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Witness: Donald J. Scacco Jr., Digaunto Chatterjee, Douglas P. Horton, Matthew Nelson and Michael Goldman
Request from: Public Utilities Regulatory Authority

Question:

Reference Application, Ex. CLP-IAP-1, pp. 56–57. Clarify the role Eversource recommends for peer benchmarking after implementation of a multi-year rate plan. Specifically, state whether Eversource recommends continuing peer benchmarking as an ongoing performance measure, using it periodically for comparative analysis, or relying primarily on CL&P's approved plan and historical performance to measure performance over time.

Response:

The Company recommends relying primarily on CL&P's approved plan and its own historical performance to measure cost-efficiency performance over the plan term. While peer benchmarking may be used periodically for comparative analysis, such as in preparation for a future rate case, the Company does not recommend peer benchmarking as an ongoing measure of cost efficiency or affordability performance, primarily due to the lack of a platform for establishing reliable comparability. However, the Company does and will continue to benchmark system and customer reliability metrics against peer utilities, as these industry-standard measures provide meaningful and actionable comparisons of service performance.

Once a multi-year plan is established, the Company's progress towards achieving additional cost efficiencies should be measured against a Company-specific baseline, including: Core Operating Expense per customer against a baseline escalated by an inflation-based benchmark, capital spending against the approved plan, and reliability against the plan's commitments, with regular public reporting (Ex. CLP-IAP-1, p. 57, ll. 3–8). Refer to the Company's response to CLF-AC-005[i]). These metrics reflect the Company's efforts to improve cost efficiency during the PBR term. Peer benchmarking, however, is comparative so the Company's comparative standing against its peers could be driven by changes outside the control of the Company, such as poorer cost control by other utilities. In addition, the expense of continuous cost efficiency peer benchmarking could negatively impact consumer dividend by adding expense throughout the PBR term without significant benefit to customers through improved cost efficiency. Therefore, while peer benchmarking is useful for assessing cost efficiency on a periodic basis, for the purpose of annually assessing cost efficiency and affordability performance during the PBR term the Company has proposed to measure performance against the proposed baselines.

The Company continues to benchmark against peers in other areas, including reliability and customer satisfaction. The Company has also proposed reporting-only cost-efficiency metrics for the plan term (Ex. CLP-ELP-1, p. 112, Table 5; Ex. CLP-ELP-3). Also refer to the Company's response to UPA-022[ii].

Prior Referenced Responses

[i] CLF-AC-005 Question

(Performance-based Regulation) Refer to Exhibit CLP-PBR-1, pages 58-59.

(a) Please confirm that the Company did not propose the S-Factor / stretch factor methodology to align with the mechanism as described in the RE01 2025 PFD to include the Benchmarking-Study-based tiered approach under which "highly efficient utilities have an S-Factor at zero.(as stated in Docket No., Proposed Final Decision, July 2025, at page 22)"
(b) Please confirm whether or not the Company considered proposing that methodology. If so, produce all analyses, benchmarking studies, models, workpapers [etc] reflecting that consideration.

CLF-AC-005 Response

(a) No. While the Company's proposed S-Factor includes a benchmarking-based tiered approach that adjusts based on the Company's core O&M performance per customer relative to a benchmark, it does not align with the methodology described in the Proposed Final Decision ("PFD") in Docket No. 21-05-15RE01 under which highly efficient utilities would have an S-Factor of zero. Under the Company's proposal, the S-Factor has a floor of 30 basis points, meaning customers receive a 30-basis-point reduction relative to inflation even when the Company is classified in the highest performance tier. By contrast, the PFD described a framework under which highly efficient utilities would have an S-Factor of zero, resulting in no reduction relative to inflation.

Further, the PFD's discussion of the S-Factor was conceptual in nature. The PFD described potential benchmarking and tiering concepts and provided illustrative examples, but it did not establish the specific benchmarks, indices, thresholds, tiers, or other parameters that would be necessary to implement such a mechanism. Accordingly, while the Company's proposal incorporates benchmarking and tiering concepts similar to those discussed in the PFD, it does not adopt the specific zero-floor approach described therein.

(b) As stated in the Company's response to CLF-AC-002, as a general practice, the Company would consider any ratemaking construct, with potentially differing elements and mechanisms from its own proposal, that supports the same objectives outlined in the Company's proposal: (1) the reliability and performance requirements of the Company's customers and the broader State of Connecticut; (2) customer rate stability and affordability; (3) incentives for cost efficiency in utility operations; and (4) implementation of a revenue support mechanism sufficient to cover the cost of delivering these objectives to customers.

Finally, as noted in subpart (a) of this response, the PFD lacked the specificity necessary to be able to adopt a single, cohesive methodology with respect to the S-Factor.

[ii] UPA-022 Question

Reference Application, Ex. CLP-IAP-1, p. 25. Identify the evidence Eversource relies upon to conclude that the proposed capital plan is affordable from the customer perspective and quantify the bill or energy-burden impact attributable to the proposed capital investment. Provide all supporting calculations and workpapers.

