lag to recover capital and operating costs.
bbb+	Trend in Authorized ROEs	bbb	Average authorized ROE.
bbb	Mechanisms Available to Stabilize Cash Flows	bbb	Revenues partially insulated from variability in consumption.
bbb-	Mechanisms Supportive of Creditworthiness	bbb	Effective regulatory ring-fencing or minimum creditworthiness requirements.

Market Position

a	Market Structure	a	Well-established market structure with complete transparency in price-setting mechanisms.
a-	Consumption Growth Trend	bbb	Customer and usage growth in line with industry averages.
bbb+	Customer Mix	a	Favorable customer mix.
bbb	Geographic Location	bbb	Beneficial location or reasonable locational diversity.
bbb-	Supply Demand Dynamics	bbb	Moderately favorable outlook for prices/rates.

Asset Base and Operations

a+	Diversity of Assets	bbb	Good quality and/or reasonable scale diversified assets.
a	Operations Reliability and Cost Competitiveness	a	Track record of reliable, low-cost operations.
a-	Exposure to Environmental Regulations	a	No exposure to environmental regulations.
bbb+	Capital and Technological Intensity of Capex	bbb	Moderate reinvestments requirements in established technologies.
bbb			

Commodity Exposure

aa-	Ability to Pass Through Changes in Fuel	a	Complete pass-through of commodity costs.
a+	Underlying Supply Mix	a	Extremely low cost and flexible supply.
a	Hedging Strategy	a	Highly captive supply and customer base.
a-			
bbb+			

Profitability

a+	Free Cash Flow	bbb	Structurally neutral to negative FCF across the investment cycle.
a	Volatility of Profitability	a	Higher stability and predictability of profits relative to utility peers.
a-			
bbb+			
bbb			

Financial Structure

a+	FFO Leverage	a	3.5x
a	Total Debt With Equity Credit/Op. EBITDA	a	3.25x
a-			
bbb+			
bbb			

Financial Flexibility

a+	Financial Discipline	a	Clear commitment to maintain a conservative policy with only modest deviations allowed.
a	Liquidity	bbb	One-year liquidity ratio above 1.25x. Well-spread maturity schedule of debt but funding may be less diversified.
a-	FFO Interest Coverage	a	5.5x
bbb+			
bbb			

Credit-Relevant ESG Derivation

Public Service Company of New Hampshire has 9 ESG potential rating drivers

- Plants' and networks' exposure to extreme weather
- Product affordability and access
- Quality and safety of products and services; data security
- Impact of labor negotiations and employee (dis)satisfaction
- Social resistance to major projects that leads to delays and cost increases
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG
key driver	0	issues	5
driver	0	issues	4
potential driver	9	issues	3
not a rating driver	3	issues	2
	2	issues	1

For further details on Credit-Relevant ESG scoring, see page 3.

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

FitchRatings

Public Service Company of New Hampshire

Corporates Ratings Navigator
North American Utilities

Credit-Relevant ESG Derivation

Public Service Company of New Hampshire has 9 ESG potential rating drivers

- Public Service Company of New Hampshire has exposure to extreme weather events but this has very low impact on the rating.
- Public Service Company of New Hampshire has exposure to access/affordability risk but this has very low impact on the rating.
- Public Service Company of New Hampshire has exposure to customer accountability risk but this has very low impact on the rating.
- Public Service Company of New Hampshire has exposure to labor relations & practices risk but this has very low impact on the rating.
- Public Service Company of New Hampshire has exposure to social resistance but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	9	issues	3
not a rating driver	3	issues	2
	2	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	Emissions from operations	Asset Base and Operations; Commodity Exposure; Regulation; Profitability	5
Energy Management	2	Fuel use to generate energy and serve load	Asset Base and Operations; Commodity Exposure; Profitability	4
Water & Wastewater Management	1	Water used by hydro plants or by other generation plants, also effluent management	Asset Base and Operations; Regulation; Profitability	3
Waste & Hazardous Materials Management; Ecological Impacts	2	Impact of waste from operations	Asset Base and Operations; Regulation; Profitability	2
Exposure to Environmental Impacts	3	Plants' and networks' exposure to extreme weather	Asset Base and Operations; Regulation; Profitability	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Asset Base and Operations; Regulation; Profitability; Financial Structure	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Regulation; Profitability	4
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Asset Base and Operations; Profitability	3
Employee Wellbeing	2	Worker safety and accident prevention	Profitability; Asset Base and Operations	2
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Asset Base and Operations; Profitability	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance	5
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance	4
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance	3
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance	2
				1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

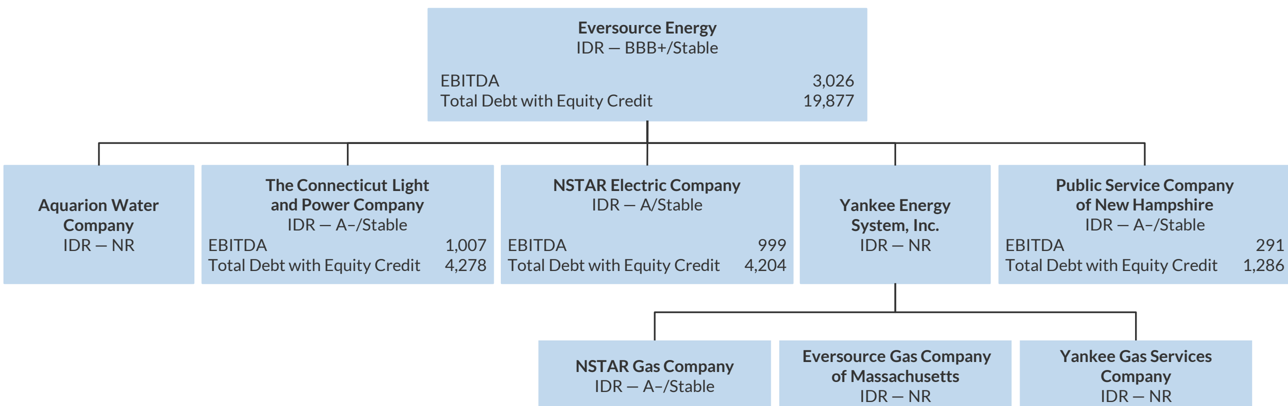
CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram

Organizational Structure — Public Service Company of New Hampshire
($ Mil., as of Dec. 31, 2021)



IDR – Issuer Default Rating. NR – Not rated.
Source: Fitch Ratings, Fitch Solutions, Public Service Company of New Hampshire.

Peer Financial Summary

Company	Issuer Default Rating	Financial Statement Date	Gross Revenue ($ Mil.)	Funds Flow from Operations ($ Mil.)	FFO Leverage (x)	FFO Interest Coverage (x)	Total Debt with Equity Credit/Operating EBITDA (x)
Public Service Company of New Hampshire	A–						
	A–	2021	1,116	310	3.7	8.9	4.4
	A–	2020	1,016	198	4.8	5.9	4.4
	A–	2019	1,002	196	4.1	5.6	4.0
The Connecticut Light and Power Company	A–						
	A–	2021	3,637	700	4.9	5.0	4.2
	A–	2020	3,548	581	5.3	4.5	3.7
	A–	2019	3,233	711	4.2	5.4	3.7
NSTAR Electric Company	A						
	A	2021	3,056	715	4.8	5.6	4.2
	A	2020	2,941	667	4.8	5.7	4.0
	A	2019	3,045	724	4.0	6.8	3.7
Central Maine Power Company	BBB+						
	BBB+	2020	888	283	3.9	6.0	3.7
	BBB+	2019	819	302	3.3	6.4	3.6
	BBB+	2018	848	254	3.5	5.1	3.1
The United Illuminating Company	A–						
	A–	2020	1,047	257	3.0	6.8	3.0
	A–	2019	989	278	2.7	7.5	3.0
	BBB+	2018	970	263	2.8	7.2	3.1

Source: Fitch Ratings, Fitch Solutions.

Fitch Adjusted Financials

($ Mil., as of Dec. 31, 2021)	Notes and Formulas	Reported Values	Sum of Adjustments	Fair Value and Other Debt Adjustments	CORP-Lease Treatment	Other Adjustments	Adjusted Values
Income Statement Summary							
Revenue		1,177	(62)			(62)	1,116
Operating EBITDAR		352	(62)		(0)	(62)	291
Operating EBITDAR After Associates and Minorities	(a)	352	(62)		(0)	(62)	291
Operating Lease Expense	(b)	0					0
Operating EBITDA	(c)	352	(62)		(0)	(62)	291
Operating EBITDA After Associates and Minorities	(d) = (a-b)	352	(62)		(0)	(62)	291
Operating EBIT	(e)	232	(18)			(18)	214
Debt and Cash Summary							
Total Debt with Equity Credit	(f)	1,783	(497)	(11)		(486)	1,286
Lease-Equivalent Debt	(g)	0					0
Other Off-Balance-Sheet Debt	(h)	0					0
Total Adjusted Debt with Equity Credit	(i) = (f+g+h)	1,783	(497)	(11)		(486)	1,286
Readily Available Cash and Equivalents	(j)	0					0
Not Readily Available Cash and Equivalents		0					0
Cash Flow Summary							
Operating EBITDA After Associates and Minorities	(d) = (a-b)	352	(62)		(0)	(62)	291
Preferred Dividends (Paid)	(k)	0					0
Interest Received	(l)	0					0
Interest (Paid)	(m)	(57)	17		17	(0)	(39)
Cash Tax (Paid)		(51)					(51)
Other Items Before FFO		108	1		(17)	18	110
Funds from Operations (FFO)	(n)	353	(43)		(0)	(43)	310
Change in Working Capital (Fitch-Defined)		(17)					(17)
Cash Flow from Operations (CFO)	(o)	336	(43)		(0)	(43)	293
Non-Operating/Nonrecurring Cash Flow		0					0
Capital (Expenditures)	(p)	(326)					(326)
Common Dividends (Paid)		(261)					(261)
Free Cash Flow (FCF)		(251)	(43)		(0)	(43)	(294)
Gross Leverage (x)							
Total Adjusted Debt/Operating EBITDAR[a]	(i/a)	5.1					4.4
FFO Adjusted Leverage	(i/(n-m-l-k+b))	4.4					3.7
FFO Leverage	(i-g)/(n-m-l-k)	4.4					3.7
Total Debt with Equity Credit/Operating EBITDA[a]	(i-g)/d	5.1					4.4
(CFO-Capex)/Total Debt with Equity Credit (%)	(o+p)/(i-g)	0.5					(2.6)
Net Leverage (x)							
Total Adjusted Net Debt/Operating EBITDAR[a]	(i-j)/a	5.1					4.4
FFO Adjusted Net Leverage	(i-j)/(n-m-l-k+b)	4.4					3.7
FFO Net Leverage	(i-g-j)/(n-m-l-k)	4.4					3.7
Total Net Debt with Equity Credit/Operating EBITDA[a]	(i-g-j)/d	5.1					4.4
(CFO-Capex)/Total Net Debt with Equity Credit (%)	(o+p)/(i-g-j)	0.5					(2.6)
Coverage (x)							
Operating EBITDA/(Interest Paid + Lease Expense)[a]	a/(-m+b)	6.2					7.4
Operating EBITDA/Interest Paid[a]	d/(-m)	6.2					7.4
FFO Fixed-Charge Coverage	(n-l-m-k+b)/(-m-k+b)	7.2					8.9
FFO Interest Coverage	(n-l-m-k)/(-m-k)	7.2					8.9

[a]EBITDA/R after dividends to associates and minorities.
Source: Fitch Ratings, Fitch Solutions, Public Service Company of New Hampshire.

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S&P Global Ratings

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Research Update:

Eversource Energy And Most Subsidiary Outlooks Revised To Positive On The Potential Sale Of Its Offshore Wind Interest

May 9, 2022

Rating Action Overview

- Eversource Energy announced that it is exploring strategic alternatives, including the potential sale of all or part its offshore wind joint venture with Orsted. The company intends to use the proceeds from such a sale to fund its regulated businesses activities and pay down debt.
- Because we believe that this strategic pivot could reduce its business risk, we revised our outlook on Eversource and its subsidiaries, except for Public Service Co. of New Hampshire (PSCNH), to positive from stable. At the same time, we affirmed all of our ratings on the companies, including our 'A-' long-term issuer credit rating (ICR) on Eversource.
- The stable outlook on PSCNH reflects our expectation that it will continue to effectively manage its regulatory risk while maintaining stand-alone funds from operations (FFO) to debt of between 17% and 20%.
- The positive outlook on Connecticut Light & Power Co. (CL&P) reflects our outlook on Eversource, as well as the likelihood the company will continue to effectively manage its regulatory risk while maintaining stand-alone FFO to debt of consistently above 21%.
- The positive outlook on Eversource and its other subsidiaries 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 consolidated FFO to debt of more than 13% while continuing to effectively manage its regulatory risk in Connecticut and Massachusetts.

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Rating Action Rationale

The positive outlook revision follows Eversource's announcement that it will explore strategic alternatives, including the potential sale of its entire offshore wind joint venture with Orsted. In addition, the company has publicly stated that if it does sell its ownership interest, it would use the sale proceeds to fund its regulated utility businesses and pay down debt. Furthermore, we view its generation business as entailing higher risks than its transmission and distribution (T&D) business. As such, the positive outlook incorporates our expectation that Eversource's sole strategic focus will be its low-risk T&D businesses.

If Eversource sells its offshore wind interest and maintains its focus on its regulated utility businesses, we would likely view its operations as having less business risk. We view the offshore wind business as introducing construction risks, supply chain risks, and counterparty risks that are materially different than for the company's network utility operations. Overall, we view Eversource's utility businesses as being at the low end of the utility risk spectrum because it generates about 80% of its rate base from its electric distribution and transmission assets and the remaining portion from its gas distribution and water operations. Furthermore, the company has a long-term trend of effectively managing its regulatory risk for these businesses because it benefits from a number of beneficial cost-recovery mechanisms, such as capital trackers, commodity cost trackers, inflationary protection, forward-looking test years, and interim rates in between base-rate cases. Eversource's operations are primarily regulated in Connecticut (about 30% of total operations), Massachusetts (about 30%), and New Hampshire (about 5%) and about 35% of its operations are regulated by the Federal Energy Regulatory Commission (FERC).

Under our base-case scenario, we assume the company maintains 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.

The outlook revision for CL&P also reflects our expectation for an improvement in its stand-alone financial measures. The subsidiary reduced its S&P Global Ratings-adjusted debt by about $350 million (about 5%-10%) through an improvement in its pension funding, which largely stemmed from a revision in its actuarial assumptions and favorable asset returns. Furthermore, Eversource infused about $200 million of equity into the company in 2021 after it paid out bill credits to its customers following its storm response. Our base case assumes stand-alone capital spending of about $750 million annually, the continuation of its use of existing regulatory mechanisms, and the refinancing of all of its debt maturities.

