STATE OF CONNECTICUT
PUBLIC UTILITIES REGULATORY AUTHORITY

APPLICATION OF THE	:	**DOCKET NO. 17-10-46**
CONNECTICUT LIGHT AND	:	
POWER COMPANY D/B/A	:	
EVERSOURCE ENERGY TO	:	
AMEND ITS RATE SCHEDULES	:	
	:	**JANUARY 11, 2018**

SETTLEMENT AGREEMENT

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STATE OF CONNECTICUT
PUBLIC UTILITIES REGULATORY AUTHORITY

APPLICATION OF THE CONNECTICUT LIGHT AND POWER COMPANY D/B/A EVERSOURCE ENERGY TO AMEND ITS RATE SCHEDULES	:	**DOCKET NO. 17-10-46**
	:	**JANUARY 11, 2018**

SETTLEMENT AGREEMENT

The Connecticut Light and Power Company d/b/a Eversource Energy ("CL&P" or the "Company"), the Office of Consumer Counsel ("OCC") and the Prosecutorial Staff of the Public Utilities Regulatory Authority ("PRO") (collectively, the "Settling Parties") enter into this Settlement Agreement regarding the Company's November 22, 2017 application ("Application") filed with the Public Utilities Regulatory Authority ("PURA" or the "Authority") pursuant to Conn. Gen. Stat. §§ 16-19 and 16-19e.

WHEREAS, the Company requests in its Application approval of a three-year rate plan commencing May 26, 2018;

WHEREAS, the requested three-year rate plan in the Application proposes an increase in revenues of $255.8 million for the first rate year, or approximately 6.57% over currently authorized overall revenues;[1] an incremental increase of $45 million for the second rate year, or approximately 1.27% over the prior year proposed overall revenues; and an incremental increase of $36 million, or approximately 0.98% over the prior year proposed overall revenues, for a total proposed increase of $336.8 million over the three-year rate plan;

WHEREAS, the Application included schedules consistent with the Authority's standard filing requirements ("SFRs") along with testimony, attachments and exhibits from 16 witnesses;

WHEREAS, the Authority docketed the Application as Docket No. 17-10-46 and subsequently issued a Notice of Proceeding in which it designated the OCC as a party to the proceeding;[2]

WHEREAS, as of this date, more than 786 interrogatories have been issued to the Company in Docket No. 17-10-46; and

[1] This amount reflects an adjustment for the transfer of an estimated $8 million in rate base-eligible capital investment from the non-bypassable federally mandated congestion charge ("NBFMCC") rate to the distribution rate, which is included in the requested revenue increases (see Docket No. 17-10-46, November 22, 2017 Rates Pre-filed Testimony, Exhibit TRP-4, page 1).

[2] The Notice of Proceeding also designated the Commissioner of the Department of Energy and Environmental Protection as a party to this docket.

WHEREAS, the Company filed a motion on October 31, 2017 requesting the Authority to appoint prosecutorial staff in order to facilitate settlement discussions among the parties; and the Authority granted the motion on November 6, 2017, and subsequently designated PRO on November 7 and 17, 2017;

WHEREAS, the Settling Parties seek to resolve the matters raised in the Application and specified in this Settlement Agreement on mutually agreeable terms, and without establishing any new precedent or principles applicable to any other proceedings; and

WHEREAS, the Authority's policy, consistent with Conn. Gen. Stat. § 16-19jj, is to encourage the use of settlements to resolve contested cases.

NOW THEREFORE, in consideration of the exchange of promises and covenants contained herein, the legal sufficiency of which is hereby acknowledged, the Settling Parties agree, subject to the Authority's approval, to the following terms:

1) Effective Date and Term.

a) The effective date of the Company's new rates pursuant to this Settlement Agreement shall be May 1, 2018.

b) The term of the Company's rate plan shall be three years, for the rate years May 1, 2018 to April 30, 2019 ("Rate Year 1"); May 1, 2019 to April 30, 2020 ("Rate Year 2"); and May 1, 2020 to April 30, 2021 ("Rate Year 3").

2) Revenue Requirements.

a) On May 1, 2018, the Company shall increase the distribution component of its rates to recover an increase in its allowed revenue requirement of $97.114 million over currently effective rates. This represents an average increase of 2.47% over currently authorized overall revenues.

b) On May 1, 2019, the Company shall increase the distribution component of its rates to recover an incremental increase in its allowed revenue requirement of $32.714 million over then-currently effective rates plus any adjustment authorized in Section 5 hereof. This represents an average incremental increase of 0.81% over the prior year overall revenues.

c) On May 1, 2020, the Company shall increase the distribution component of its rates to recover an incremental increase in its allowed revenue requirement of $24.690 million over then-currently effective rates plus any adjustment authorized in Section 5 hereof. This represents an average incremental increase of 0.61% over the prior year overall revenues.

d) Attachment 1 provides a summary of the Revenue Requirements and Average

Rates per kWh Current vs. Proposed Per Settlement.[3]

3) Rate Base.

a) Core Capital, System Resiliency and Grid Modernization.

i) 2017.

