

Supply Chain Challenges and Eversource's Adapted Purchasing Strategy

Beginning in 2022, the COVID-19 pandemic, along with other international crises, created supply chain issues in many industries, including ours. All utilities in the United States continue to experience supply chain challenges, but we are committed to minimizing the effects of these issues on our customers as much as possible by planning ahead, monitoring the situation and adjusting, when needed.

Utility Specific Impacts:

Many factors are contributing to the supply chain challenges.

- **Supply disruptions** have made it difficult for manufacturers to get materials, such as steel, aluminum, copper, and resins, which are used to manufacture transformers, meters, cable and wire, electronic parts, and other gas and electric equipment.
- **Labor shortages**, as a result of international COVID impacts and limited contractor resources in the United States, have slowed all aspects of our supply chains, from manufacturing of materials to transportation of those materials, which has increased the lead times on receiving materials by three to four times.
- **Rising costs** due to supply/demand, inflation, and lack of competition are affecting the ability for manufacturers to obtain materials.
- **Industry demand for equipment and material** is increasing, as a result of storm restoration, capital work, and clean energy growth.
- **Geopolitical issues** are affecting the ability to obtain certain materials from outside of the United States.

Adapting Eversource's Purchasing Strategy

From the onset, we have been monitoring and adjusting our purchasing strategies to reduce the impacts to our customers.

- **Changing when we purchase materials.** Longer lead-times means we are purchasing more material, sooner. We are already buying equipment for 2024 and beyond.
- **Finding alternatives/solutions.** We are utilizing new suppliers, switching manufacturers or vendors, changing to new or different products, and using alternative construction, where possible. We are also refurbishing old equipment.

Prioritizing the Allocation of Transformers & Other Material

Due to supply constraints, we are prioritizing how equipment and materials are allocated in the following way:

1. **Restoration** – Having enough equipment in our warehouses to restore power to customers after a major storm, heat wave or other failure is our first priority.
2. **New customers** – A portion of our inventory of transformers are allocated to new customer requests. This includes new distributed generation customers.
3. **Our work plan** – We are continuously evaluating which upgrades need to be done now and what can wait. We are currently challenging and limiting requests for equipment replacements unless they are absolutely necessary.

The Outlook

The supply chain issues are expected to continue for the foreseeable future. It was severely disrupted and will take time to secure raw materials and components, rebuild inventory, and for the labor force to return to normal. However, our adjustments to our purchasing strategy have enabled us to continue to provide safe, reliable power to our customers and we will continue to work diligently on minimizing the impact to our customers.

Some examples:

- Electric utilities are working with the federal government to address **raw material constraints** across the industry
- Instead of disposing, we are sending **used transformers** to a third party for testing and repair
- We have established contracts with **two new suppliers** of aluminum and overhead conductor