Our outlook on PSCNH remains stable because we believe its ratings upside is limited by its stand-alone credit profile. We continue to view the company's business risk profile as excellent and assess its financial measures under our low-volatility table, which reflects its effective management of regulatory risk. In our base case, we assume PSCNH's FFO to debt averages between 17% and 20% annually.

Outlook -- Eversource And Subsidiaries (Except For PSCNH And CL&P)

Our positive outlook on Eversource and its other subsidiaries 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 its subsidiaries other than PSCNH and revise our outlook to stable over the next 24 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 and its subsidiaries other than PSCNH over the next 12-24 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.

Outlook -– CL&P

The positive outlook on CL&P reflects our outlook on Eversource, as well as the likelihood the company will continue to effectively manage its regulatory risk while maintaining stand-alone FFO to debt of consistently above 21%.

Downside scenario

We could revise our outlook on CL&P to stable if we take the same action on Eversource or if the company's management of its regulatory risk deteriorates.

Upside scenario

We could raise our ratings on CL&P if it effectively manages its regulatory risk while maintaining stand-alone FFO to debt of consistently above 21%.

Outlook -- PSCNH

The stable outlook on PSCNH reflects our expectation that it will continue to effectively manage its regulatory risk while maintaining stand-alone FFO to debt of between 17% and 20%.

Downside scenario

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

Upside scenario

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

Liquidity

We assess Eversource's liquidity as adequate because we believe its sources of cash will likely be more than 1.1x its uses over the next 12 months. We also anticipate that its net sources will remain positive even if its EBITDA declines by 10%. Our assessment also reflects Eversource's generally prudent risk management, sound relationships with banks, and generally satisfactory standing in the credit markets.

Principal liquidity sources:

- About $1.35 billion cash on hand;
- Cash FFO of about $2.65 billion; and
- Credit facility availability of about $2.65 billion.

Principal liquidity uses:

- Long- and short-term debt maturities of $2.8 billion over the next 12 months;
- Maintenance capital spending of about $2.15 billion;
- Working capital outflows of about $150 million; and
- Dividends of about $850 million.

Issue Ratings - Subordination Risk Analysis

Capital structure

- Eversource has close to $18.5 billion of debt outstanding, about $12.0 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 '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 its commercial paper program 'A-2' based on our ICR.

Ratings Score Snapshot

Eversource Energy

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-

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-

CL&P

Issuer credit rating: A/Positive/--

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 group: Insulated

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 group: Insulated (no impact on SACP)

ESG credit indicators: E-2; S-2; G-2

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
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- Criteria | Corporates | Utilities: Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings List

Ratings Affirmed; Outlook Action

	To	From
Connecticut Light & Power Co.		
Issuer Credit Rating	A/Positive/--	A/Stable/--
Eversource Energy		
Issuer Credit Rating	A-/Positive/A-2	A-/Stable/A-2
Aquarion Co.		
Yankee Gas Services Co.		
NSTAR Gas Co.		
Eversource Gas Co. of Massachusetts		
Issuer Credit Rating	A-/Positive/--	A-/Stable/--
NSTAR Electric Co.		
Issuer Credit Rating	A/Positive/A-1	A/Stable/A-1
Ratings Affirmed		
Public Service Co. of New Hampshire		
Issuer Credit Rating	A/Stable/--	
Connecticut Light & Power Co.		
Preferred Stock	BBB+	
Eversource Energy		
Senior Unsecured	BBB+	
Commercial Paper	A-2	

Aquarion Co.	
Senior Unsecured	BBB+
NSTAR Electric Co.	
Senior Unsecured	A
Preferred Stock	BBB+
Commercial Paper	A-1
Issue-Level Ratings Affirmed; Recovery Ratings Unchanged	
Connecticut Light & Power Co.	
Senior Secured	A+
Recovery Rating	1+
Public Service Co. of New Hampshire	
Senior Secured	A+
Recovery Rating	1+
NSTAR Gas Co.	
Senior Secured	A
Recovery Rating	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.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

S&P Global
Ratings

Research

Eversource Energy

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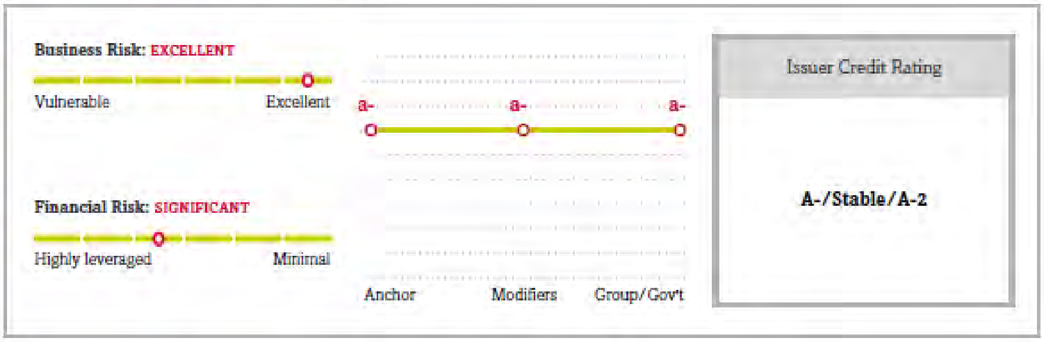
Table Of Contents

Eversource Energy



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.	Marginal operating risks stemming from the company's regulated gas operations, including the recently acquired assets from Nisource.
Very large customer base of 3.2 million electric customers across three states, 870,000 gas customers across two states, and 230,000 water customers across three states.	Growth strategy in offshore wind projects introduces considerably more construction, operational, and counter party risks to the company than its regulated utility operations, even as the COVID-19 pandemic persists.
Consistent track record of service reliability.	Recent passage of House Bill (HB) 7006 in Connecticut suggests that the company's regulated subsidiary, Connecticut Power and Light Co., (CL&P) could face stiffer fines or penalties, should its future response to storm restoration efforts be deemed inadequate.
Close to 40% 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.	

Our assessment of Eversource's effective regulatory risk management underpins the rating. We assess Eversource's business risk profile as excellent largely on Eversource's low-risk and regulated electric transmission and distribution (T&D), gas distribution, and water utility operations, which provide essential services to a combined 4.3 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. Furthermore, we expect the company's uses of decoupling and other regulatory deferral mechanisms to lessen the fallout from the COVID-19 pandemic for the vast majority of regulated businesses, further supporting our assessment of the company's business risk.

There have been recent regulatory developments in Connecticut. In November 2020, the Public Utilities Regulatory Authority (PURA) of Connecticut preliminarily found that the current method of approving rate adjustments based on forecasted data on a biannual basis is not in the public interest. As such, PURA will perform a prudence review of any proposed rate adjustments on several rider components for Eversource subsidiary, Connecticut Light & Power Co.

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(CL&P) during the annual rate adjustment mechanism proceeding using actual costs and revenues rather than relying on projected expenses and forecasted sales and other revenues. This finding is pending and subject to a final order, which could be different from what is currently proposed. In addition, in July, regulators announced they would investigate and temporarily suspend CL&P's rate adjustment increase, following calls to do so by legislators and ratepayers in the state. We think this investigation may have been driven in part by the prospect of higher customer bills coinciding with the COVID-19 pandemic. At this point, we do not expect these developments to have a material effect on Eversource's credit quality, but we will continue to monitor the developments.

The company's growth strategy in offshore wind projects introduces incremental business risk. We view offshore wind development as having a higher risk profile compared to the company's regulated network utility operations. This is largely due to several risk factors, including construction, technology, operational risks during project development. In addition, we expect supply chain risks to remain while the pandemic persists, Moreover, it remains unclear at this point whether the company can effectively navigate the integration, and regulatory risks that may arise after the projects achieve commercial operation over the next few years. This being said, the company's growth strategy in this space seems to be limited and the offtakers under these agreements are creditworthy utility counterparties.

We affirmed our ratings on Eversource earlier this year following its purchase of Columbia Gas assets from NiSource for $1.1 billion. Although the purchase of these additional gas assets has modestly increased the company's operating risk, their limited size tempers this risk. We also consider the transaction as well balanced while preserving its consolidated financial measures. Our base assumes that the company will sustain its track record of providing reliable and safe gas service to its customers, including those served under Columbia Gas.

Eversource's financial measures will likely remain at the lower end of the range for its financial-risk profile category for 2020, and gradually improve beginning in 2021. We forecast funds from operations (FFO) to debt of just under 13% for 2020, before improving to about 14% beginning in 2021, and we assess the company's financial measures under our medial volatility financial benchmark table.

Outlook: Stable

The stable outlook reflects our expectation that the vast majority of Eversource's business mix will continue to reflect its lower-risk regulated utility operations despite its investments in offshore wind. The stable outlook also reflects our view that the company will sustain its track record of providing reliable and safe gas service to its customers while maintaining appropriate credit ratios for the current rating. We expect Eversource's FFO-to-debt ratio of about 13%, which indicates that the company has minimal financial cushion at its current rating level.

Downside scenario

We could lower our ratings on Eversource over the next 12-24 months if its growth strategy suggests an acceleration of its offshore wind development activities beyond our base case assumption or if its gas operations suffer material setbacks that weaken its business risk profile. We could also lower our ratings on Eversource over this same period if the company's FFO to debt declines consistently below 13%.

Upside scenario

Although unlikely, we could raise our ratings on Eversource and its subsidiaries over the next 12-24 months if the company's offshore wind generation investments remain limited and it maintains an FFO-to-debt ratio of consistently above 18% with no adverse changes in its management of regulatory 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/or water service to approximately 4.3 million total customers in Connecticut, Massachusetts, and New Hampshire.

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 ranging from $2.8 billion to just under $3 billion through 2022;
- Dividend growth of over 5% annually;
- Rising cash taxes; and
- Offshore wind operations beginning in 2023.

Key Metrics

Eversource Energy--Key Metrics

	2019a	2020e	2021e
FFO/debt	14.4	12-13	13-14
Debt/EBITDA	5.5	6.0	5.2
FFO cash interest	5.4	5.0	5.2

a--Actual. e--Estimate. FFO--Funds from operations.

Peer comparison

Table 1

Eversource Energy--Peer Comparison

Industry sector: Combo

	Eversource Energy	AVANGRID Inc.	PPL Corp.	American Water Works Co. Inc.
Ratings as of Oct. 13, 2020	A-/Stable/A-2	BBB+/Stable/A-2	A-/Stable/A-2	A/Stable/A-1
	--Fiscal year ended Dec. 31, 2019--			
(Mil. $)				
Revenue	8,503.2	6,338.0	7,769.0	3,610.0

Table 1

Eversource Energy--Peer Comparison (cont.)

Industry sector: Combo

	Eversource Energy	AVANGRID Inc.	PPL Corp.	American Water Works Co. Inc.
EBITDA	2,953.6	1,970.0	4,208.0	1,803.0
Funds from operations (FFO)	2,357.2	1,644.2	3,220.7	1,391.6
Interest expense	568.3	375.8	1,009.1	402.4
Cash interest paid	540.4	323.8	894.3	399.4
Cash flow from operations	1,990.0	1,553.2	2,470.7	1,366.6
Capital expenditure	2,885.9	2,685.0	3,073.0	1,641.0
Free operating cash flow (FOCF)	(895.9)	(1,131.8)	(602.3)	(274.4)
Discretionary cash flow (DCF)	(1,562.9)	(1,739.8)	(1,818.6)	(674.9)
Cash and short-term investments	15.4	178.0	815.0	60.0
Debt	16,357.6	8,991.1	22,477.5	9,672.3
Equity	12,707.8	15,586.0	13,456.0	6,124.5
Adjusted ratios				
EBITDA margin (%)	34.7	31.1	54.2	49.9
Return on capital (%)	6.0	4.5	8.2	8.2
EBITDA interest coverage (x)	5.2	5.2	4.2	4.5
FFO cash interest coverage (x)	5.4	6.1	4.6	4.5
Debt/EBITDA (x)	5.5	4.6	5.3	5.4
FFO/debt (%)	14.4	18.3	14.3	14.4
Cash flow from operations/debt (%)	12.2	17.3	11.0	14.1
FOCF/debt (%)	(5.5)	(12.6)	(2.7)	(2.8)
DCF/debt (%)	(9.6)	(19.4)	(8.1)	(7.0)

Sources: S&P Global, company reports.

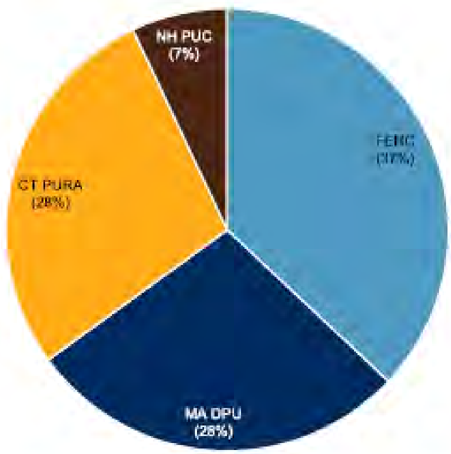
Business Risk: Excellent

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 Federal Energy Regulatory Commission [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. This being said, there is some uncertainty currently regarding the ROE for the electric transmission segment, given outstanding complaints filed with the FERC. Should the outcomes from the proceedings be worse than what we expect, it could weaken the company's overall credit quality.

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.

Chart 1

Eversource Energy--Estimated Regulatory Mix

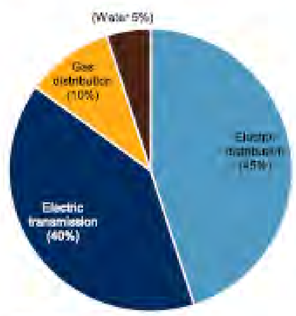


FERC--Federal Energy Regulatory Commission. Sources: S&P Global Ratings, company reports.

The benefits from the company's lower-risk businesses are somewhat offset by Eversource's more recent investments in relatively 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 network utility operations that effectively manage regulatory risk.

Chart 2

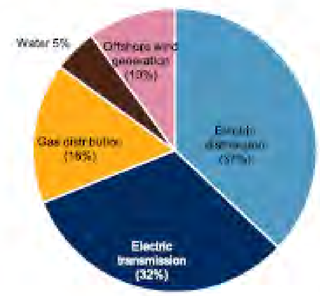
Eversource Energy--Estimated Current Business Mix



Sources: S&P Global Ratings, company reports.

Chart 3

Eversource Energy - Forward Business Mix



Sources: S&P Global Ratings, company reports.