(1) Core Capital and System Resiliency. Gross plant additions ("Plant Additions") of $400 million for calendar year 2017 shall be recovered in base distribution rates. If actual Plant Additions, for both core capital and system resiliency, are greater or less than $400 million, then the actual result for calendar year 2017 shall be reflected (in the form of a credit to the Company or a credit to customers, as appropriate) in a new rate tracking mechanism for capital Plant Additions and the associated O&M expense ("New Capital Tracker").[4]

ii) 2018, 2019, 2020 and thereafter.

(1) Core Capital. The Company's proposed capital expenditures for "core"[5] capital projects for calendar years 2018, 2019 and 2020, as filed in the Application, are approved.

(a) Plant Additions for core capital projects of $270 million for calendar years 2018-2020 shall be recovered in base distribution rates. If Plant Additions for core capital projects are greater than $270 million per year for calendar years 2018-2020, then the Company shall recover "reliability"[6] Plant Additions (which are a subset of core capital projects) for that time period through the New Capital Tracker up to the amount in excess of $270 million.

(b) Plant Additions up to $300 million annually for core capital projects for the period commencing *after* the expiration of calendar year 2020 shall be recovered in the New Capital Tracker until the Company's distribution rates are adjusted in its next distribution rate case. Plant Additions for core capital projects in excess of $300 million during this period shall be deferred for recovery to the Company's next rate

[3] Final bill impacts will vary as a result of the approved rate-design implementation.

[4] PURA has concluded it possesses the authority to establish a capital tracking rate for electric distribution companies. See Docket No. 16-06-04, Application of The United Illuminating Company to Increase its Rates and Charges, December 14, 2016 Decision at page 23.

[5] In Docket No. 17-10-46, Section IV of the Nov. 22, 2017 Pre-Filed Testimony of Kenneth B. Bowes identifies "core" capital programs.

[6] See Docket No. 17-10-46, Nov. 22, 2017 Kenneth B. Bowes Pre-filed Testimony at Table KBB-3, Page 17, which describes the core capital projects in the system "Reliability" category of CL&P's core capital program.

case.

(2) New System Resiliency. The Company's proposed new system resiliency projects for calendar years 2018, 2019 and 2020, as filed in the Application, are approved. System resiliency Plant Additions for calendar year 2018 and thereafter, as filed in the Application, shall be recovered through the New Capital Tracker that shall be adjusted on a semi-annual basis commencing July 1, 2018.[7]

(a) Annual plans of proposed system resiliency work and actual after-the fact results shall be filed with PURA each November 30th and May 31st, respectively, consistent with the current approach established in the most recent system resiliency decision in Docket No. 12-07-06RE01.[8]

(b) If the Company seeks approval and funding for any new system resiliency projects which are not currently in the evidentiary record in Docket No. 17-10-46, it must obtain prior approval for such new system resiliency projects from PURA.

(3) The Company's actual costs and collections under the New Capital Tracker will be reconciled in the Company's annual rate adjustment mechanism ("RAM") tracker reconciliation proceeding, which reconciles all of the Company's tracking rates at the same time for administrative convenience (see, e.g., Docket Nos. 18-03-01, 17-03-01, 16-03-01, PURA Annual Review of the Rate Adjustment Mechanisms of The Connecticut Light and Power Company).

(4) Grid Modernization. Any grid modernization Plant Additions and associated O&M approved by PURA in a separate, future docket shall also be recovered in the New Capital Tracker.

iii) Miscellaneous Provisions.

(1) This Settlement Agreement will not limit the Company's management's prerogative on necessary capital expenditures to maintain a safe and reliable system and will not be used as a basis to reduce test year capital

[7] The New Capital Tracker shall also recover Plant Additions and the associated O&M for system resiliency projects that (i) were previously approved by PURA in Docket Nos. 12-07-06 and/or 12-07-06RE01, Application of The Connecticut Light and Power Company for the Approval of Its System Resiliency Plan- Expanded, and (ii) will not be recovered in the NBFMCC rate. This includes, but is not limited to, recovery (as defined in Section 3(a)(iii)(3) hereof) in the New Capital Tracker of the Plant Additions and associated O&M for such previously-approved system resiliency projects during the period January 1, 2018 until new distribution rates are established hereunder, because there will not be recovery thereof in the NBFMCC rate during this time period.

[8] See Orders 1 and 2 in Docket No. 12-07-06RE01, Application of The Connecticut Light and Power Company for the Approval of Its System Resiliency Plan- Expanded, June 3, 2015 Decision.

expenditures in a future rate case.

