STATE OF CONNECTICUT
PUBLIC UTILITIES REGULATORY AUTHORITY

Docket No. 26-05-10

APPLICATION OF THE CONNECTICUT LIGHT AND POWER COMPANY
D/B/A EVERSOURCE ENERGY
TO AMEND ITS RATE SCHEDULES

JOINT REBUTTAL TESTIMONY OF

SASHA P. LAZOR and MARIANNE H. EICHLER

Incentive Compensation

On behalf of

The Connecticut Light and Power Company
d/b/a Eversource Energy

November 18, 2026

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I. INTRODUCTION

Q. Please state the names of the witnesses on the Incentive Compensation Panel.

A. The Incentive Compensation Panel is comprised of Sasha P. Lazor and Marianne H. Eichler. We are providing this rebuttal testimony on behalf of The Connecticut Power and Light Company d/b/a Eversource Energy ("CL&P," "Eversource," or the "Company").

Q. Have the members of the Incentive Compensation Panel previously submitted testimony in this proceeding?

A. Yes. On July 14, 2026, Mr. Lazor and Ms. Eichler co-sponsored direct, pre-filed testimony to the Public Utilities Regulatory Authority ("PURA") on behalf of CL&P in support of its application for approval of amended rate schedules. That testimony was marked as Exhibit CLP-EMPLOYEE-1.

Q. What is the purpose of this panel's joint rebuttal testimony?

A. On October 21, 2026, the parties and intervenors in this proceeding filed testimony in accordance with the procedural schedule. Our joint rebuttal testimony addresses the claims and recommendations put forth by the Office of Consumer Counsel ("OCC")

through its witness, Mr. John Defver of Larkin & Associates, PLLC, regarding the Company's incentive compensation plan.[1]

Q. How is your testimony organized?

A. Our testimony is organized into the following sections:

- Section I is the introduction;
- Section II responds to Mr. Defever's testimony regarding the Company's incentive compensation plan; and
- Section III is the conclusion.

II. RESPONSE TO OCC ON INCENTIVE COMPENSATION

Q. Please summarize OCC's position on the recovery of incentive compensation, as represented in the testimony of witness Defever.

A. Mr. Defever recommends that PURA disallow 100 percent of CL&P's requested recovery of incentive compensation expense, totaling $15,063,977 in the rate year (Defever Testimony at 26). The Company's total request includes $9,811,390 for employee variable pay, $2,438,848 for executive variable pay, $1,330,850 for long-term executive stock, and $1,482,889 for long-term director stock (id. at 23). Mr. Defever notes that these figures do not include an additional $2.957 million that the Company already removed for five senior officers (id.).

Mr. Defever does not offer much in support of this 100% disallowance. Mr. Defever first claims that the Company's incentive compensation program is "ineffective,"

[1] The Company does not respond to every issue raised in the intervenor testimonies. Silence on any issue should not be construed as agreement on any issue.

because "nearly every eligible employee" received an incentive compensation "bonus" in each of the last five years (id. at 24, citing, responses to OCC-201 and OCC-291). He further claims that "[a]n incentive compensation plan, by definition, should provide motivation to employees to provide greater effort" and that "[t]o the extent employees assume they will receive a bonus regardless of their effort, the motivational impact is reduced" (id. at 24). His other complaint is that incentive compensation should not be awarded to employees rated as "Improvement Needed to Be a Successful Contributor," contending that customers should not bear the cost of additional compensation for employees who have not met performance expectations (id. at 24-25, citing, OCC-292).

However, Mr. Defever's main premise seems to be that the Company's incentive compensation should be disallowed because PURA has disallowed it in two other dockets, which he refers to as Yankee Gas Services Company ("Yankee"), Docket No. 24-12-01 (2026) and Aquarion Water Company of Connecticut ("AWC-CT"), Docket No. 22-07-01 (id. at 25). He also asserts that the AWC-CT decision was upheld by the Connecticut Supreme Court in Aquarion Water Co. of Connecticut v. Public Utilities Regulatory Authority, 352 Conn. 381, 406 (2025) (id. at 25-26).

Based on these high-level suppositions, Mr. Defever concludes that CL&P has not met its burden to demonstrate that the requested incentive compensation expense is justified and recommends that PURA disallow the entire $15,063,977 sought for rate-year incentive compensation.