Financial Risk: Significant

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 $2.8 billion, dividend growth of more 5% annually, equity issuance, formulaic rate increases under FERC's regulatory construct, offshore wind operations beginning in 2023, and continued use of existing regulatory mechanisms we expect Eversource's FFO to debt to average about 13% over the next two years, with gradual improvement beginning in 2021.

Financial summary

Table 2

Eversource Energy--Financial Summary

Industry sector: Combo

	--Fiscal year ended Dec. 31--				
	2019	**2018**	**2017**	**2016**	**2015**
(Mil. $)					
Revenue	8,503.2	8,432.7	7,752.0	7,639.1	7,954.8
EBITDA	2,953.6	2,715.4	2,770.1	2,675.6	2,549.6
Funds from operations (FFO)	2,357.2	2,041.6	2,300.4	2,394.8	2,157.8
Interest expense	568.3	536.1	467.9	442.0	414.5
Cash interest paid	540.4	515.0	438.9	416.3	381.5
Cash flow from operations	1,990.0	1,769.0	1,998.8	2,172.2	1,426.7
Capital expenditure	2,885.9	2,503.7	2,335.7	1,966.1	1,716.9
Free operating cash flow (FOCF)	(895.9)	(734.6)	(336.9)	206.1	(290.3)

Table 2

Eversource Energy--Financial Summary (cont.)

Industry sector: Combo	--Fiscal year ended Dec. 31--				
	2019	**2018**	**2017**	**2016**	**2015**
Discretionary cash flow (DCF)	(1,562.9)	(1,371.0)	(935.2)	(362.2)	(816.3)
Cash and short-term investments	15.4	108.1	38.2	30.3	23.9
Gross available cash	15.4	108.1	38.2	30.3	23.9
Debt	16,357.6	14,950.6	14,604.9	11,877.6	11,503.6
Equity	12,707.8	11,564.6	11,164.0	10,789.5	10,430.0
Adjusted ratios					
EBITDA margin (%)	34.7	32.2	35.7	35.0	32.1
Return on capital (%)	6.0	6.3	8.1	8.5	8.6
EBITDA interest coverage (x)	5.2	5.1	5.9	6.1	6.2
FFO cash interest coverage (x)	5.4	5.0	6.2	6.8	6.7
Debt/EBITDA (x)	5.5	5.5	5.3	4.4	4.5
FFO/debt (%)	14.4	13.7	15.8	20.2	18.8
Cash flow from operations/debt (%)	12.2	11.8	13.7	18.3	12.4
FOCF/debt (%)	(5.5)	(4.9)	(2.3)	1.7	(2.5)
DCF/debt (%)	(9.6)	(9.2)	(6.4)	(3.0)	(7.1)

Sources: S&P Global Ratings, company reports.

Reconciliation

Table 3

Eversource Energy--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. $)

	--Fiscal year ended Dec. 31, 2019--									
Eversource Energy reported amounts										
	Debt	**Shareholders' equity**	**Revenue**	**EBITDA**	**Operating income**	**Interest expense**	**S&P Global Ratings' adjusted EBITDA**	**CFFO**	**Dividends**	**Capex**
Reported	15,527.4	12,785.6	8,526.5	2,910.8	1,590.5	533.2	2,953.6	2,009.6	670.8	2,911.5
S&P Global Ratings' adjustments										
Cash taxes paid	--	--	--	--	--	--	(56.0)	--	--	--
Cash interest paid	--	--	--	--	--	--	(532.4)	--	--	--
Reported lease liabilities	60.4	--	--	--	--	--	--	--	--	--
Operating leases	--	--	--	11.7	1.9	1.9	(1.9)	9.8	--	--
Intermediate hybrids reported as equity	77.8	(77.8)	--	--	--	3.8	(3.8)	(3.8)	(3.8)	--
Postretirement benefit obligations/deferred compensation	1,039.8	--	--	--	--	--	--	--	--	--

Table 3

Eversource Energy--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. $) (cont.)

Accessible cash and liquid investments	(15.4)	--	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	--	25.6	(25.6)	(25.6)	--	(25.6)
Share-based compensation expense	--	--	--	27.3	--	--	--	--	--	--
Securitized stranded costs	(583.3)	--	(23.3)	(23.3)	(23.3)	(23.3)	23.3	--	--	--
Asset-retirement obligations	386.7	--	--	27.1	27.1	27.1	--	--	--	--
Nonoperating income (expense)	--	--	--	--	79.5	--	--	--	--	--
Debt: Fair value adjustments	(109.1)	--	--	--	--	--	--	--	--	--
Debt: Other	(26.7)	--	--	--	--	--	--	--	--	--
Total adjustments	830.2	(77.8)	(23.3)	42.8	85.3	35.1	(596.4)	(19.6)	(3.8)	(25.6)
S&P Global Ratings' adjusted amounts										
	Debt	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from operations**	**CFFO**	**Dividends paid**	**Capex**
Adjusted	16,357.6	12,707.8	8,503.2	2,953.6	1,675.7	568.3	2,357.2	1,990.0	667.0	2,885.9

CFFO--Cash flow from operatons. Capex--Capital expenditures. Sources: S&P Global Ratings, company reports.

Liquidity: Adequate

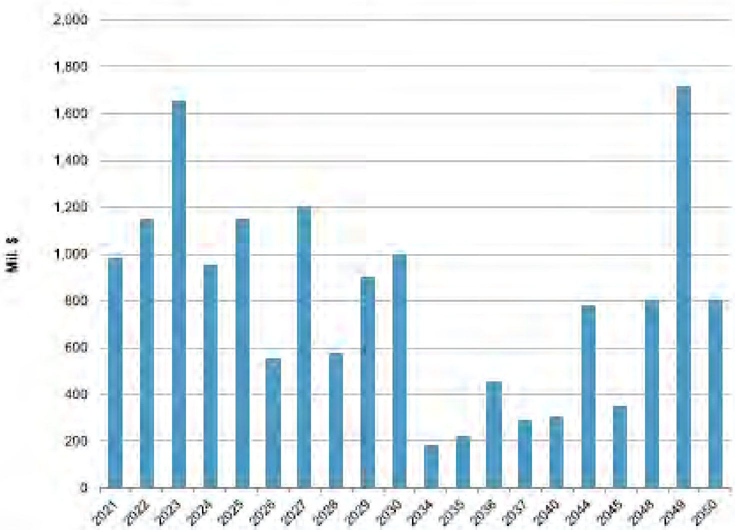
As of Sept. 30, 2020 we assess Eversource's liquidity as adequate to cover its needs over the next 12 months. We expect the company's liquidity sources to be more than 1.1x its uses and anticipate that it will also meet our other requirements for an adequate liquidity designation. Eversource's liquidity benefits from its stable cash flow generation, the ample availability under its revolving credit facilities, and its manageable debt maturities over the next few years. Our assessment also reflects the company's likely ability to absorb high-impact, low-probability events with limited need for refinancing, its generally prudent risk management, and its satisfactory standing in the credit markets.

Principal Liquidity Sources	Principal Liquidity Uses
• Credit facility availability of about $2.1 billion; • Cash FFO of about $2.6 billion; and • Cash on hand of about $730 million.	• Assumed maintenance capital spending of about $2.2 billion; • Debt maturities, including outstanding commercial paper, of about $1.2 billion; and • Dividends of about $800 million.

Debt maturities

Chart 4

Eversource Energy--Debt Maturities By Year



Sources: S&P Global Ratings, company reports.

Covenant Analysis

Compliance expectations

- We expect the company to maintain cushion under the leverage covenants in its credit agreements.

Requirements

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

Environmental, Social, And Governance

Eversource's exposure to environmental risk in its electric operations is comparable with that of other T&D operators. Even though the company is venturing into building generation assets, these are offshore wind assets that do not have an extensive carbon footprint. Eversource's water utility subsidiary largely depends on the natural resources surrounding its service territory. This requires the group to be good stewards of the environment while adhering to all federal and state water quality regulations. Such stewardship will remain a key mandate for the group, in our view. Eversource is subject to environmental remediation liabilities associated with several manufactured gas plants (MGP) sites. However, the cost of cleanup is likely to be recoverable through the regulatory process. In addition, the company's gas operations are exposed to environmental risks in the normal course of business because of the potential for the company to emit methane.

We view the company's ongoing infrastructure replacement program, where it spends significant capital to replace aging natural gas lines that may be prone to leaks, as supporting its preparedness, should regulations governing methane emissions become restrictive. From a social perspective, we view Eversource's long track record of providing safe and reliable utility services to its customers as a key factor that could enable it to maintain social cohesion, even though affordability of steadily increasing rates and charges to the customer remains an area we continue to watch closely. We view Eversource's governance as similar to other peer utilities in the industry.

Issue Ratings - Subordination Risk Analysis

Capital structure

Eversource has close to $15 billion of debt outstanding, about $10 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.

Ratings Score Snapshot

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:** Strong (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Stand-alone credit profile : a-

- **Group credit profile:** a-

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, 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: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	Intermediate	**Significant**	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of November 18, 2020)*

Eversource Energy	
Issuer Credit Rating	A-/Stable/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured	BBB+
Issuer Credit Ratings History	
25-Jul-2019	A-/Stable/A-2
12-Feb-2019	A+/Negative/A-1
05-Dec-2017	A+/Stable/A-1
12-Jul-2016	A/Positive/A-1
Related Entities	
Aquarion Co.	
Issuer Credit Rating	A-/Stable/--
Senior Unsecured	BBB+
Connecticut Light & Power Co.	
Issuer Credit Rating	A/Stable/NR
Preferred Stock	BBB+
Senior Secured	A+
Eversource Gas Company of Massachusetts	
Issuer Credit Rating	A-/Stable/--
NSTAR Electric Co.	
Issuer Credit Rating	A/Stable/A-1
Commercial Paper	
Local Currency	A-1
Preferred Stock	BBB+
Senior Unsecured	A
NSTAR Gas Co.	
Issuer Credit Rating	A-/Stable/--
Senior Secured	A
Public Service Co. of New Hampshire	
Issuer Credit Rating	A/Stable/--
Senior Secured	A+

Ratings Detail (As Of November 18, 2020)*(cont.)	
Yankee Gas Services Co.	
Issuer Credit Rating	A-/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.

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
28 June 2022

Update

Send Your Feedback

RATINGS

Eversource Energy

Domicile	United States
Long Term Rating	Baa1
Type	LT Issuer Rating
Outlook	Negative

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Eversource Energy

Update to credit analysis

Summary

Eversource Energy's (Eversource) credit profile reflects the company's pending transition back to a low-risk business profile as a holding company of a diverse group of regulated electric and gas transmission, distribution and water utilities in the greater New England region, which somewhat offsets its historically weak financial profile. Aside from largest subsidiary CL&P's recent regulatory challenges, Eversource's other utilities operate in consistently credit supportive regulatory jurisdictions, particularly Massachusetts and that of the Federal Energy Regulatory Commission (FERC). Eversource's credit quality also reflects structural subordination of the significant level of parent debt compared to debt of its operating subsidiaries. Eversource's holding company debt as a percentage of consolidated long and short-term debt (after netting intercompany borrowings) is currently roughly 27%.

Over the last few years, Eversource's financial metrics have been adversely affected by increased debt to finance offshore wind project development costs with cash flow generation from these projects years away. Eversource's utilities have also been impacted by severe storms over the last couple of years and subsequent delays in cost recovery particularly due CL&P's distribution rate freeze. For the 12-months ended 31 March 2022, Eversource's ratio of CFO pre-W/C to debt was roughly 13%, well below the 15% financial metric threshold that we have indicated could lead to a downgrade. Metrics have also been negatively affected by the recent increase in natural gas prices and the resulting higher under-recovered fuel costs at its utilities. Pro forma for fuel costs that we expect to be recovered in the near term as well as recently deferred storm costs, we estimate that Eversource's ratio of CFO pre-W/C to debt would only be about 14%, still weak for the current rating.

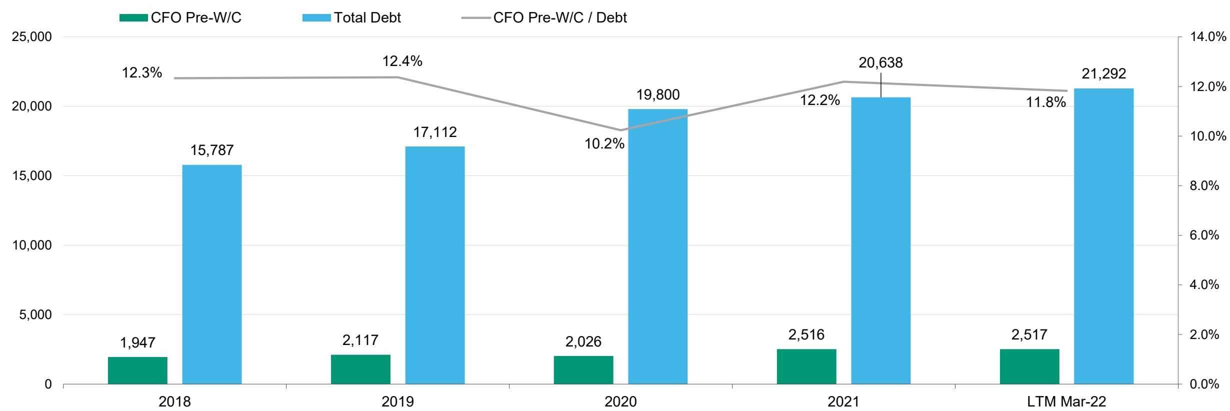
Any financial metric improvement will depend on the timing and amount of debt reduction from proceeds associated with the pending offshore wind asset sale, either all or in-part, and new equity issuances. It will also be driven by improved subsidiary cash flow generation, particularly from incremental cash flow from NSTAR Electric Company's (A1 stable) pending rate case, from FERC regulated investments, as well as the eventual recovery of deferred storm costs, although the amount and timing is uncertain. Excluding the impact of any gain on sale from an offshore wind asset sale, we expect Eversource to generate a ratio of CFO pre-W/C to debt of about 13% in 2022. Eversource's credit profile could be negatively impacted if the outcome of the offshore wind strategic review results in the company remaining in that business or does not lead to substantial debt reduction, as we would then expect metrics to remain weak in 2023 and perhaps thereafter as well.

Recent developments

On 4 May, Eversource announced that had it begun a strategic review of its offshore wind investment portfolio which includes a 50/50 joint venture partnership with Ørsted A/S (Baa1 stable) on the ownership of three wind projects plus an unused offshore wind lease area. The strategic review could result in a potential sale of all or part of this portfolio by year-end. A sale of most or all of this portfolio would be credit positive because it would reduce the company's business risk, which has been raised by the development of the higher-risk offshore wind projects and help reduce debt. Eversource intends to use proceeds from any offshore wind asset sale, as well as a $1.2 billion of planned new equity through its at-the-market program over the next few years, to repay some of the debt at the holding company and finance future capital investments at its regulated utilities.

