Date Filed: August 25, 2026

Witness: Brendan J. O'Brien and Garrett J. Murray
Request from: Office of Consumer Counsel

Question:

Payroll. State whether the Company used the same forecasting methodology used in the prior rate case. If not, explain in detail all changes.

Response:

Yes. The Company utilized a similar methodology that was used in the prior CL&P rate case in Docket No. 17-10-46 which was also the methodology used in the last Yankee Gas rate case in Docket No. 24-12-01 to calculate the Test Year Pro-Forma ("TYPF") payroll expense as well as the Rate Year payroll expense.

The Company's Test Year payroll data consists of hundreds of thousands of lines of individual transactions that are unique each and every year. Those transactions can vary based on a number of different conditions throughout the year such as weather events, supply chain issues, personnel availability, capital budgets and much more. To determine the normalized Test Year level of payroll expense, the Company performs an independent evaluation of the payroll expense utilizing actual employee salary information as of the end of the Test Year as described in greater detail below and supported by detailed calculations provided as attachments to this response.

(1) In order to calculate the TYPF level of payroll expense, the Company first begins with a listing of actual CL&P and Eversource Energy Service Company ("Service Company") salaries for each employee position that is **filled and active** as of December 31, 2025. It is important to begin with only those positions that are filled and active as those are the positions the Company is experiencing actual expenses for. This also ensures that an imputed vacancy rate is accounted for as the Company typically does not have 100% filled and active positions at any single point in time and therefore it would be inappropriate to include all positions (inclusive of unfilled and inactive positions) in the TYPF calculation. Please refer to OCC-332, Attachment 1, for the full listing of CL&P and Service Company employee salaries as of December 31, 2025.

(2) In a normal year it is expected that CL&P employees will charge 100% of their time to CL&P and therefore the amounts shown on OCC-332, Attachment 1, page 1, lines 6 through 10, support the TYPF amounts shown on Exhibit CLP-REVREQ-2, Work Paper C-3.5, page 1, lines 15 through 19. In a normal year it is typical for Service Company employees to charge their time to multiple operating companies throughout the year, and

therefore the Company takes the total Service Company salaries shown in OCC-332, Attachment 1, page 38, lines 6 through 16, and allocates those costs to CL&P. In order to do so, the Company utilized the actual labor charged to CL&P by each Source Cost Center ("SCC") and compared that to the total actual labor charges for each of the same SCCs. Please see OCC-332, Attachment 2, for the calculation of the amount of Service Company salaries allocated to CL&P and OCC-332, Attachment 3, for the actual 2025 allocation of labor by SCC utilized in the calculation in OCC-332 Attachment 2. The allocated amounts shown in OCC-332, Attachment 2, page 1, lines 8 through 18, support the amounts shown in Exhibit CLP-REVREQ-2, Work Paper C-3.5, page 1, lines 33 through 42.

(3) The base salaries calculated in items (1) and (2) above are total salaries prior to the split between capital and O&M; therefore, the final necessary adjustment to those CL&P allocated salary amounts is to account for the portion that will be capitalized, which is then removed from the payroll expense schedule. In order to do so, the Company utilized the actual Test Year capitalization ratios. Please see OCC-332, Attachment 4, for the calculation of the Test Year capitalization percentages.

In summary, the Company starts by taking actual salaries of active / filled positions as of December 31, 2025, and allocates those to CL&P and further assigns a portion to expense and capital all based on actual Test Year information. That resulting TYPF payroll expense becomes the basis for payroll expense increases utilizing annual merit adjustments. The difference between the TYPF amount above and the actual Test Year expense results in the $2.778 million pro-forma increase (or approximately 2%).

In addition, the Company is proposing incremental Full Time Equivalents ("FTEs") in Exhibit CLP-REVREQ-2, page 3 of 3. Page 3 of 3 shows the number of employees the Company expects to hire in each business area (i.e. Vegetation Management, Grid Modernization, Engineering Capital, Distribution System Planning, Asset Health and Field Engineering). It also shows the expected salary, hiring date, and resulting O&M payroll expense included in the Company's COS. This treatment is consistent with the Company's incremental FTE request in Docket No. 17-10-46.