Q. Why should PURA reject this recommendation from Mr. Defever?

A. The fundamental concern that we have is that the Eversource Energy Incentive Compensation Plan is not designed, nor does it function as, a bonus plan. Instead, the cost incurred by the Company for the program is a necessary part of employee compensation, which should be allowed in rates. The program is designed to subject a portion of the total compensation ***owed*** to the employee to achievement of a specific performance level, and further, to provide each employee with an incentive to over-achieve the expectation for their job position for the benefit of customers.

When an employee is hired, their total compensation (base and variable pay) is benchmarked to the market and is set as the median of the market level. Thus, when the employee accepts a position with Eversource, the employee's expectation is that he or she will have the opportunity to earn the total compensation level (base and variable) offered for the respective position. During the performance year, the variable pay component is withheld from the employee and awarded to the employee only after there is a demonstration at the end of the year that the expectations of the employee's position have been met (or exceeded). As a result, the Company's experience with this program design is that it innately and vigorously motivates employees to meet and/or exceed expectations for their job position because no employee wants to do the job all year and *not* be paid all available dollars that go with the employee's position. The program also generates competition among employees because variable pay above the target level can only be awarded to employees deemed to be top contributors and only a

limited number of employees in any given business group can be given that designation, thereby generating motivation and competition among employees to obtain that designation and the potential compensation that is associated with that ranking.

Importantly, the Company cannot forego paying its employees the amounts they earn for variable pay – the variable pay component is part of the employee's compensation paid at market levels and owed to the employee for the respective position. If PURA disallows, once more, the recovery of this necessary and appropriate compensation, the Company will need to dissolve the performance-based variable pay component for CL&P employees and pay the compensation to employees as base compensation so that the cost will be included in rates at the next rate interval. This outcome is counter-intuitive to CL&P, given PURA's strong focus on driving efficiency management of the business.

Q. Are you familiar with the reasons that PURA has denied recovery of variable pay compensation in the Yankee and Aquarion rate cases?

A. Yes. We are not attorneys. However, in our professional capacity, we have read PURA's decisions on the recovery of variable pay compensation in the Yankee and Aquarion rate cases, as well as the decision of the Connecticut Supreme Court and we are familiar with the reasons given as justification for disallowing these costs.

Q. Do you agree that PURA should deny recovery of the variable pay costs in this case because of its findings in those cases?

A. No, we do not. In this case, we have submitted (and continue to submit) all of the documentation and information necessary to show that the conclusions drawn in the other cases are factually wrong. Specifically, PURA made four findings in the Aquarion case that we disagree with and have directly addressed with evidence in this case. These four findings were that:

1. The Company failed to demonstrate that the Incentive Program is required to maintain competitive salaries and employee retention. (Docket No. 22-07-01, at 63).

2. The Company provided no evidence to substantiate its burden that the Incentive Program incentivizes its employees – "practically every employee is rewarded, diminishing the efficacy of the program." (id.).

3. Employees only receive employee incentive compensation if the Incentive Program is funded. (id.).

4. Since 70% of the employee incentive compensation is tied to achievement of financial goals, the Incentive Program primarily benefits the Company's shareholders, rather than ratepayers. (id. at 64).

Below, we address each of these findings and explain why they are wrong.

Q. Have you provided evidence that the Incentive Program is required to maintain competitive salaries and employee reduction?

A. Yes, we have – in several ways. First, we submitted examples of job postings by other utilities that we compete with to hire employees, showing that these competitors for skilled resources offer both base pay and performance-based variable compensation to employees. These examples were National Grid, Avangrid, and ISO-New England and the postings were provided in Exhibit CLP-EMPLOYEE-2.

Second, we showed that, for energy/utility companies the size of Eversource, nearly 90 percent of surveyed companies had variable pay plans, and between 91 and 96 percent of employees at those companies participated in those plans. This means that, if Eversource did not have a variable pay component, it would be out of step with the market and likely would not be able to attract, retain and motivate the highly qualified employees necessary for CL&P to deliver the level of service required by its customers in a reliable, efficient, and safe manner. In addition, we showed that, in 2024, the majority (88.4 percent) of the participants in the Towers Watson's Salary Budget Survey Report reported that they have an annual performance variable compensation program in place (see, Table 6 and Table 7, Exhibit CLP-EMPLOYEE-1, at 28-29).