Exhibit 1

Historical CFO Pre-W/C, Total Debt and ratio of CFO Pre-W/C to Debt ($ MM)



Source: Moody's Financial Metrics

Credit strengths

» Transitioning back to a diversified low-risk regulated utility holding company

» Proceeds from potential offshore wind asset sale and planned new equity issuance will be used to reduce debt

» Utilities mostly operate in credit supportive regulatory jurisdictions

» Highly credit supportive FERC regulated transmission assets account for sizable portion of rate base

» Low carbon transition risk

Credit challenges

» Consistently weak financial metrics for current rating

» More challenging Connecticut regulatory environment for its largest subsidiary, CL&P

» Substantial parent level debt, if materially increased, could increase structural subordination notching within the corporate family

» Offshore wind development, if continued, increases construction and execution risk while cash flow generation is not expected for several years

» Ongoing FERC ROE complaint proceedings continue to pose potential uncertainty on returns

Rating outlook

Eversource's negative outlook reflects company's consistently weak financial metrics, and the uncertain timing and execution of its intent to 1) fully divest its offshore wind ownership interest, 2) use proceeds from the asset sale and planned new equity issuance over the next two years to pay down debt and 3) the uncertainty around the company's ability to improve its financial profile enough to consistently sustain a CFO pre-W/C to debt ratio above 15%.

Factors that could lead to an upgrade

Given the negative outlook, it is unlikely that Eversource will be upgraded in the near term. However, Eversource's outlook could be changed to stable if the company executes the sale of all of its offshore wind assets, uses proceeds from the asset sale and new equity issuance to reduce leverage, and improves its financial profile enough such that its ratio of CFO pre-W/C to debt is sustained at or above 15%.

Factors that could lead to a downgrade

Eversource could be downgraded if the company does not lower its business risk profile by divesting all of its offshore wind business or consolidated financial metrics remain weak including a ratio of CFO pre-W/C to debt that we expect to remain below 15%. Eversource's rating could also be downgraded it any of its largest subsidiaries, including CL&P or NSTAR Electric, were to be downgraded.

Key indicators

Exhibit 2
Eversource Energy [1]

	Dec-18	Dec-19	Dec-20	Dec-21	LTM Mar-22
CFO Pre-W/C + Interest / Interest	4.5x	4.7x	4.5x	5.1x	5.0x
CFO Pre-W/C / Debt	12.3%	12.4%	10.2%	12.2%	11.8%
CFO Pre-W/C – Dividends / Debt	8.3%	8.5%	6.5%	8.3%	8.0%
Debt / Capitalization	51.3%	51.0%	52.1%	51.7%	52.1%

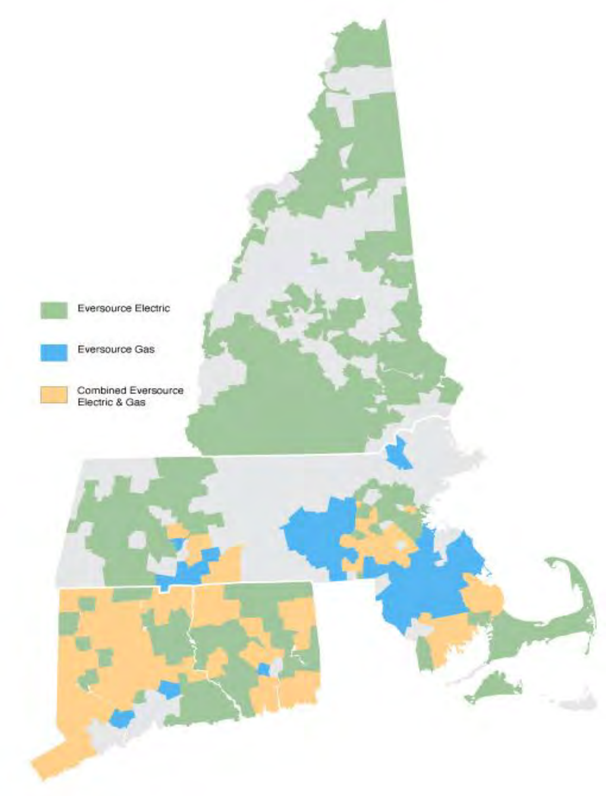
[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Source: Moody's Financial Metrics

Profile

Headquartered in Hartford, CT and Boston, MA, Eversource Energy is a public utility holding company of regulated electric and gas T&D and water utilities in the New England region serving approximately 4.4 million electric, natural gas and water customers. Eversource has a total rate base of about $25 billion.

Eversource owns a portfolio of regulated electric and gas T&D and water utilities. The electric T&D companies include Connecticut Light and Power (CL&P, A3 stable), NSTAR Electric Company (A1 stable), and Public Service Company of New Hampshire (PSNH, A3 stable). The natural gas local distribution companies include Yankee Gas Services Company (YGS, Baa1 stable), Eversource Gas of MA (EGMA, unrated) and NSTAR Gas (unrated). Eversource owns Aquarion Company (Aquarion, Baa2 stable), which operates regulated water utilities Aquarion Water Company of Connecticut (AWC-CT, A3 stable), Aquarion Water Company of Massachusetts (AWC-MA, unrated) and Aquarion Water Company of New Hampshire (AWC-NH, unrated). Eversource also owns Eversource Gas Transmission LLC (unrated) and Northern Pass Transmission LLC (unrated). The utilities are regulated at the state level by their respective public utility commissions in Connecticut, Massachusetts, and New Hampshire, and are also subject to the Federal Energy Regulatory Commission (FERC) purview for the group's transmission businesses.

Exhibit 3
Eversource Energy's service territory



Source: Company Fillings

Eversource also consolidates the ownership interest held by its regulated subsidiaries in the decommissioned regional nuclear generation companies: Connecticut Yankee Atomic Power Company (CYAPC; 63% ownership) and Yankee Atomic Electric Company (YAEC; 52.5%) while the group's 24% interest in Maine Yankee Atomic Power Company (MYAPC) is recorded under the equity method. The group's remaining non-regulated businesses consist mainly of small subsidiaries including: The Rocky River Realty Company (a real estate company), the HWP Company (formerly the Holyoke Water Power Company), and NU Enterprises. The latter is the parent company of Northeast Generation Services Company (NGS) to which it renders operation and maintenance services.

Detailed credit considerations

Offshore wind strategic review and potential asset sale would reduce business risk

On 4 May, Eversource announced that it had begun a strategic review of its offshore wind investment portfolio, which includes a 50/50 joint venture partnership with Ørsted A/S (Baa1 stable) on the ownership of three wind projects plus and an unused offshore wind lease area. The strategic review could result in a potential sale of all or part of this portfolio by year-end, a credit positive because it would reduce the company's business risk, which has been raised by high-risk offshore wind projects, and help reduce debt. Eversource intends to use proceeds from any offshore wind asset sale, as well as a planned $1.2 billion equity issuance over the next few years, to repay debt and finance future capital investments at its regulated utilities. For further discussion regarding the credit impact of Eversource's announcement refer to Offshore wind strategic review and commitment to issue new equity are credit positive.

In February 2019, Eversource announced a 50/50 joint venture (JV) partnership with Ørsted A/S, a Denmark utility holding company and the world's largest developer and operator of offshore wind. The JV develops offshore wind projects and participates in new procurement opportunities for offshore wind energy in the Northeast US.

Exhibit 4
Off-shore wind projects in development in the Northeast US

Source: Ørsted & Eversource Energy

Eversource has a 50% ownership interest in North East Offshore, which holds the Revolution Wind and South Fork Wind projects, as well as a 257 square-mile ocean lease off the coasts of Massachusetts and Rhode Island. Eversource also has a 50% ownership interest in Bay State Wind, which holds the Sunrise Wind project. Bay State Wind's separate 300-square-mile ocean lease is located approximately 25 miles south of the coast of Massachusetts adjacent to the North East Offshore area. In total, the Bay State Wind and the North East Offshore ocean lease sites jointly-owned by Eversource and Ørsted, could eventually include at least 4,000 MW of renewable offshore wind energy.

South Fork Wind is a 130 MW project providing power to New York (Long Island Power Authority or LIPA) and construction is now under way as it received final approval of its construction and operations plan (COP) on 18 January 2022. This followed the November 2021 issuance of a record of decision, which finalized the environmental review of the project by the U.S. Bureau of Ocean Energy Management (BOEM). The company is anticipating South Fork Wind to be in service in late 2023.

The two other ongoing offshore wind projects include Revolution Wind, a 704 MW project providing power to Connecticut and Rhode Island, and Sunrise Wind, a 924 MW project providing power to New York (NYSERDA). The COP applications were filed with BOEM in 2020. On 30 April 2021, Revolution Wind received a notice of intent (NOI) from the BOEM to prepare an environmental impact statement (EIS) for the review of the COP. A final approval on Revolution Wind is expected in the third quarter of 2023. On 31 August 2021, Sunrise Wind received BOEM's NOI to prepare an EIS for the review of the COP. A final approval on Sunrise Wind is expected in the fourth quarter of 2023. As of 31 March 2022, Eversource expects Revolution Wind to be in service in 2025 and Sunrise Wind to be in service in late 2025.

Exhibit 5

Eversource's offshore wind projects are still a few years away before generating meaningful cash flow

	South Fork Wind	Revolution Wind	Sunrise Wind
Size	130 MW	704 MW	924 MW
Construction Operation Plan Filing with BOEM	Final siting approvals received January 2022 Jan. 8, 2021; Received BOEM's final approval of its COP on Jan. 18, 2022	Filed Mar. 2020; review schedule was received on April 30, 2021 as part of Notice of Intent; Final approvals expected in July 2023	Filed September 2020; Review schedule received August 31, 2021 as part of Notice of Intent; Final approvals expected in November 2023
State Permit	NY State Article VII Permit Approved March 18, 2021	Filed December 2020, evidentiary hearings began on October 12, 2021	Filed December 2020, settlement discussions began in September 2021
Most Recent Commercial Ops Date	Late 2023	In 2025	Late 2025
Price as of first day of commercial operation	~ \$0.160/KWH for 90 MW ~ \$0.086/KWH for 40 MW (avg. annual escalator: 2%)	\$0.09843/KWH for RI (no escalator) \$0.09843/KWH for CT for 200 MW (no escalator) \$0.0995/KWH for CT for 104 MW (no escalator)	\$0.11037/KWH (no escalator)
Term	20 years	20 years	25 years
Status of Contracts	130 MW for NY	400 MW for RI approved 304 MW for CT approved	Contract signed with NYSERDA in October 2019
Interconnection	East Hampton, NY (LI)	Davisville, RI	Brookhaven, NY (LI)

Source: Company presentations

Offshore wind development is still a nascent industry in the United States. The joint venture's pursuit of offshore wind development increases Eversource's construction and execution risk, which raises Eversource's overall business risk profile compared to its core focus as a regulated T&D utility holding company. The construction risks are somewhat mitigated by Ørsted's involvement as the company is considered an industry leader in building and managing offshore wind globally, with a portfolio of offshore wind farms totaling approximately 6.8 GW.

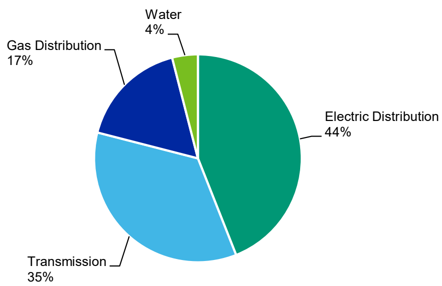
As of 31 March 2022, Eversource's total equity investment balance in its offshore wind business was $1.33 billion. Over the long-term, the offshore wind projects are expected to generate stable cash flows through long-term power purchase agreements with high credit quality utilities. However, we do not expect meaningful cash flow generation until most of the wind projects are in-service, which is not likely until 2025.

Diverse portfolio of low risk regulated electric, gas and water utilities

We view the regulatory frameworks in which the group's utilities operate as mostly credit supportive. Moreover, Eversource's substantial transmission business, which currently accounts for about 35% of the group's rate base, operates under the purview of the FERC, which we view as a highly credit supportive regulatory framework. Eversource's sizable exposure to FERC regulated, low risk transmission operations considering the group's substantial planned capital investments in transmission is credit positive.

Eversource's electric distribution utilities account for about 44% of the group's rate base. CL&P is Eversource's largest electric T&D subsidiary, followed by NSTAR Electric and PSNH. Eversource's natural gas local distribution companies (LDCs) include Yankee Gas Services, EGMA and NSTAR Gas. The LDCs account for about 17% of consolidated rate base. Approximately 4% of the consolidated rate base is attributed to its water utility business within intermediate holding company, Aquarion Company.

Exhibit 6
Eversource Energy's portfolio based on 2021 year-end rate base



Source: Eversource Energy

Utilities operate in mostly credit supportive state and federal regulatory jurisdictions

We view the Massachusetts and New Hampshire regulatory jurisdictions as credit supportive as the regulators in those states allow for timely recovery of prudent operating costs and investments through the use of various decoupling and other regulatory mechanisms. For example, in Massachusetts, NSTAR Electric is authorized to use revenue decoupling. The decoupling mechanism reconciles the utility's distribution revenues, on an annual basis, to a baseline distribution service revenue level established by the Massachusetts Department of Public Utilities (MDPU). Decoupling insulates the utility's cash flow from fluctuations in its retail electric sales, thus adding a high level of stability and predictability, a credit positive.

CL&P and Yankee Gas also utilize a revenue decoupling mechanism in Connecticut. However, we currently view that state's regulatory environment as more challenging, particularly for CL&P. Refer to the following section for further discussion on recent regulatory developments in Connecticut.

NSTAR Electric utilizes cost recovery mechanisms that true up recovery of transmission, pension and other postretirement benefits costs, and the energy-related portion of bad debt expenses, on an annual basis. NSTAR Electric is also able to recoup the costs associated with the state's three-year energy efficiency program and the utility's purchased power costs are adjusted semiannually through the basic service charge. Furthermore, NSTAR Electric is able to recover restoration costs associated with major storms through a Storm Reserve Recovery Cost Adjustment rate mechanism, but these cost recoveries are subject to MDPU approval, and may be less timely than in other jurisdictions.

On 14 January 2022, NSTAR Electric filed a rate case application with the MDPU for approval of an $89 million increase in electric distribution base rates with new rates effective 1 January 2023. More recently, on 22 April 2022, the utility updated its requested increase to $88 million. The company is requesting a renewal of the performance-based ratemaking (PBR) plan that was originally authorized in its last rate case for up to a ten-year term. The plan is also requesting alignment with electrification policy in the state, storm fund refinements, and Advanced Metering Infrastructure (AMI) tariff approval. A final decision by the MDPU is expected on 1 December 2022.

