

Eversource Energy: Where Should Offshore Wind Sit in the Portfolio?

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Topic: Corporate Strategy, Capital Allocation, Risk Management

Industry: Electric Utilities

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Decision scope: Eversource's 50% interest in its Ørsted offshore-wind joint venture

Case version: 1.0, drafted 3 October 2026

Source pack: research audit, source register, and evidence extraction.

The decision

On 24 May 2023, Eversource's strategic review of its offshore-wind investments was still underway. The company had said the review could result in a sale of all or part of its 50% interest in a joint venture with Ørsted. Assume you are an outside strategy adviser preparing a recommendation for a hypothetical Eversource board discussion. This assignment is a classroom construction; it does not represent a documented board meeting or private deliberation.

Decision question: Should Eversource retain the full joint venture, explore a conditional sale of the undeveloped lease while keeping the three contracted projects, or pursue a full sale of its joint-venture interest?

Recommend a path and the conditions that should govern it. Address capital commitments, project and regulatory risks, strategic fit, the use of any proceeds, partner and approval rights, and liabilities that could remain after a transaction. Identify what information would change your recommendation. Do not assume that a partial sale, full sale, or guarantee release is available on known terms.

A portfolio with different stages of risk

Eversource and Ørsted each owned half of North East Offshore (NEO), the partnership holding the offshore-wind portfolio. At 31 March 2023, Eversource reported a \$2,159.2 million investment balance, compared with \$1,947.1 million at 31 December 2022. The balance included project costs and capitalized development, acquisition and interest amounts for three contracted projects and an undeveloped lease. It is an accounting carrying balance, not a market valuation or estimate of sale proceeds. [ES-1, Note E, pp. 19-20; "Investments in Unconsolidated Affiliates"]

Management forecast offshore-wind investment of \$1.4-\$1.6 billion during 2023 and \$2.1-\$2.4 billion over 2024-2026, assuming the three projects entered service by the end of 2025. These were management estimates, not guaranteed outlays under each alternative. The May presentation reported that "Costs Locked in for Three Projects" had risen from 90% at the February forecast to 92% at the May forecast. The slide does not specify the measure's

denominator or calculation basis. Separately, the Q1 filing described construction-related purchase agreements and materials contracts as largely secured. Neither statement establishes cost certainty. [ES-1, “Projected Investments,” printed p. 42 and construction-related agreements discussion; ES-2, slide 4]

The portfolio combined projects with different schedules and exposure. Revolution Wind and Sunrise Wind were still subject to federal, state and local permitting processes; Eversource described the possibility of delay. South Fork Wind was under construction, while appeals of state and federal approvals remained. In the May presentation, management reported that South Fork's subsea cable was about 50% complete and described planned installation work for later in 2023. [ES-1, “Federal Siting and Permitting Process,” “State and Local Siting,” and “Construction,” pp. 41-42; ES-2, slide 3]

Eversource's Q1 filing summarized contracts for 1,758 MW across the three projects. Their published contract prices and terms offered revenue visibility, but the cited disclosures did not provide project-level cash flows, remaining costs, or risk-adjusted returns. [ES-1, “Offshore Wind Business,” pp. 40-42]

Exhibit 1. Project portfolio at the cutoff

Project	Contracted capacity and disclosed price terms	Status described in the Q1 2023 filing
Revolution Wind	400 MW for Rhode Island and 304 MW for Connecticut; 20-year fixed-price contracts at \$98.43/MWh and \$98.43-\$99.50/MWh, respectively	Permits remained in process; possible delay noted
South Fork Wind	90 MW at \$160.33/MWh and 40 MW at \$86.25/MWh; 20-year contracts with 2% average annual escalation	Under construction; appeals of state and federal approvals remained
Sunrise Wind	924 MW; 25-year fixed-price contract at \$110.37/MWh	Permits remained in process; possible delay noted

[F] Contract capacity and nominal contract terms as summarized by Eversource; not project profitability or Eversource's 50% share of output. Prices are not adjusted here for inflation, financing, production, curtailment or other contract provisions. **[F/I]** Status is the company's account in the filing, not an independent permit audit. Source: ES-1, “Offshore Wind Business,” pp. 40-42; project contract table. Values and status are reported, not recalculated.