Third, in the Aquarion case, PURA stated that it reached its finding that Aquarion did not prove that the program "is required to maintain competitive salaries and employee retention" because, for non-executive compensation, Aquarion "appears to use base wages when comparing Aquarion employee compensation to compensation offered by peer utilities."[2] (Docket No. 22-07-01, at 63). Here, our testimony is clear that the Company benchmarks base salary and total cash compensation levels to a defined competitive market range that is 90 to 110 percent of the market median. See, e.g.,

[2] For this conclusion, PURA cited to testimony on a hearing transcript appearing to indicate that Aquarion benchmarked compensation to base wages, rather than total compensation. Specifically, PURA quote the transcript as stating: "Chairman Gillett: 'Do you recall whether the survey gets into the granularity . . . of what the comp's breakdown between base and incentive is?' Ms. Teixeira: 'For the senior team, yes it does.' Chairman Gillett: 'Not for all job classifications?' Ms. Teixeira: 'Not for all job classifications.'); Tr., 625-626:14-25 (Chairman Gillett: 'Okay. So for all job classifications . . . are you comparing total compensation package to the results of the survey?' Ms. Teixeira: 'We look at base wages, and then we look at what is a typical percentage of your base wages that is competitive to the market.')." Docket No. 22-07-01, Decision at 63.

Exhibit CLP-EMPLOYEE-1, at 21-23. Without the variable pay component, the Company cannot match the market for total cash compensation.

Q. Have you provided evidence to show that the Incentive Program "incentivizes its employees" and addressing the claim that "practically every employee is rewarded, diminishing the efficacy of the program"?

A. Yes. As an initial matter, this statement simply ignores the basic structure of the program. The variable pay compensation component is not designed as a bonus and is not paid only to singled-out employees who are receiving more than their total compensation, as benchmarked for their position – like a bonus program might do.

Instead, the performance metrics and actual variable pay compensation levels vary for each employee. Each employee is placed in a job-scope level, which is based generally on his or her level of responsibility within the organization. Each job-scope level has an associated incentive opportunity range, beginning at a target level, and the incentive opportunity ranges from 0 to 200 percent of target based upon individual performance (i.e., the employee's supervisor has the discretion to set the actual award based on the employee's performance against his or her individual, job-specific goals). Under the Eversource variable pay program, no employee is guaranteed a variable pay award or a specific level of variable pay. Instead, employee supervisors are given the discretion to allocate the variable pay amounts among their respective employee groups consistent with the pre-established targets for each position, so that there may be a range of outcomes depending on the performance delivered by each employee in the group.

Employees do not receive identical payouts and are not guaranteed a designated amount. The overall payout of variable pay differs by individual employee based on individual performance. Performance ratings range from "Did Not Meet Performance Expectations" on the low end to "Top Achiever" on the high end, with the majority of employees falling within the mid-range "Successful Contributor." Within each of these categories of rating distribution, there is also a range of payouts based on the individual's performance, meaning that employees within each category are differentiated based on their performance.

The Company has provided data showing the performance rating distributions and average variable pay in 2025 in Exhibit CLP-EMPLOYEE-3. Page 1 of the exhibit provides data on a combined basis for CL&P and Eversource Energy Service Company ("ESC"). Page 2 provides data separately for CL&P and Page 3 provides data separately for ESC.

Each page of Exhibit CLP-EMPLOYEE-3 contains a table and three charts. Each table shows the Performance Rating across five categories of rankings: Did Not Meet Performance Expectations, Improvement Needed to be a Successful Contributor, Successful Contributor, High Contributor, and Top Achiever. For each category, the Company establishes a Target Distribution, which is a planning projection of the percentage and number of employees expected to fall within each category in the performance year. As shown in the tables, most employees (65 – 75 %) are projected to fall within the Successful Contributor category in a given year. The tables include

columns showing (a) the actual rating percentages and numbers of employees in each category for the year; (b) the average annual variable pay percentage for employees in each category, and (c) the average merit increase of employees in each category. This table shows the Company projected that 65 – 75 percent of CL&P and ESC employees (2,634 – 3,040 employees) would be in the Successful Contributor category. The actual ratings resulted in 68 percent of the employees (2,766) achieving Successful Contributor status. On a combined basis, the average annual variable pay amount to the employees in this category in 2025 was 113.3 percent of target. As explained in more detail below, the individual payouts within the category ranged above and below the average. In addition, in response to OCC-201, the Company presented additional detail on the performance ratings, disproving the conclusion that there is a "diminished efficacy" due to the program design because everyone is allegedly treated identically, which is inaccurate.

Q. Have you presented evidence to show that the incentive compensation plan has always been funded, even in difficult financial years (Docket No. 22-07-01, Decision at 63).