NSTAR Electric submitted a request for the MDPU to approve a $198.8 million grid modernization plan for 2022 through 2025 and proposed a $620 million AMI investment and implementation plan for 2022 through 2028. The company expects a decision or additional guidance from the MDPU on all investments by the fourth quarter of 2022. For AMI investments, further review of the cost recovery mechanism will be completed in NSTAR Electric's aforementioned base distribution rate case.

PSNH's distribution rates allow the utility to recover costs related to system upgrades and transmission services as well as costs related to energy efficiency programs and certain stranded costs on a timely basis. PSNH is also allowed to implement interim rate increases during rate case proceedings, which reduces regulatory lag.

On 15 December 2020, the New Hampshire Public Utilities Commission (NHPUC) approved a settlement agreement between PSNH and all parties to the proceeding. The NHPUC approved a permanent rate increase of $45 million effective 1 January 2021, which included the interim rate increase previously implemented. PSNH was also permitted three step increases, effective January 1, 2021, August 1, 2021, and August 1, 2022, to reflect plant additions in calendar years 2019, 2020 and 2021, respectively. The settlement agreement established an authorized regulatory ROE of 9.3% with a 54.4% equity ratio in PSNH's capital structure. The agreement also provided for a new tracker to recover regulatory assessments, vegetation management costs, property tax costs, and lost distribution revenue attributable to net metering. In addition, base distribution rates were adjusted to reflect the refund of excess deferred income tax from the changes to tax legislation in December 2017. This was PSNH's first rate case filing since 2010. In its May 2019 filing, the company had requested a rate increase of $69.9 million including a temporary rate increase, which was premised on an ROE of 10.4% and an equity ratio of 54.85%.

CL&P is operating within a more challenging Connecticut regulatory environment compared to recent history

CL&P is in the process of rebuilding its relationship with key stakeholders including state regulators and customers. The Connecticut regulatory environment is more challenging following regulatory activities last year that ultimately led to PURA approving CL&P's settlement agreement approved in October.

On 27 October 2021, PURA voted 2-1, with Chairman Marissa Gillett dissenting, to approve CL&P's settlement agreement with key interested parties including the Department of Energy and Environmental Protection, Office of Consumer Counsel, Office of the Attorney General and the Connecticut Industrial Energy Consumers. Connecticut's Governor Ned Lamont also supported the agreement.

In the settlement agreement, the utility also agreed to provide $65 million of customer credits distributed over December 2021 and January 2022. CL&P agreed to provide $10 million to various customer assistance programs as directed by PURA prior to 30 April 2022, including providing credits to existing hardship and non-hardship customers carrying arrearages and for other purposes. The approved settlement also provides for a distribution rate case stay out with no new rates in place until 1 January 2024 at the earliest.

Among other things, the settlement stipulated that neither the 90 bps return on equity (ROE) penalty from the Tropical Storm Isaias preparedness and restoration proceeding nor the 45 bps ROE adjustment as proposed in PURA's follow-on draft decision would be implemented.

The settlement agreement followed PURA's April 2021 decision to potentially penalize CL&P and neighboring utility United Illuminating Company (UI, Baa1 positive) in any pending or future rate proceeding with a downward adjustment of 90 and 15 bps, respectively, to their allowed ROE. The proposed decision came after PURA's investigation into the state's electric distribution companies and their preparation for and response to Tropical Storm Isaias in August 2020.

Furthermore, in July 2021, after several proceedings, the PURA assessed a $28.6 million penalty, including a $28.4 million performance penalty and a $0.2 million fine for accident reporting. PURA directed the $28.4 million to be returned to customers beginning on 1 September 2021 over a one-year period. The $28.4 million is the maximum statutory penalty amount under the applicable Connecticut law in effect at the time of Tropical Storm Isaias, which was 2.5% of CL&P's annual distribution revenues. In addition, in the PURA's September 2021 follow-on draft decision, an interim rate decrease would have been implemented with a 45 bps reduction in CL&P's allowed ROE, which would have been in addition to the 90 bps reduction in the PURA's April 2021 proposed decision.

CL&P's currently authorized 9.25% ROE and earnings sharing mechanism, or ESM, adopted as per a 2018 decision, are to remain in place until the company's next general distribution rate proceeding, which is expected to be filed in 2023. Under the ESM, earnings above a 9.25% ROE are to be shared equally with ratepayers. Any amounts due to customers under the terms of the ESM are first to be used to reduce various regulatory assets associated with certain unamortized environmental remediation costs. The remaining amounts due to customers are then used to offset the cost of catastrophic storms. The settlement calls for the sharing provision under the ESM to remain in place until at least 31 December 2023.

Before these most recent developments, the Connecticut regulatory environment had become more credit supportive. One indication of this was CL&P's last rate case which ended in a settlement approved by the PURA in April 2018, the first rate case settlement in Connecticut in almost 30 years. The settlement was credit positive not only for CL&P, but for all of the state's utilities, as it was an indication that intervenors and regulatory staff were amenable to agreeing to the terms of general rate cases instead of having to fully litigate them, as had been the norm for many years. CL&P's affiliated gas utility in the state, YGS, was also able to settle its last rate case, which was approved by the PURA in December 2018. Settlement agreements generally benefit a utility's earnings and cash flow by reducing regulatory lag, the interval between a utility's costs and investments and their recovery from customers through an increase in rates.

Similar to NSTAR Electric, CL&P is also going through the regulatory process for its AMI investments in Connecticut. On 31 July 2020, CL&P filed with PURA its proposed $512 million AMI investment and implementation plan. On 17 August 2021, PURA issued a notice of request for an amended AMI proposal and in response, CL&P submitted an amended proposal on 8 November 2021 with an updated schedule for 2022 through 2028. The procedural schedule included a briefing period which ended on 29 April 2022. The company expects a decision from PURA in Q4 of this year.

Credit metrics expected to improve through debt reduction with proceeds from offshore wind asset sale and planned new equity issuance

Over the last few years, Eversource's financial metrics have been adversely affected by increased debt to finance offshore wind project development costs with cash flow generation from these projects years away. Eversource's utilities have also been impacted by severe storms over the last couple of years and subsequent delays in cost recovery particularly due CL&P's distribution rate freeze. For the 12-months ended 31 March 2022, Eversource's ratio of CFO pre-W/C to debt was roughly 13%, well below the 15% financial metric threshold that we have indicated could lead to a downgrade. Metrics have also been negatively affected by the recent increase in natural gas prices and the resulting higher under-recovered fuel costs at its utilities. Pro forma for fuel costs that we expect to be recovered in the near term as well as recently deferred storm costs, we estimate that Eversource's ratio of CFO pre-W/C to debt would only be about 14%, still weak for the current rating.

Since the beginning of 2019, Eversource has issued almost $1.8 billion of new equity. Proceeds have been used to pay down debt, fund investments and partially finance the acquisition of the Massachusetts gas assets (now known as EGMA) in 2020. The equity issuances were credit positive as they strengthened Eversource's consolidated balance sheet through debt repayment and the avoidance of new debt. Eversource intends to use proceeds from any offshore wind asset sale, as well as a planned $1.2 billion equity issuance over the next few years to repay debt and finance future capital investments at its regulated utilities.

There is uncertainty over how much Eversource's financial profile will improve over the next couple of years and the company's ability to sustain credit metrics that support the current rating. Eversource's financial metric improvement will be underpinned by debt reduction and improved cash flow generation particularly from incremental cash flow from NSTAR Electric Company's (A1 stable) pending rate case as well as from FERC regulated investments. Excluding the impact of any gain on sale and debt reduction from an offshore wind asset sale, we expect Eversource to generate a ratio of CFO pre-W/C to debt in the 13% range in 2022. Depending on the amount of debt reduction and cash flow improvement at its utilities, the company may be able to generate a ratio of CFO pre-W/C to debt of about 15% in 2023. Eversource's credit profile could be negatively impacted if the outcome of the offshore wind strategic review results in the company remaining in that business or does not lead to substantial debt reduction, as we would then expect metrics to remain weak in 2023 and perhaps thereafter as well.

Group's capital investment program remains elevated

Eversource's family of companies continue to invest heavily in their respective networks. Eversource plans to grow its rate base from about $25 billion at the end of 2021 to approximately $34 billion in 2026 through investments of approximately $18 billion during the 2022-2026 period, which includes approximately $11.5 billion in electric and natural gas distribution assets and over $4.6 billion in electric transmission assets. On average, Eversource and its utilities will recover a signifiant portion of their capital investments immediately through rate recovery mechanisms in the period of investment, a credit positive.

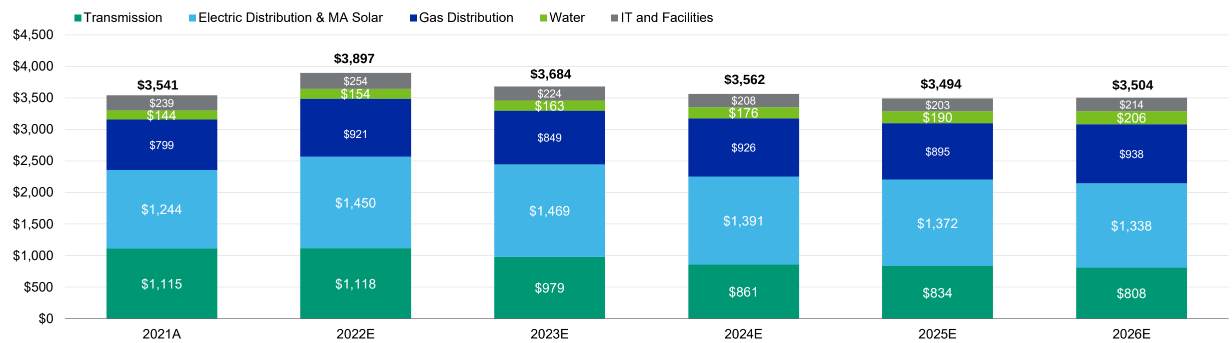
The planned capital investments in Eversource's electric distribution operations include approximately $7 billion, largely for system hardening and resiliency upgrades. The remaining $4.5 billion is planned for its natural gas distribution companies, in which LDCs continue pipeline replacements and natural gas expansion, including fuel conversion opportunities in both Connecticut (YGS) and Massachusetts (EGMA and NSTAR Gas). Furthermore, over the same period, the company plans to spend about $900 million on its water utility business and approximately $1 billion on information technology and facilities upgrades.

The group also continues to invest heavily in its transmission business which is under the purview of the highly credit supportive FERC regulatory framework, a credit positive. Eversource's electric utilities plan to invest over $4.6 billion in its transmission assets.

Eversource and its subsidiaries have exhibited a proven track record of successfully completing substantial projects on time and within budget in the past. Successful execution of these projects going forward will be necessary to maintain the group's financial profile.

Exhibit 7

Projected annual capital expenditures[1]
($ in millions)



[1] Excludes capital expenditures of wind projects with Ørsted A/S
Source: Eversource Energy

Parent level debt is structurally subordinated to utility debt

Eversource's credit profile reflects the structural subordination of parent level debt relative to the indebtedness of its operating utilities. At the same time, Eversource's credit also incorporates the benefits associated with the regulatory and geographic diversification from owning several regulated electric, gas and water utilities within the greater New England region.

The majority of the group's consolidated rate base consists of operating utilities with strong credit quality. The substantial investments to grow its FERC regulated transmission rate base has strengthened the group's credit profile because of the supportive FERC regulatory framework.

Eversource's parent level debt of about $6.2 billion and Aquarion's intermediate holding company debt of $360 million represented approximately 27% of the group's consolidated indebtedness. With offshore wind investments largely funded by holding company debt, Eversource parent debt as a percentage of consolidated debt has increased over the years. We expect the percentage of parent debt to gradually decline through debt reduction using proceeds from Eversource's pending sale of its offshore wind assets and planned new equity issuance.

Substantial transmission rate base under the purview of highly credit supportive FERC regulatory framework

At year-end 2021, Eversource's transmission rate base accounted for approximately $8.7 billion (approximately $3.8 billion at CL&P, $3.5 billion at NSTAR Electric and $1.4 billion at PSNH) or roughly 35% of the group's total rate base. We view the FERC regulatory framework as highly credit supportive given its rate construct and above average authorized returns. FERC regulated rates are set based on a formulaic forward-looking cost of service model with annual true-up mechanisms that adjust for changes in network load that impacts demand. This ensures the utility's ability to earn its authorized ROE and enhances the stability and predictability of cash flow, a significant credit positive. Transmission projects generally enter rate base after they are placed into commercial operation, although certain FERC approved projects can recover construction work in progress (CWIP) costs in rates, another credit positive.

In addition, FERC regulated returns are generally higher than most states. Eversource's transmission assets are authorized FERC ROEs ranging from 10.57% to 11.74%, including incentive adders. It is unclear whether the base ROE allowed by FERC for transmission owners in the Independent System Operator-New England (ISO-NE) region will be reduced further as the base ROE may be changed as FERC's ROE methodology continues to evolve. More discussion on this matter below.

FERC Section 206 complaint remains an overhang, but further downward reduction in ROE is likely limited

As a result of FERC's decisions to date, authorized ROEs for New England transmission owners, including Eversource's utilities, have been reduced compared to returns, pre-complaints. While the complaint proceedings are still pending final resolution from FERC, we expect any further changes in authorized ROEs to be limited. We expect total ROEs, including incentive adders, should still remain above the average authorized ROEs allowed in most states. In addition, we do not expect any changes to the formulaic, forward-looking, credit supportive ratemaking framework allowed by the FERC.

Four separate complaints were filed at FERC by groups of New England state attorneys general, state regulatory commissions, consumer advocates, consumer groups, municipal parties and other parties challenging the historical authorized base ROE of 11.14% that had been utilized by New England transmission owners since 2005. Each complaint covered a refund period of 15 months. FERC ruled on the first ISO-NE Section 206 complaint in June 2014 and cut the authorized ROE to 10.57% from 11.14%. FERC's order also limited the total authorized ROE, including incentive adders, to 11.74%, which is the high end of the zone of reasonableness.

Eversource's operating utilities involved in the complaints have reserved approximately $39.1 million (pre-tax and excluding interest) for the second complaint for expected customer refunds as of 31 March 2022. Of this amount, $21.4 million is for CL&P, $14.6 million for NSTAR Electric, and $3.1 million for PSNH related to the second complaint's refund period of December 2012 through March 2014. Eversource's operating utilities have refunded approximately $38.9 million (pre-tax and excluding interest) associated with the first complaint (consisting of $22.4 million at CL&P, $13.7 million at NSTAR Electric and $2.8 million at PSNH). No reserves were recorded for the later complaints because tariff rates are set based on the current 10.57% base authorized ROE established by FERC in response to the first complaint. While we continue to expect the final authorized ROEs to be reduced from the historical base rate of 11.14%, we do not expect the authorized ROE to be much lower than the 10.57% base ROE that FERC originally ruled on in the first complaint in June 2014.