UPA-022 Response

To conclude that the proposed capital plan is affordable, the Company followed the Three B's discussed in response to UPA-021,[ii] and relied on the following evidence: (1) the cost benchmarking performed by LEI (Exhibit CLP-PBR-3); (2) the Company's benefit-cost modeling of reliability investment (Exhibit CLP-TSP-1 & CLP-TSP-3); (3) application of the RE08 affordability test (notwithstanding the Company's stated concerns with the methodological basis for this alleged threshold); (4) alignment with RE011; and (5) data showing that the distribution costs are not significantly impacting the volatility of customer bills (Exhibit CLP-IAP-1,atpage. 21–22; 48-49; Figures 2 and 4).

Using the proposed "Three B's Framework", Eversource has provided the following evidence that the proposed capital plan is affordable:

1. "Burden" or impact on customers:
    a. The distribution portion of a typical residential bill has grown modestly in real terms -- about 9 percent from January 2015 to 2026 (about 0.8 percent per year), and about 0.2 percent in real terms from 2019 to 2026 (page 22, line. 11–17; page 48, line. 5–16; Figure 4).
    b. The bill volatility customers have experienced since 2021 came from supply and public-benefits charges, not distribution (page 21, line 3; page 22, line 7; Figure 2).
    c. Under the current multi-year plan, the ESI limited the bill impact of $2.7 billion of capital investment to less than $2 per month each year, on average, over 2018–2025 (page 60, line 12–16)
    d. The most direct quantitative measure of customer affordability available to PURA is energy burden under the RE011 framework. The Company's five-tier low-income discount is designed to hold participating customers' energy burden to roughly six percent (Exhibit CLP-IAP-1, at page 86, ll. 8–12; Exhibit CLP-CUSTOMER-1).
2. "Budget"
    a. Structural protections in the proposal -- the Capital Funding Mechanism caps the level of capital revenue support during the PBMRP at the approved forecast in this proceeding and reconciles annually, but only downward, so customers pay the lesser of forecast or actual plant in service (page 61, line 14–18; page 87, line 3– 13; Exhibit CLP-ELP-1, at page 101–102). Amounts expended above the cap would be allowed in rates only prospectively from the date of a future prudence review and forward (in the context of a future rate case), imposing an element of regulatory lag on capital investments above the cap, and above forecasted levels.
    b. The proposed reliability investment satisfies the RE08 affordability test, notwithstanding the Company's concerns with the methodological basis for that threshold (UPA-021) (Exhibit CLP-IAP-7; Exhibit CLP-IAP-1, page 23, line 1–19).
3. "Balance"
    a. The Company prioritizes reliability investment using a benefit-cost model that ranks work by customer benefit per dollar, so that the investment delivers the reliability it is meant to buy at an appropriate cost relative to alternatives (Exhibit CLP-TSP-1, page 34–35; Exhibit CLP-TSP-3, slide 34). See, also, the responses to UPA-024[ii] through UPA-026.[ii]
    b. National and peer comparisons point the same way. LBNL's national study shows that 20 of 22 sampled utilities plan more spending on managing the existing system than on capacity expansion,

and indirectly that Eversource is at the low end of planned capital growth among peers, and that New England's distribution rate pressure reflects a contracting sales base more than capital spending growth (Exhibit CLP-IAP-1, at page 46–47, 52–53; Exhibit CLP-IAP-4, at page 19, 21–22, 30). LEI's benchmarking places CL&P's capital cost per customer below the national average and below the model-predicted benchmark (Exhibit CLP-PBR-3, at page 9 and 17). Once the plan is in place, the Company proposes to measure its performance against its own plan, accounting, territory and customer (Exhibit CLP-IAP-1, at page 57, line 3–16; please refer to the response to UPA-031[ii]).

Exhibit CLP-IAP-1 does not independently calculate the bill impact of the ongoing capital plan. However, the Company has provided total bill impacts by rate class in response to AMTRAK-012[ii]. In that response, the total average bill impacts are 1.3%, 1.3% and 1.4% for Rate Years 2, 3, and 4 (UPA-022 Attachment 1, Line 66). For Rate Years 2 through 4, the revenue requirement associated with the proposed capital plan is recovered through the Capital Funding Mechanism. The table below isolates that component from the total revenue increases.

The capital plan adds $67.2 million, $71.4 million and $74.5 million of incremental distribution revenue in Rate Years 2, 3 and 4 which represent 87%, 88%, and 89% of the estimated total distribution revenue increase for each Rate Year 2, 3, and 4. These are forecast amounts. Under the Capital Funding Mechanism, recovery is reconciled annually to the lesser of forecast or actual and can be adjusted downward only.

($ Millions)	Rate Year 2	Rate Year 3	Rate Year 4
F-Factor Revenue	$67.2	$71.4	$74.5
Total Revenue Increase (F-Factor + I-X)	$77.6	$81.1	$83.0
F-Factor % of Total	87%	88%	89%