A. Yes. In OCC-298, we presented information that there is no individual corporate goal that would automatically trigger a loss of annual variable pay compensation for employees of the Eversource Energy operating affiliates. In OCC-299, we presented information that the circumstances that might have the potential to provoke a scenario in which "no incentive compensation payments would be made," to the employees of Eversource's operating affiliates in Connecticut, Massachusetts and New Hampshire

would need to be very severe for any such decision to be made. For example, if *none* of the corporate financial and customer-service performance goals were met in a year, this is an outcome that might be considered depending on the drivers of that non-performance.

Eversource reserves the right to suspend the payment within the context of its variable pay compensation policy because: (1) the overall total cost to the enterprise is significant and, if a severe negative impact has occurred, Eversource would need to use whatever levers it had at its disposal to address the circumstances and this material amount would be one of those levers, along with other exigent measures; and (2) ultimately, the program is designed to incentivize employees and, therefore, if the enterprise-wide goals are not met to any extent in a given year, or some other very significant negative impact has occurred, then there has to be an option for management to take steps to respond to those circumstances. In fact, these circumstances have not occurred since the Northeast Utilities/NSTAR merger in 2012, nor before that. It is not Eversource's expectation that these circumstances would occur in the normal course of business.

In OCC-300, we provided information that the decision on pay-outs for the annual variable pay compensation program to enterprise-wide employees is a very significant decision each year that is undertaken on an independent and comprehensive basis starting with the Board of Trustee process outlined in the annual proxy statements. It is not like other operating costs that may be managed from year to year at the operating

level to juggle competing budgetary demands. As a result, Eversource Energy did not reduce variable compensation payouts in any year "in order to use the funds for other expenses or expenditures" and would not expect that this would occur – variable pay compensation is as much a necessary operating cost of the business as is base compensation and therefore cannot simply be abandoned to pay for other expenses.

Q. Have you presented evidence to disprove the claim that, "since 70% of the employee incentive compensation is tied to achievement of financial goals, the Incentive Program primarily benefits the Company's shareholders, rather than ratepayers (Docket No. 22-07-01, Decision at 64).

A. Yes. We have presented a significant amount of evidence rebutting this statement, which is just an inaccurate representation of the program. In the Eversource variable pay program, there are two different types of "performance goals." First, there are the ***corporate performance goals*** that are identified and discussed in the Eversource Energy annual proxy statement, submitted in this docket as CIEC-015, Attachment 1. The establishment of corporate performance goals – and evaluation of performance against those corporate goals, is performed on an annual basis by the Board of Trustees.

For 2025, the Board of Trustees determined that the ***corporate performance goals*** would be based on 70 percent on Eversource Energy's overall financial performance and 30 percent on Eversource Energy's overall operational performance. The Board of Trustees set substantially all of the 2025 target corporate performance goals, including quantitative financial goals, at levels above the prior year's targets, reflecting increased performance expectations and reinforcing the relationship between

performance and pay. The Board of Trustees further determined the specific goals that would be used to assess corporate performance, with potential ratings on each goal ranging from zero percent to 200 percent of target and assigned weightings for each of the goals.

The second category of "performance goals" within the Eversource variable pay program are the ***employee-specific performance goals***. Once the funding pool is determined by the CFO, following the Board of Trustees' determination on the achievement of corporate goals, then the variable pay funding pool is distributed among all Eversource Energy employees in accordance with each individual's performance on their own performance metrics. With respect to employee-specific performance goals, it is important to note that some employees may have individual performance goals that relate to performance on financial "metrics" such as budget control, cost containment, or efficiency improvement.

With respect to individual employees, only the Eversource Energy Chief Executive Officer ("CEO") and CFO have "financial goals" that align with the corporate financial goals, such as earnings per share or dividend growth. No other employee has individual performance goals that are tied to or track the corporate financial performance goals. To the extent that an employee may have one or more individual performance goals that pertain to financial metrics, those metrics will be designed to drive a performance outcome works to the benefit of customers, such as cost containment, efficiency

improvement or other similar outcome. None of the employee-specific financial metrics tie to corporate financial performance goals.