In April 2021, the FERC issued a Supplemental Notice of Proposed Rulemaking (SNOPR), which proposes to modify the NOPR's incentive for participation in an RTO by limiting the incentive for utilities participating in an RTO to 50 bps and only permitting them to earn the incentive for three years. If this proposal ends up being included in a final rule, Eversource would no longer be eligible for the 50 bps RTO incentive adder. However, a time frame has not been established for FERC to issue a final rule, and any impacts would be prospective. The elimination of the adder would be credit negative but it is not expected to materially impact the company's financial profile.

ESG considerations

Eversource's ESG Credit Impact Score is CIS-3 (Moderately Negative)

Exhibit 8
ESG Credit Impact Score

CIS-3

Moderately Negative

For an issuer scored CIS-3 (Moderately Negative), its ESG attributes are overall considered as having a limited impact on the current rating, with greater potential for future negative impact over time. The negative influence of the overall ESG attributes on the rating is more pronounced compared to an issuer scored CIS-2.

Source: Moody's Investors Service

Eversource's ESG Credit Impact Score is moderately negative (**CIS-3**), indicating that its ESG attributes have an overall limited impact on the current rating, with potential for future negative impact over time. The scores reflect a combination of highly negative exposure to environmental risks, moderately negative exposure to social risks and neutral to low exposure to governance risks.

Exhibit 9
ESG Issuer Profile Scores

ENVIRONMENTAL	SOCIAL	GOVERNANCE
E-4	S-3	G-2
Highly Negative	Moderately Negative	Neutral-to-Low

Source: Moody's Investors Service

Environmental
Eversource's highly negative exposure to environmental risks (**E-4** issuer profile score) is driven by its geographical concentration in the Northeast US, which exposes the company to material and extreme weather events such as storms. This is partially offset by the company's neutral to low carbon transition risk as a predominantly transmission and distribution electric utility holding company and neutral to low risk exposure to water management, waste and pollution and natural capital.

Social
Exposure to social risks is moderately negative (**S-3** issuer profile score), reflecting the fundamental risk for regulated utilities that demographic and societal trends could include social pressures or public concern around affordability, reputational or environmental concerns. In turn, these pressures could result in adverse political intervention into utility operations or regulatory changes. This risk has most recently manifested itself in the public and political backlash that CL&P received following Tropical Storm Isaias in August 2020. These risks are balanced by neutral to low risks in health and safety, human capital, and responsible production.

Governance
Eversource's governance risk is broadly in line with other utilities and does not pose a particular risk (**G-2** issuer profile). This is supported by neutral to low scores on exposures to financial strategy and risk management, management credibility and track record, organizational structure, compliance and reporting and board structure policies and procedures.

ESG Issuer Profile Scores and Credit Impact Scores for Eversource are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for Eversource on MDC and view the ESG Scores section.

Liquidity analysis
Eversource's liquidity profile is adequate and principally supported by the upstreamed dividends from its diversified group of regulated utilities as well as external availability on its revolving credit facility. At 31 March 2022, Eversource had a consolidated cash balance of $46 million.

Eversource's main source of cash flow generation is the dividend distributions from its subsidiaries which totaled about $1.05 billion in 2021, which was more than Eversource's shareholder dividend distributions of $805 million for the year. The dividend distributions by subsidiaries in 2021 included the following: CL&P ($341 million), NSTAR Electric ($283 million), PSNH ($261 million), YGS ($41 million), and NSTAR Gas ($40 million) and other of about $71 million. To supplement internal cash flow generation, Eversource used proceeds from short and long-term borrowings.

We expect that Eversource will continue to fund the group's planned capital investments, including the approximately $3.9 billion forecasted in 2022, with a mix of debt and equity, including internally generated cash flow, short-term borrowings on its revolving credit facility, long-term debt issuances as well as planned equity issuances.

Eversource and most of its subsidiaries, CL&P, NSTAR Gas, PSNH, Yankee Gas, EGMA and AWC-CT utilize a $2 billion revolving joint credit facility that expires in October 2026. Under the revolving credit facility, CL&P has a borrowing sublimit of $600 million and PSNH has a borrowing sublimit of $300 million. Borrowings under this facility are not subject to a material adverse change clause, but there is one financial maintenance covenant that sets a limit of total debt to total capitalization of 65%. Eversource and its subsidiaries were in compliance with the financial maintenance covenant as of 31 March 2022.

Eversource uses the $2 billion credit facility to backstop its same sized commercial paper program. Eversource has typically used its short-term financings to help fund its subsidiaries' capex programs, pension contributions, working capital requirements (including any storm related costs) and/or debt repayments until longer term financing is arranged. At 31 March 2022, approximately $606.2 million was available on the credit facility with approximately $1.4 billion of commercial paper outstanding. There were intercompany loans from Eversource of $196.4 million to PSNH and $4 million to a subsidiary of NSTAR Electric.

NSTAR Electric has a $650 million senior unsecured committed revolving credit facility that expires in October 2026. The revolver backstops NSTAR Electric's $650 million commercial paper program. At 31 March 2022, NSTAR Electric had commercial paper outstandings of $275 million and no borrowings on its revolving credit facility. The company has typically used short-term borrowings to fund capital needs until longer term financing is arranged. Borrowings on the facility are not subject to a material adverse change clause, and NSTAR Electric has sufficient cushion on its only financial maintenance covenant of a maximum total consolidated debt to capitalization of 65%. NSTAR Electric does not have access to the separate $2 billion joint revolving credit facility that Eversource and its remaining operating subsidiaries utilize.

The group's next upcoming debt maturities include $400 million of debentures at NSTAR Electric due in October 2022 and $400 million of first mortgage bonds at CL&P due in January 2023.

Rating methodology and scorecard factors

Exhibit 10
Methodology Scorecard Factors
Eversource Energy

Regulated Electric and Gas Utilities Industry [1][2]	Current LTM 3/31/2022		Moody's 12-18 Month Forward View As of Date Published [3]	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	A	A	A	A
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	A	A	A	A
b) Sufficiency of Rates and Returns	A	A	A	A
Factor 3 : Diversification (10%)				
a) Market Position	Aa	Aa	Aa	Aa
b) Generation and Fuel Diversity	N/A	N/A	N/A	N/A
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	4.8x	A	4.5x - 5.3x	A
b) CFO pre-WC / Debt (3 Year Avg)	11.5%	Baa	13% - 15%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	7.7%	Baa	9% - 12%	Baa
d) Debt / Capitalization (3 Year Avg)	51.6%	Baa	49% - 53%	Baa
Rating:				
Scorecard-Indicated Outcome Before Notching Adjustment		A3		A3
HoldCo Structural Subordination Notching	-1	-1	-1	-1
a) Scorecard-Indicated Outcome		Baa1		Baa1
b) Actual Rating Assigned		Baa1		Baa1

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 3/31/2022(L)
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics

Appendix

Exhibit 11

Cash Flow and Credit Metrics [1]

CF Metrics	Dec-18	Dec-19	Dec-20	Dec-21	LTM Mar-22
As Adjusted					
FFO	**2,035**	**2,241**	**2,543**	**2,830**	**2,997**
+/- Other	-89	-125	-516	-314	-480
CFO Pre-WC	**1,947**	**2,117**	**2,026**	**2,516**	**2,517**
+/- ΔWC	-11	-56	-157	-211	-251
CFO	**1,936**	**2,060**	**1,869**	**2,305**	**2,266**
- Div	644	667	748	809	822
- Capex	2,578	2,924	3,103	3,432	3,507
FCF	**-1,286**	**-1,530**	**-1,982**	**-1,935**	**-2,063**
(CFO Pre-W/C) / Debt	12.3%	12.4%	10.2%	12.2%	11.8%
(CFO Pre-W/C - Dividends) / Debt	8.3%	8.5%	6.5%	8.3%	8.0%
FFO / Debt	12.9%	13.1%	12.8%	13.7%	14.1%
RCF / Debt	8.8%	9.2%	9.1%	9.8%	10.2%
Revenue	8,448	8,526	8,904	9,863	10,509
Interest Expense	552	574	583	617	624
Net Income	810	1,067	1,164	1,153	1,200
Total Assets	38,301	41,124	46,100	48,492	49,289
Total Liabilities	26,797	28,466	31,958	33,815	34,375
Total Equity	11,504	12,658	14,141	14,678	14,914

[1] All figures & ratios calculated using Moody's estimates & standard adjustments. FYE = Financial Year-End. LTM = Last Twelve Months.
Source: Moody's Financial Metrics

Exhibit 12

Peer Comparison Table [1]

	Eversource Energy Baa1 (Negative)			American Electric Power Company, Inc. Baa2 (Stable)			NextEra Energy, Inc. (P)Baa1 (Stable)			CMS Energy Corporation Baa2 (Stable)			Public Service Enterprise Group Incorporated Baa2 (Stable)		
(In US millions)	FYE Dec-20	FYE Dec-21	LTM Mar-22	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-20	FYE Dec-21	LTM Mar-22	FYE Dec-20	FYE Dec-21	LTM Mar-22	FYE Dec-20	FYE Dec-21	LTM Mar-22
Revenue	8,904	9,863	10,509	15,561	14,919	16,792	17,997	17,069	16,233	6,418	7,329	7,690	9,603	9,722	9,146
CFO Pre-W/C	2,026	2,516	2,517	4,428	4,537	3,869	8,494	8,479	9,362	1,900	1,882	1,863	2,951	2,856	2,507
Total Debt	19,800	20,638	21,292	30,800	34,307	36,746	47,833	54,651	59,517	12,096	12,147	12,152	18,486	19,822	19,728
CFO Pre-W/C + Interest / Interest	4.5x	5.1x	5.0x	4.7x	4.6x	4.2x	5.1x	7.1x	7.7x	4.8x	4.9x	4.9x	5.4x	5.6x	5.1x
CFO Pre-W/C / Debt	10.2%	12.2%	11.8%	14.4%	13.2%	10.5%	17.8%	15.5%	15.7%	15.7%	15.5%	15.3%	16.0%	14.4%	12.7%
CFO Pre-W/C – Dividends / Debt	6.5%	8.3%	8.0%	10.0%	9.0%	6.4%	11.9%	9.9%	10.4%	11.6%	11.1%	10.8%	10.6%	9.2%	7.4%
Debt / Capitalization	52.1%	51.7%	52.1%	52.8%	53.8%	54.0%	47.1%	49.9%	52.8%	58.9%	55.1%	54.3%	45.2%	49.6%	50.9%

[1] All figures & ratios calculated using Moody's estimates & standard adjustments. FYE = Financial Year-End. LTM = Last Twelve Months. RUR* = Ratings under Review, where UPG = for upgrade and DNG = for downgrade
Source: Moody's Financial Metrics

Ratings

Exhibit 13

Category	Moody's Rating
EVERSOURCE ENERGY	
Outlook	Negative
Issuer Rating	Baa1
Senior Unsecured	Baa1
Pref. Shelf	(P)Baa3
Commercial Paper	P-2
AQUARION WATER COMPANY OF CONNECTICUT	
Outlook	Stable
Issuer Rating	A3
NSTAR ELECTRIC COMPANY	
Outlook	Stable
Issuer Rating	A1
Senior Unsecured	A1
Pref. Stock	A3
Commercial Paper	P-1
CONNECTICUT LIGHT AND POWER COMPANY (THE)	
Outlook	Stable
Issuer Rating	A3
First Mortgage Bonds	A1
Pref. Stock	Baa2
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE	
Outlook	Stable
Issuer Rating	A3
First Mortgage Bonds	A1
AQUARION COMPANY	
Outlook	Stable
Issuer Rating	Baa2
Senior Unsecured	Baa2
YANKEE GAS SERVICES COMPANY	
Outlook	Stable
Issuer Rating	Baa1
First Mortgage Bonds	A2
WESTERN MASSACHUSETTS ELECTRIC COMPANY	
Outlook	No Outlook
Senior Unsecured	A1

Source: Moody's Investors Service

REPORT NUMBER 1328749

MOODY'S
INVESTORS SERVICE

Eversource Energy

The 'BBB+' Long-Term Issuer Default Rating (IDR) of Eversource Energy primarily reflects the consolidated strength of Eversource's regulated electric transmission and distribution, natural gas distribution and water distribution utility subsidiaries. The businesses primarily consist of low-risk, regulated operations in Massachusetts, Connecticut and New Hampshire that generate relatively stable and predictable earnings and cash flow.

Eversource's operations include the following utility subsidiaries rated by Fitch: NSTAR Electric Company (A/Stable), The Connecticut Light and Power Company (CL&P; A–/Stable), Public Service Company of New Hampshire (PSNH, A–/Stable) and NSTAR Gas Company (A–/Stable).

The ratings also reflect Eversource's ownership interest in the development of offshore wind projects in the Northeast, which includes risks associated with permitting and construction, but would provide long-term contracted cash flow once in operation.

Key Rating Drivers

Regulatory Diversification: Eversource's three-state service territory provides regulatory diversification that is further enhanced by significant investments in electric transmission projects regulated by the Federal Energy Regulatory Commission (FERC).

Fitch Ratings considers FERC to be among the most constructive regulatory bodies due to timely cost recovery and formulaic rates of return. FERC-regulated electric transmission operations account for more than one-third of Eversource's consolidated rate base; Connecticut and Massachusetts each account for a little less than one-third of consolidated rate base, with New Hampshire accounting for the remainder.

Offshore Wind Projects: Eversource and Danish wind energy developer Orsted A/S (BBB+/Stable) have a 50/50 joint venture for offshore wind assets in the Northeast. The companies are partnering in the development of the 130MW South Fork Wind offshore wind project serving New York, the 704MW Revolution Wind offshore wind project serving Rhode Island and Connecticut, and the 924MW Sunrise Wind project serving New York. Other offshore wind projects also may be developed.

Fitch expects the development of these large, multibillion-dollar offshore wind projects will slightly weaken Eversource's leverage metrics until they enter service and start generating cash flow. Near-term credit issues are mitigated by Eversource's commitment to issue common equity through 2026 to help partially fund the large utility capex plan.

Offshore Wind Strategic Review: Eversource announced in May 2022 that it has commenced a strategic review of its offshore wind investments that could result in the potential sale of all or part of its 50% interest. The review is expected to conclude by YE 2022. Fitch would consider the sale of Eversource's offshore wind investments to be beneficial to the company's business risk profile but likely not to have an impact on Eversource's ratings, depending on management's use of proceeds.

