Date Filed: August 26, 2026

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

Question:

ESC Capital Funding. to Exhibit CLP-REVREQ-1, page 83 lines 1-21 through page 84 lines 1-2 and lines 11-15.

a. Explain why the Company replaced the weighted average of Eversource operating companies ROE with the Company's proposed ROE in this case.
b. Confirm that the ESC charge billed to CL&P in the rate year will be based on the weighted average of Eversource operating companies ROE.

Response:

a. First, the Eversource Energy Service Company ("ESC") makes significant capital investments, primarily IT infrastructure, on behalf of the operating companies it serves on a regular, ongoing basis. These investments are necessitated to: (1) enable business process improvements and new business capabilities via the implementation of new technology solutions; (2) improve customer interaction capabilities; (3) standardize collaboration and service technologies across the enterprise; and (4) maintain secure and supported technology solutions. These services would be costlier for customers if Connecticut Light & Power had to make these investments on its own. For example, the general ledger employed by each Eversource operating company resides with ESC's books. Were it not for this centralized service provided to the Company by ESC, the Company would need to develop and support its own general ledger, a prospect that would be costlier to customers. Therefore, it is beneficial to ratepayers that ESC continues to invest in a general ledger and other systems in the provision of essential services to the utilities it serves.

   Secondly, all capital, as discussed elsewhere in this proceeding, has a cost. However, ESC, as a quasi-regulated shared services company, does not have a simple cost of equity approved by a single regulator. Instead, to establish its ROE for purposes of calculating the revenue requirement necessary to support the capital investments ESC makes on behalf of its utilities, ESC uses a weighted average of the approved ROEs of each Eversource operating company it serves. The ESC ROE rate is calculated on an annual basis in January. The ROE rate is calculated by weighing the most recent allowed ROE of each Eversource regulated utility, based on the applicable allocation methodology and the prior year-end Plant balances of the applicable ESC projects. This is a reasonable, repeatable estimate of the cost of the capital necessary to provide cost effective and efficient services

across multiple jurisdictions. It is important to note that regardless of the methodology used to derive the ESC's ROE, the capital funding charged to CL&P is grounded in the ESC cost-causation principles and methodologies (as noted within, and in accordance with, the ESC cost allocation manual provided in EOE-066, Attachment 1) to ensure the ESC costs billed are appropriate and equitable based on the net assets from which each operating company benefits.

The Company replaced the weighted average of Eversource operating companies' ROE with the Company's proposed ROE in this case, which is consistent with prior rate case practice, because the Company's proposed ROE in this case reflects current market conditions and is the result of the extensive analysis performed by the Company's cost of capital witness. The approved ROEs of all Eversource operating companies that would be used to calculate ESC's ROE during the Rate Year (i.e., approved ROEs of the operating companies through 2028) are unknown and subject to change.

b. Yes, the Company confirms that the ESC charges billed to CL&P in the Rate Year will be based on the weighted average of Eversource operating companies' ROE. The weighted average of Eversource operating companies' ROE will be updated with the final PURA approved CL&P ROE on January 1, 2028.