In terms of documentation, Exhibits CLP-EMPLOYEE-4B and 4C provide 15 executive key initiative reports and 40 employee goal reports for CL&P and ESC employees, respectively. Exhibit CLP-EMPLOYEE-4A is a summary linking each of the employees from Exhibit CLP-EMPLOYEE-4C to their respective executive in Exhibit CLP-EMPLOYEE-4B. The employee goal reports included in Exhibit CLP-EMPLOYEE-4B reflect a representative cross-section of employees, including both individual contributors and managers, from business units across CL&P and the service company. The executive scorecards in Exhibit CLP-EMPLOYEE-4C are from business area leadership related to those employee reviews. The bulk of the employee goals and executive scorecards have a direct and obvious linkage to the customer. Examples include:

- **SAIDI**: Customer Minutes Interrupted per customer served, with a target of less than 86.3 minutes.
- **SAIFI/MBI**: Frequency of customer interruptions, measured through the number of months between interruptions, with a target of 15.4 months.
- **CAIDI**: Average outage duration, with a target of less than 110.7 minutes.
- **Customer Focus Objectives**: Simple Services, Complex Services, Prompt Resolution of Customer Issues, and the Plus One Customer Initiative.
- **Customer Experience Objectives**: Monitoring Service Level Agreement (SLA) performance to ensure timely project completion; supporting customers and vendors in identifying appropriate energy efficiency measures; helping customers develop comprehensive project solutions; sharing best practices;

and driving customer satisfaction through issue resolution and program improvements.

- Acting as an intermediary between customers and the Distributed Resources Group.
- Supporting distributed generation customers with generation facilities exceeding 749 kW.
- Supporting the New Customer Connect process.
- Supporting and tracking planned customer outages.
- Supporting and reviewing unplanned outage procedures and ensuring customers understand outage communication protocols.
- Ensuring Account Executives meet with customers within five business days to develop mutually agreeable plans to address power quality, reliability concerns, and other customer issues.

In addition to goals, all employees at Eversource are evaluated annually against eight leadership behaviors, one of which is "Focus on the Customer." Lastly, the Company provided a supplemental response to OCC 206, describing how the executive scorecards directly support CL&P customers. Collectively, the employee goals, leadership expectations, and executive scorecards demonstrate the Company's commitment to aligning employee performance with the delivery of safe, reliable, responsive, and cost-effective service for customers.

Also, please note that the Company has indicated that it can provide additional sampling of employee-specific performance goals in response to a targeted request.

There is no employee that is paid for variable compensation on the basis of achievement of corporate financial performance goals, aside from the Eversource Energy Chief

Executive Officer and the Chief Financial Officer. In its initial filing in this docket, the Company has proactively removed the variable pay component for the CEO and CFO from the cost of service presented in this case. Because they are the only employees with individual performance goals that are tied to achieving corporate financial goals, the Company is able to confirm that there is no request to include variable pay associated with corporate financial goals in the cost of service in this proceeding.

Depending on their position, individual employees may have specific performance goals that pertain to financial metrics such as budget control, cost containment, or efficiency improvement. These types of financial metrics work to the direct benefit of customers in terms of controlling the cost of service that will be recovered through rates. There are no employee-specific financial metrics that are tied to corporate financial performance goals, such as earnings, earnings per share, dividends per share or credit rating or other similar goals related to investor results. (Information in the record is located in OCC-206, OCC-289, 296, 369).

Q. Going back to Mr. Defever's justification for disallowing approximately $15 million of necessary employee compensation, can you respond specifically to his claims of the efficacy of the variable pay compensation?

A. Mr. Defever makes the claim that the Company's incentive compensation program is "ineffective," because "nearly every eligible employee" received an incentive compensation "bonus" in each of the last five years; and that "[a]n incentive compensation plan, by definition, should provide motivation to employees to provide

greater effort" and that "[t]o the extent employees assume they will receive a bonus regardless of their effort, the motivational impact is reduced" (Defever Testimony at 24). Conversely, he says that incentive compensation should not be awarded to employees rated as "Improvement Needed to Be a Successful Contributor," which contradicts his first claim (id. at 24-25). If he believes that every employee is getting the same variable pay compensation without having to put forward any particular effort – and that there is no motivation to do better than other employees -- then there would never be an employee identified as needing improvement and receiving a lesser amount.

In Connecticut, the Company views the regulatory environment as highly demanding on employees, requiring a superior level of performance by every employee, every day, with the ever-present specter of delivering good performance on service reliability and 24/7 storm coverage or leaving the Company to come under fire. The Company's variable pay compensation program is carefully and comprehensively designed to drive that performance for the benefit of customers, with all employees, particularly the "ground forces" delivering performance director-level and below, who are fully focused on cost management, efficiency, service quality and running the business as effectively as possible for the benefit of customers. The tool that the Company utilizes to embed that performance culture is the variable pay program and PURA should allow recovery of the program through rates given the significant impact it has on delivering that type of service to customers.

III. CONCLUSION

Q. Does this conclude your rebuttal testimony?

A. Yes, subject to reserving the Company's right to respond to additional issues raised in discovery or at hearings.