Large Utility Capex Plan: Eversource expects to spend $18.1 billion in capex for core businesses, predominantly regulated utilities, over 2022–2026. This utility capex is a relatively low-risk growth plan, including more than $7.0 billion in electric distribution, more than $4.5 billion in natural gas distribution, $4.6 billion in FERC-regulated electric transmission and nearly $900 million in water distribution. Most of Eversource's planned utility capex will be recovered with limited lag, reflecting FERC construction work in progress, electric distribution trackers and natural gas distribution infrastructure expansion cost-recovery mechanisms.

Weak Financial Profile: Eversource's financial profile is supported by stable cash flow from its regulated utility subsidiaries, which have strong standalone financial profiles. Fitch expects

Ratings

Rating Type	Rating	Outlook	Last Rating Action
Long-Term IDR	BBB+	Stable	Affirmed April 8, 2022
Short-Term IDR	F2	—	Affirmed April 8, 2022
Senior Unsecured Debt	BBB+	—	Affirmed April 8, 2022
CP	F2	—	Affirmed April 8, 2022

Click here for full list of ratings

Applicable Criteria

Parent and Subsidiary Linkage Rating Criteria (December 2021)

Sector Navigators - Addendum to the Corporate Rating Criteria (October 2021)

Corporate Rating Criteria (October 2021)

Corporates Recovery Ratings and Instrument Ratings Criteria (April 2021)

Corporate Hybrids Treatment and Notching Criteria (November 2020)

Related Research

The Connecticut Light and Power Company (June 2022)

NSTAR Electric Company (June 2022)

NSTAR Gas Company (June 2022)

Public Service Company of New Hampshire (June 2022)

North American Utilities: Weathering the Storm (Fourth-Quarter and YE 2021 Earnings Wrap-Up) (March 2022)

Fitch Ratings 2022 Outlook: North American Utilities, Power and Gas (December 2021)

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Eversource's FFO leverage to average around 5.5x through 2025. Elevated leverage over the forecast period is due to offshore wind growth projects, which require multiple years of investment, permitting and construction. Fitch does not expect cash inflows from the South Fork Wind until YE 2023, and for Revolution Wind and Sunrise Wind until YE 2025.

Once these projects are on line, they are expected to provide robust and stable cash flow supported by long-term contracts and near-term tax benefits. The strength and stability of future cash flow provide reassurance that Eversource's high FFO leverage metric will likely return to within the longer-term threshold of Fitch's negative sensitivity.

Parent/Subsidiary Linkage: Parent and subsidiary linkage exists and follows a weak parent/strong subsidiary approach. Fitch considers NSTAR Electric, CL&P, PSNH and NSTAR Gas to be stronger than Eversource due to the utilities' low-risk, regulated operations and the relatively balanced regulatory jurisdictions in which they operate.

Fitch considers the legal ring-fencing factor "porous" due to the general protections afforded by economic regulation, including a restriction on dividend payments; the access and control factor is also evaluated as "porous." Eversource centrally manages the treasury function for its utilities and is the sole source of equity. Eversource and most of its utility subsidiaries also share a revolving credit facility (RCF); however, each subsidiary issues its own long-term debt. Fitch would allow the utilities' Long-Term IDRs to be up to two notches higher than Eversource's.

Financial Summary

($ Mil., as of Dec. 31)	2018	2019	2020	2021
Gross Revenue	8,407	8,462	8,842	9,801
Operating EBITDA	2,478	2,648	2,903	3,026
Cash Flow from Operations (Fitch Defined)	1,749	1,957	1,629	1,907
Capital Intensity (Capex/Revenue) (%)	30.0	34.4	33.3	32.4
Total Debt with Equity Credit	14,068	15,084	17,530	19,877
FFO Leverage (x)	5.8	5.8	7.3	7.3
FFO Interest Coverage (x)	4.7	4.8	4.4	4.9
Total Debt with Equity Credit/Operating EBITDA (x)	5.7	5.7	6.0	6.6

Source: Fitch Ratings, Fitch Solutions.

Rating Derivation Relative to Peers

Eversource is comfortably positioned in the 'BBB+' rating category. Eversource has a strong business risk profile, primarily attributed to its ownership predominantly of regulated utilities. The utility subsidiaries of Eversource and peer AVANGRID, Inc. (BBB+/Negative) operate in some of the same states in the Northeast in relatively balanced regulatory environments. Eversource and AVANGRID benefit from a meaningful amount of regulatory diversification and significant exposure to FERC-regulated electric transmission assets, favorable factors that peer Consolidated Edison, Inc. (BBB+/Stable) lacks. AVANGRID's unregulated renewable energy business accounts for nearly 25% of consolidated EBITDA, weakening its business risk profile.

Eversource and AVANGRID also are engaged in developing large offshore wind projects in the Northeast, which include increased risk during the multiyear permitting and construction phases, but would provide long-term contracted cash flow once in operation. Fitch expects FFO leverage to average around 5.5x through 2025 for Eversource and 5.0x for AVANGRID.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- FFO leverage expected to remain less than 4.5x on a sustained basis.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- FFO leverage expected to exceed 5.6x on a sustained basis during the offshore wind project permitting and construction phases, followed by 5.2x after beginning service;
- Significant delays or cost overruns or other issues related to the development of the company's offshore wind projects that would negatively affect Eversource's cash flow profile meaningfully;
- Adverse regulatory actions or other events that result in downgrades to Eversource's utility subsidiaries.

Liquidity and Debt Structure

Adequate Liquidity: Fitch considers liquidity for Eversource and each of its regulated utility subsidiaries to be adequate.

Eversource has a $2.0 billion CP program that the company uses to provide its subsidiaries with intercompany loans. Eversource had $1,393.8 million of CP borrowings outstanding at March 31, 2022, leaving $606.2 million of available borrowing capacity.

Eversource, CL&P, PSNH, NSTAR Gas, Yankee Gas Services Company (not rated), Eversource Gas Company of Massachusetts (EGMA; not rated) and Aquarion Water Company of Connecticut (not rated) participate in a joint $2.0 billion RCF that terminates on Oct. 15, 2026. Under the RCF, CL&P has a $600 million borrowing sublimit; PSNH, NSTAR Gas, EGMA and Yankee Gas each has a $300 million sublimit; and Aquarion Water Company of Connecticut has a $100 million sublimit. The RCF serves to backstop Eversource's CP program. There were no RCF borrowings outstanding as of March 31, 2022.

NSTAR Electric maintains its own $650 million CP program backstopped by an equal-sized RCF. NSTAR Electric's $650 million RCF is separate from the shared RCF of parent Eversource and the other utilities, but also terminates on Oct. 15, 2026. NSTAR Electric had $275.0 million of CP borrowings outstanding at March 31, 2022, leaving $375.0 million of available capacity.

Eversource and its utility subsidiaries require modest cash on hand and had $46.2 million of unrestricted cash as of March 31, 2022.

Manageable Debt Maturities: Long-term debt maturities over the next five years are manageable. At the parent level, Eversource has $450 million of 2.8% senior unsecured notes due May 1, 2023; $350 million of floating rate senior unsecured notes due Aug. 15, 2023; $400 million of 3.8% senior unsecured notes due Dec. 1, 2023; $450 million of 2.9% senior unsecured notes due Oct. 1, 2024; $300 million of 3.15% senior unsecured notes due Jan. 15, 2025; $300 million of 0.8% senior unsecured notes due Aug. 15, 2025; $250 million of 3.35% senior unsecured notes due March 15, 2026 and $300 million of 1.4% senior unsecured notes due Aug. 15, 2026.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Liquidity and Debt Maturities

Liquidity Analysis

($ Mil.)	12/31/20	12/31/21
Total Cash and Cash Equivalents	107	67
Short-Term Investments	0	0
Less: Not Readily Available Cash and Cash Equivalents	0	0
Fitch-Defined Readily Available Cash and Cash Equivalents	**107**	**67**
Availability Under Committed Lines of Credit	1,401	1,145
Total Liquidity	**1,508**	**1,212**
LTM EBITDA After Associates and Minorities	2,903	3,026
LTM FCF	(2,058)	(2,073)

Source: Fitch Ratings, Fitch Solutions, Eversource Energy.

Scheduled Long-Term Debt Maturities

($ Mil.)	12/31/21
2022	1,175
2023	2,008
2024	1,050
2025	1,400
2026	940
Thereafter	11,630
Total	**18,204**

Source: Fitch Ratings, Fitch Solutions, Eversource Energy.

Key Assumptions

Fitch's Key Assumptions Within Its Rating Case for the Issuer Include

- Consolidated rate base growing to $33.8 billion by YE 2026, up from $22.4 billion at YE 2020;
- Consolidated core business capex of $18.1 billion over 2022–2026 ($7.0 billion in electric distribution, $4.5 billion in natural gas distribution, $4.6 billion in electric transmission, $900 million in water distribution, $1.1 billion in IT and facilities upgrades);
- CL&P's transmission capex totals $1.25 billion over 2022–2026;
- NSTAR Electric's transmission capex totals $2.2 billion over 2022–2026;
- PSNH's transmission capex totals $1.15 billion over 2022–2026;
- Operations and maintenance expense relatively flat;
- South Fork Wind expected to be in service by YE 2023; Revolution Wind and Sunrise Wind begins in service by YE 2025;
- Normal weather.

Financial Data

	Historical			
($ Mil., as of Dec. 31)	2018	2019	2020	2021
Summary Income Statement				
Gross Revenue	8,407	8,462	8,842	9,801
Revenue Growth (%)	8.4	0.7	4.5	10.9
Operating EBITDA (Before Income from Associates)	2,478	2,648	2,903	3,026
Operating EBITDA Margin (%)	29.5	31.3	32.8	30.9
Operating EBITDAR	2,489	2,663	2,918	3,026
Operating EBITDAR Margin (%)	29.6	31.5	33.0	30.9
Operating EBIT	1,686	1,808	1,968	1,971
Operating EBIT Margin (%)	20.1	21.4	22.3	20.1
Gross Interest Expense	(504)	(536)	(541)	(578)
Pretax Income (Including Associate Income/Loss)	1,329	1,190	1,559	1,572
Summary Balance Sheet				
Readily Available Cash and Equivalents	108	15	107	67
Total Debt with Equity Credit	14,068	15,084	17,530	19,877
Total Adjusted Debt with Equity Credit	14,154	15,201	17,651	19,877
Net Debt with Equity Credit	13,960	15,069	17,423	19,810
Summary Cash Flow Statement				
Operating EBITDA	2,478	2,648	2,903	3,026
Cash Interest Paid	(504)	(535)	(540)	(555)
Cash Tax	(159)	(56)	(49)	(122)
Dividends Received Less Dividends Paid to Minorities (Inflow/(Out)flow)	0	0	0	0
Other Items Before FFO	95	27	(467)	(163)
Funds Flow from Operations	1,903	2,077	1,840	2,179
FFO Margin (%)	22.6	24.5	20.8	22.2
Change in Working Capital	(154)	(120)	(210)	(272)
Cash Flow from Operations (Fitch Defined)	1,749	1,957	1,629	1,907
Total Non-Operating/Nonrecurring Cash Flow	0	0	0	0
Capex	(2,523)	(2,911)	(2,943)	(3,175)
Capital Intensity (Capex/Revenue) (%)	30.0	34.4	33.3	32.4
Common Dividends	(640)	(663)	(745)	(805)
FCF	(1,414)	(1,617)	(2,058)	(2,073)
Net Acquisitions and Divestitures	194	0	(1,003)	0
Other Investing and Financing Cash Flow Items	(116)	(320)	(180)	(267)
Net Debt Proceeds	1,406	992	2,404	2,300
Net Equity Proceeds	0	852	929	0
Total Change in Cash	70	(93)	91	(40)
Leverage Ratios				
Total Net Debt with Equity Credit/Operating EBITDA (x)	5.6	5.7	6.0	6.5
Total Adjusted Debt/Operating EBITDAR (x)	5.7	5.7	6.0	6.6
Total Adjusted Net Debt/Operating EBITDAR (x)	5.6	5.7	6.0	6.5
Total Debt with Equity Credit/Operating EBITDA (x)	5.7	5.7	6.0	6.6
FFO Adjusted Leverage (x)	5.8	5.8	7.3	7.3
FFO Adjusted Net Leverage (x)	5.8	5.8	7.3	7.2
FFO Leverage (x)	5.8	5.8	7.3	7.3
FFO Net Leverage (x)	5.8	5.8	7.3	7.2
Calculations for Forecast Publication				

	Historical			
($ Mil., as of Dec. 31)	**2018**	**2019**	**2020**	**2021**
Capex, Dividends, Acquisitions and Other Items Before FCF	(2,970)	(3,575)	(4,690)	(3,981)
FCF After Acquisitions and Divestitures	(1,220)	(1,617)	(3,061)	(2,073)
FCF Margin (After Net Acquisitions) (%)	(14.5)	(19.1)	(34.6)	(21.2)
Coverage Ratios				
FFO Interest Coverage (x)	4.7	4.8	4.4	4.9
FFO Fixed-Charge Coverage (x)	4.6	4.7	4.3	4.9
Operating EBITDAR/Interest Paid + Rents (x)	4.8	4.8	5.3	5.5
Operating EBITDA/Interest Paid (x)	4.9	4.9	5.4	5.5
Additional Metrics				
CFO-Capex/Total Debt with Equity Credit (%)	(5.5)	(6.3)	(7.5)	(6.4)
CFO-Capex/Total Net Debt with Equity Credit (%)	(5.5)	(6.3)	(7.5)	(6.4)

CFO – Cash flow from operations.
Source: Fitch Ratings, Fitch Solutions.