The regional market included other large developments. For scale context, Vineyard Wind 1's project partners announced financial close for an 800 MW project in September 2021. That sponsor announcement does not establish comparable economics or project performance. [ES-8, 15 September 2021]

Capital allocation and transaction uncertainty

Management said proceeds from a possible sale would likely support investment in Eversource's regulated energy and water delivery systems. Management also stated that it believed fair market value for the offshore-wind investment exceeded carrying value, based on expected cash flows from a sale of all or part of the investment. This was a management estimate, not an appraisal, signed offer or realized price. The filing noted that market conditions, permitting or schedule delays, cost increases, changes in tax law affecting tax-attribute monetization, higher interest rates or discount rates could reduce proceeds. If a sale did not occur, was significantly delayed, or produced less than expected, Eversource said it might need to evaluate impairment. [ES-1, "Strategic Review," pp. 40-41; Note E, pp. 19-20]

The filing's statement that all or part of Eversource's partnership interest could be sold does not establish that the undeveloped lease could be separated from the contracted projects. A lease-only carve-out is therefore a conditional alternative: it would require separability, Ørsted's applicable rights or consents, regulatory approvals and acceptable transaction terms. No price or proceeds for that alternative were disclosed. [ES-1, Note E, pp. 19-20]

The filing also disclosed maximum guarantee and indemnification exposures. As of 31 March 2023, the listed maxima included \$726.2 million for NEO construction-related third-party purchase agreements; \$668.6 million for Sunrise; \$409.7 million for Revolution; \$126.2 million for South Fork; and \$68.9 million for Eversource Investment funding and indemnification obligations of NEO. These are contractual maximum exposures, not expected losses. The filing describes overlapping obligations and caps, so the amounts should not be added into a single exposure estimate. It did not establish whether a sale would release Eversource, require novation, or provide buyer indemnification. [ES-1, Note 9.B, pp. 27-28]

Alternatives for the board

Alternative	Potential rationale	Key trade-offs and unanswered questions
Retain the full joint venture	Preserve exposure to contracted projects and the undeveloped lease; continue with an experienced 50% partner; avoid selling without a known price.	Requires substantial forecast investment and continued exposure to construction, schedule, permitting, financing and residual-liability risk. What project cash flows and cost-to-complete support the commitment?
Explore a lease-only carve-out, if feasible	Potentially reduce development exposure while retaining the contracted projects.	Separability, partner rights, approvals, proceeds, transaction costs and liability allocation are unknown. Retaining three projects would leave substantial construction and financing exposure.
Pursue a full sale	Could redirect capital and management attention toward regulated delivery investment and reduce ownership exposure.	Price, timing, buyer interest, transaction costs, approval path, retained guarantees and indemnities are unknown. Eversource could give up project and lease upside or transact below management's expected value.

These options are classroom framings, not a statement that management had selected or formally advanced any one of them. A sale of ownership alone does not establish a release from

contractual obligations.

Your recommendation

Prepare a two-page board memo that:

1. Chooses one of the three paths, or states a conditional sequence among them.
2. Gives the strongest case against your recommendation and identifies evidence that would reverse it.
3. Specifies transaction and governance conditions, including treatment of Ørsted rights, regulatory approvals and guarantees.
4. Separates what is known from what must be tested before committing capital or signing a transaction.

Discussion questions:

1. How should Eversource compare continued investment in offshore wind with redeployment into regulated delivery systems when neither alternative's risk-adjusted returns are disclosed?
2. Which differences among the projects matter most to the portfolio-boundary decision? What can contract prices and project stage tell you-and what can they not tell you?
3. What would make the lease-only carve-out executable and valuable? What liabilities or governance rights could make it unattractive even if a buyer were interested?
4. What evidence should be required before approving a hold, partial sale or full sale, and what measurable triggers should reopen the choice?

Source key and evidence limits

- **ES-1:** Eversource Energy Q1 2023 Form 10-Q, filed 5 May 2023, accession 0000072741-23-000008. See source register for the canonical SEC and issuer-hosted links. Locators are printed page numbers and section titles given above.
- **ES-2:** Eversource Q1 2023 results presentation, 4 May 2023, Exhibit 99.3; slides 3-4. The research register separately dates the earnings release 3 May and presentation 4 May.
- **ES-8:** Vineyard Wind 1 financial-close announcement, 15 September 2021; project capacity statement.
- Academic background used for case design: **ES-5** Feldman and Sakhartov, model and limitations, pp. 929-35, 937; **ES-6** Lee and Madhavan, publisher abstract only; **ES-7** Averch and Johnson, pp. 1052-55, 1058-69. These studies do not supply Eversource-specific returns or a causal forecast.

The decision uses information public by 24 May 2023 only. It excludes the 25 May announcement and all subsequent outcomes. Material unknowns include project cash flows and cost-to-complete, offers and net proceeds, exit costs, tax-equity terms, expected guarantee loss, guarantee release or indemnity, and project-specific returns and prudence conditions for redeployed capital. Do not fill these gaps with carrying value, contract prices or academic effect sizes.