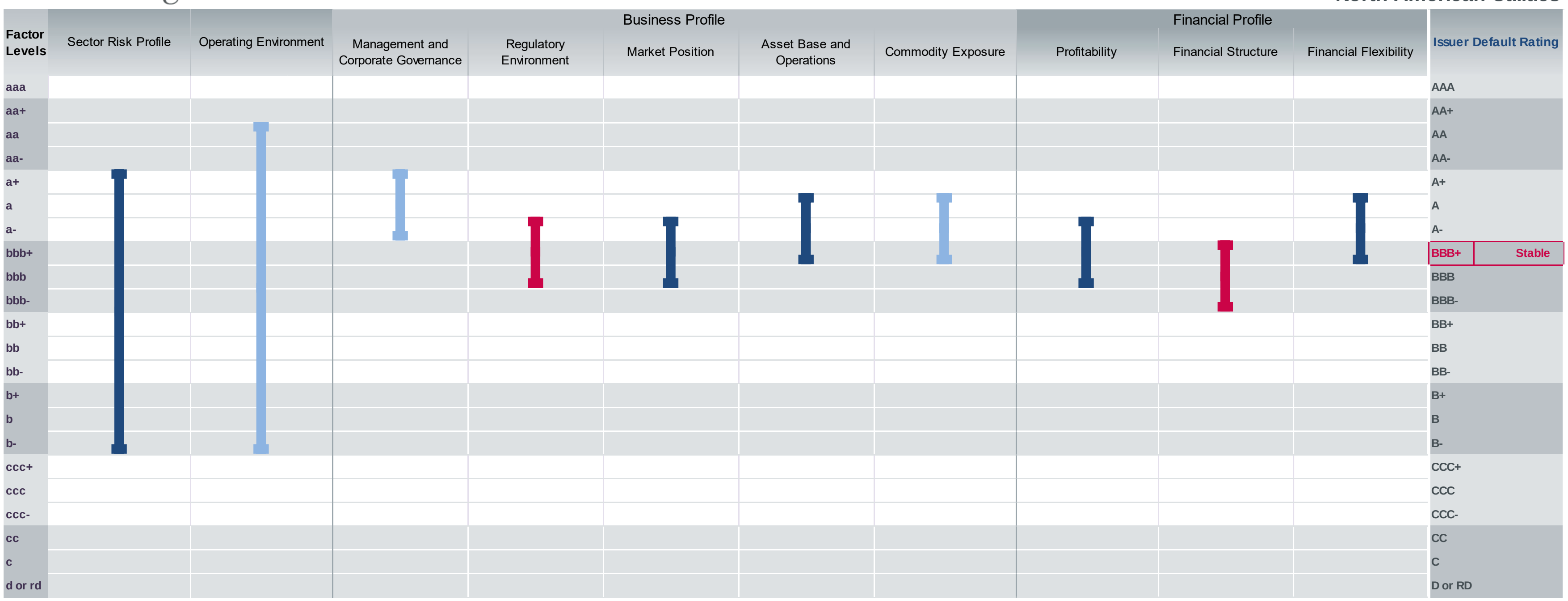
Ratings Navigator

FitchRatings

Eversource Energy

ESG Relevance:

Corporates Ratings Navigator
North American Utilities



Bar Chart Legend:			
Vertical Bars = Range of Rating Factor		Bar Arrows = Rating Factor Outlook	
Bar Colors = Relative Importance		⇧	Positive
■	Higher Importance	⇩	Negative
■	Average Importance	⇳	Evolving
■	Lower Importance	□	Stable

FitchRatings

Eversource Energy

Corporates Ratings Navigator
North American Utilities

Operating Environment

aa+	Economic Environment	aa	Very strong combination of countries where economic value is created and where assets are located.
aa	Financial Access	aa	Very strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance	aa	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
b-			
ccc+			

Regulatory Environment

a	Degree of Transparency and Predictability	bbb	Generally transparent and predictable regulation with limited political interference.
a-	Timeliness of Cost Recovery	a	Minimal lag to recover capital and operating costs.
bbb+	Trend in Authorized ROEs	bbb	Average authorized ROE.
bbb	Mechanisms Available to Stabilize Cash Flows	a	Revenues fully insulated from variability in consumption.
bbb-	Mechanisms Supportive of Creditworthiness	bbb	Effective regulatory ring-fencing or minimum creditworthiness requirements.

Asset Base and Operations

a+	Diversity of Assets	a	High-quality and/or large-scale diversified assets.
a	Operations Reliability and Cost Competitiveness	a	Track record of reliable, low-cost operations.
a-	Exposure to Environmental Regulations	a	No exposure to environmental regulations.
bbb+	Capital and Technological Intensity of Capex	bbb	Moderate reinvestments requirements in established technologies.
bbb			

Profitability

a	Free Cash Flow	bbb	Structurally neutral to negative FCF across the investment cycle.
a-	Volatility of Profitability	a	Higher stability and predictability of profits relative to utility peers.
bbb+			
bbb			
bbb-			

Financial Flexibility

a+	Financial Discipline	a	Clear commitment to maintain a conservative policy with only modest deviations allowed.
a	Liquidity	bbb	One-year liquidity ratio above 1.25x. Well-spread maturity schedule of debt but funding may be less diversified.
a-	FFO Interest Coverage	a	5.5x
bbb+			
bbb			

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Management and Corporate Governance

aa-	Management Strategy	aa	Coherent strategy and very strong track record in implementation.
a+	Governance Structure	a	Experienced board exercising effective check and balances. Ownership can be concentrated among several shareholders.
a	Group Structure	a	Group structure shows some complexity but mitigated by transparent reporting.
a-	Financial Transparency	a	High quality and timely financial reporting.
bbb+			

Market Position

a	Market Structure	a	Well-established market structure with complete transparency in price-setting mechanisms.
a-	Consumption Growth Trend	bbb	Customer and usage growth in line with industry averages.
bbb+	Customer Mix	a	Favorable customer mix.
bbb	Geographic Location	bbb	Beneficial location or reasonable locational diversity.
bbb-	Supply Demand Dynamics	bbb	Moderately favorable outlook for prices/rates.

Commodity Exposure

a+	Ability to Pass Through Changes in Fuel	a	Complete pass-through of commodity costs.
a	Underlying Supply Mix	bbb	Low variable costs and moderate flexibility of supply.
a-	Hedging Strategy	a	Highly captive supply and customer base.
bbb+			
bbb			

Financial Structure

a-	FFO Leverage	bbb	5.0x
bbb+	Total Debt With Equity Credit/Op. EBITDA	bb	4.75x
bbb			
bbb-			
bb+			

Credit-Relevant ESG Derivation

Eversource Energy has 12 ESG potential rating drivers

- Emissions from operations
- Fuel use to generate energy and serve load
- Impact of waste from operations
- Plants' and networks' exposure to extreme weather
- Product affordability and access
- Quality and safety of products and services; data security

Showing top 6 issues

			Overall ESG
key driver	0	issues	5
driver	0	issues	4
potential driver	12	issues	3
not a rating driver	1	issues	2
	1	issues	1

For further details on Credit-Relevant ESG scoring, see page 3.

FitchRatings

Eversource Energy

Corporates Ratings Navigator
North American Utilities

Credit-Relevant ESG Derivation

Eversource Energy has 12 ESG potential rating drivers

- Eversource Energy has exposure to emissions regulatory risk but this has very low impact on the rating.
- Eversource Energy has exposure to energy productivity risk but this has very low impact on the rating.
- Eversource Energy has exposure to waste & impact management risk but this has very low impact on the rating.
- Eversource Energy has exposure to extreme weather events but this has very low impact on the rating.
- Eversource Energy has exposure to access/affordability risk but this has very low impact on the rating.
- Eversource Energy has exposure to customer accountability risk but this has very low impact on the rating.

Showing top 6 issues

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	12	issues	3
not a rating driver	1	issues	2
	1	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	3	Emissions from operations	Asset Base and Operations; Commodity Exposure; Regulation; Profitability	5
Energy Management	3	Fuel use to generate energy and serve load	Asset Base and Operations; Commodity Exposure; Profitability	4
Water & Wastewater Management	1	Water used by hydro plants or by other generation plants, also effluent management	Asset Base and Operations; Regulation; Profitability	3
Waste & Hazardous Materials Management; Ecological Impacts	3	Impact of waste from operations	Asset Base and Operations; Regulation; Profitability	2
Exposure to Environmental Impacts	3	Plants' and networks' exposure to extreme weather	Asset Base and Operations; Regulation; Profitability	1

How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Asset Base and Operations; Regulation; Profitability; Financial Structure	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Regulation; Profitability	4
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Asset Base and Operations; Profitability	3
Employee Wellbeing	2	Worker safety and accident prevention	Profitability; Asset Base and Operations	2
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Asset Base and Operations; Profitability	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance	5
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance	4
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance	3
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance	2
				1

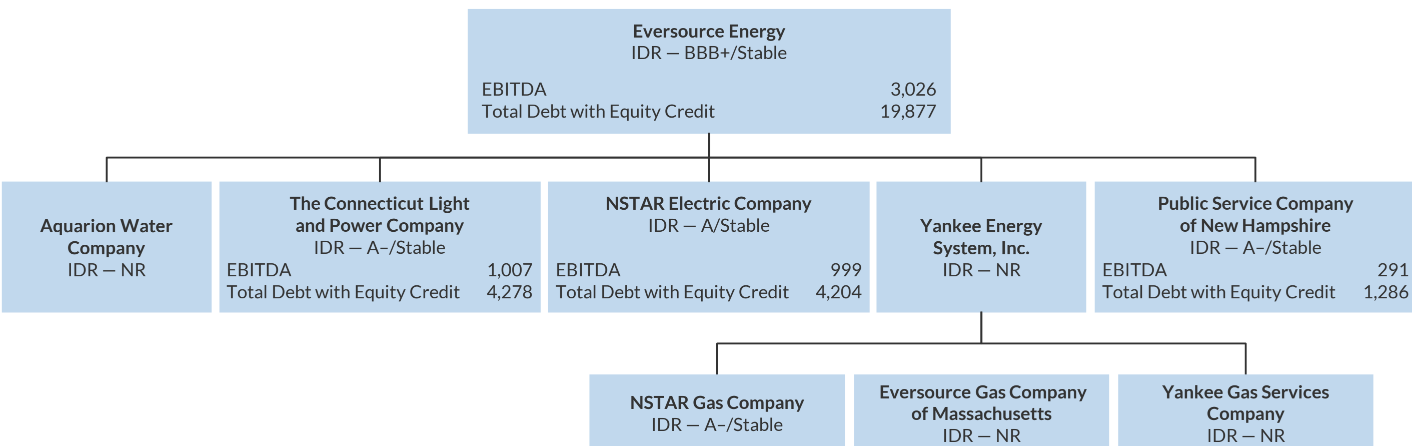
CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram

Organizational Structure — Eversource Energy
($ Mil., as of Dec. 31, 2021)



IDR – Issuer Default Rating. NR – Not rated.
Source: Fitch Ratings, Fitch Solutions, Eversource Energy.

Peer Financial Summary

Company	Issuer Default Rating	Financial Statement Date	Gross Revenue ($ Mil.)	Funds Flow from Operations ($ Mil.)	FFO Leverage (x)	FFO Interest Coverage (x)	Total Debt with Equity Credit/ Operating EBITDA (x)
Eversource Energy	BBB+						
	BBB+	2021	9,801	2,179	7.3	4.9	6.6
	BBB+	2020	8,842	1,840	7.3	4.4	6.0
	BBB+	2019	8,462	2,077	5.8	4.8	5.7
AVANGRID, Inc.	BBB+						
	BBB+	2021	6,974	1,532	4.6	5.7	4.5
	BBB+	2020	6,320	1,535	5.9	5.2	6.1
	BBB+	2019	6,338	1,587	4.1	5.4	4.3
Consolidated Edison, Inc.	BBB+						
	BBB+	2021	13,676	3,315	5.8	4.5	5.1
	BBB+	2020	12,246	2,640	6.8	3.8	5.3
	BBB+	2019	12,574	3,039	5.6	4.4	5.0

Source: Fitch Ratings, Fitch Solutions.

Fitch Adjusted Financials

($ Mil., as of Dec. 31, 2021)	Notes and Formulas	Reported Values	Sum of Adjustments	Fair Value and Other Debt Adjustments	CORP-Lease Treatment	Other Adjustments	Adjusted Values
Income Statement Summary							
Revenue		9,863	(62)			(62)	9,801
Operating EBITDAR		3,096	(70)		(9)	(62)	3,026
Operating EBITDAR After Associates and Minorities	(a)	3,096	(70)		(9)	(62)	3,026
Operating Lease Expense	(b)	0					0
Operating EBITDA	(c)	3,096	(70)		(9)	(62)	3,026
Operating EBITDA After Associates and Minorities	(d) = (a-b)	3,096	(70)		(9)	(62)	3,026
Operating EBIT	(e)	1,993	(22)		(4)	(18)	1,971
Debt and Cash Summary							
Total Debt with Equity Credit	(f)	20,374	(497)	1		(498)	19,877
Lease-Equivalent Debt	(g)	0					0
Other Off-Balance-Sheet Debt	(h)	0					0
Total Adjusted Debt with Equity Credit	(i) = (f+g+h)	20,374	(497)	1		(498)	19,877
Readily Available Cash and Equivalents	(j)	67					67
Not Readily Available Cash and Equivalents		0					0
Cash Flow Summary							
Operating EBITDA After Associates and Minorities	(d) = (a-b)	3,096	(70)		(9)	(62)	3,026
Preferred Dividends (Paid)	(k)	(8)					(8)
Interest Received	(l)	0					0
Interest (Paid)	(m)	(569)	14		4	10	(555)
Cash Tax (Paid)		(122)					(122)
Other Items Before FFO		(172)	9			9	(163)
Funds from Operations (FFO)	(n)	2,227	(48)		(5)	(43)	2,179
Change in Working Capital (Fitch-Defined)		(272)					(272)
Cash Flow from Operations (CFO)	(o)	1,955	(48)		(5)	(43)	1,907
Non-Operating/Nonrecurring Cash Flow		0					0
Capital (Expenditures)	(p)	(3,175)					(3,175)
Common Dividends (Paid)		(805)					(805)
Free Cash Flow (FCF)		(2,025)	(48)		(5)	(43)	(2,073)
Gross Leverage (x)							
Total Adjusted Debt/Operating EBITDAR[a]	(i/a)	6.6					6.6
FFO Adjusted Leverage	(i/(n-m-l-k+b))	7.3					7.3
FFO Leverage	(i-g)/(n-m-l-k)	7.3					7.3
Total Debt with Equity Credit/Operating EBITDA[a]	(i-g)/d	6.6					6.6
(CFO-Capex)/Total Debt with Equity Credit (%)	(o+p)/(i-g)	(6.0)					(6.4)
Net Leverage (x)							
Total Adjusted Net Debt/Operating EBITDAR[a]	(i-j)/a	6.6					6.5
FFO Adjusted Net Leverage	(i-j)/(n-m-l-k+b)	7.2					7.2
FFO Net Leverage	(i-g-j)/(n-m-l-k)	7.2					7.2
Total Net Debt with Equity Credit/Operating EBITDA[a]	(i-g-j)/d	6.6					6.5
(CFO-Capex)/Total Net Debt with Equity Credit (%)	(o+p)/(i-g-j)	(6.0)					(6.4)
Coverage (x)							
Operating EBITDA/(Interest Paid + Lease Expense)[a]	a/(-m+b)	5.4					5.5
Operating EBITDA/Interest Paid[a]	d/(-m)	5.4					5.5
FFO Fixed-Charge Coverage	(n-l-m-k+b)/(-m-k+b)	4.9					4.9
FFO Interest Coverage	(n-l-m-k)/(-m-k)	4.9					4.9

[a]EBITDA/R after dividends to associates and minorities.
Source: Fitch Ratings, Fitch Solutions, Eversource Energy.

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