(2) Although the Settlement Agreement does not address rate design – and each Settling Party will be able to litigate its respective position on rate design in this Docket No. 17-10-46 – the allocation of revenue responsibility and form of distribution rate design among rate classes approved by PURA in this rate case shall be applied to rate design of the above-described New Capital Tracker.

(3) All capital recovery under this Settlement Agreement – in both base distribution rates and in the New Capital Tracker – for core capital projects and system resiliency projects will include recovery of the effect of plant, accumulated deferred income taxes ("ADIT"), and accumulated depreciation for the cumulative additional Plant Additions. Revenue requirements will include pre-tax return on investment, return of investment (depreciation), property taxes, gross earnings tax and uncollectible expense.

b) Attachment 2 provides a summary of Rate Base to be reflected in tariffs.

c) The Company's requested increase to Rate Base has been adjusted in Rate Years 1, 2 and 3 by the amounts in Attachment 2. The Rate Base amounts reflect certain Settlement Adjustments (defined below) associated with changes in depreciation as further described in Section 6 of this Settlement Agreement.

4) O&M Expense.

a) Attachment 3 provides a detailed summary of O&M to be reflected in the Company's tariffs pursuant to this Settlement Agreement.

b) The Company's requested increase to O&M will be reduced in Rate Years 1, 2 and 3 by the amounts shown in Attachment 3. The O&M expense reflects adjustments agreed to by the Settling Parties in the settlement process (collectively, the "Settlement Adjustments").

5) Annual Step Adjustment for Full-Time Equivalents and Outside Contractors.

a) Full-Time Equivalents ("FTEs").

i) The Company withdraws its request to recover the cost of any incremental FTEs for 2017. The Company further reduces its request for FTEs from 157 from 2017-2020 to a revised proposal of 100 FTEs in 2018-2020, subject to the restrictions listed below in this Section 5.

ii) For FTE hires in 2018-2020, the Company will receive annual step increases to base distribution rates if, and only if, the Company first demonstrates in future compliance filings that it actually hired incremental FTEs of up to 33 in 2018; up to 33 in 2019; and up to 34 in 2020. Each such compliance

filing will be made on January 31st, which shall reflect any incremental FTEs hired during the immediately preceding calendar year ending December 31st. The first such compliance filing is due January 31, 2019 (reflecting any incremental CL&P FTEs hired during calendar year 2018.)

iii) The Company will be eligible for a step increase of a specified amount of expense per-incremental FTE up to an annual cap of 33 FTEs in 2018, 33 FTEs in 2019, and 34 FTEs in 2020. For example, if the Company hires only 10 incremental FTEs in 2018, then it receives a step increase only for 10 FTEs; but the Company will be allowed to add 23 FTEs spots to the next year's quota, thereby allowing for a potential step adjustment associated with up to 56 hires in 2019. Conversely, if the Company hires 40 FTEs in 2018, then the step increase for 2018 remains capped at 33 incremental FTEs, but the Company can apply the difference of 7 FTEs (40-33=7) to the cap in the following year of 2019. The total number of incremental hires eligible for the step adjustment is capped at 100 over a 3-year period of 2018-2020.

iv) The FTE baseline will be the number of CL&P FTEs as of November 30, 2017, which was 1,166. The Settlement Adjustments in Attachment 3 hereto have been further adjusted to reflect the (A) CL&P FTE headcounts as of November 30, 2017 and (B) Eversource Energy Service Company ("EESCO") FTE headcounts, which are allocable to CL&P, as of November 30, 2017.

v) Eligibility for an annual step increase applies only to proven incremental FTEs. "Incremental FTEs" shall be the number of FTEs net of attrition occurring during the calendar year, as determined by the CL&P headcount over and above the November 30, 2017 benchmark of 1,166 as of December 31st of each year. The Company will prove incremental FTEs through the production of CL&P Human Resources Information System (HRIS) payroll records for two consecutive payroll periods prior to December 31st.

vi) The expense per incremental FTE allowed for recovery in rates (once the conditions described in subsections (i) through (v) above are satisfied) will be $84,000 per-FTE for 2018, $82,000 per-FTE for 2019 and $87,000 per-FTE for 2020.[9]

vii) Attachment 8 hereto provides a sample calculation of the methodology for determining that the Company is eligible for an annual step increase and for quantifying that increase, so as to delineate clearly the Settling Parties' intent and expectations for eligibility for the step adjustment.

[9] Cost per FTE reflects payroll, payroll tax, and employee benefits. Source: Cost per-FTE derived from, *inter alia*, information provided in Docket No. 17-10-46, SFR C-Schedule 3.26, Page 3 of 3 (payroll expense for incremental FTEs).

viii) Any step increase in distribution rates the Company is authorized to obtain hereunder due to the hiring of incremental FTEs: (1) is in addition to the incremental distribution requirements in Section 2 hereof; (2) for incremental FTEs hired during calendar year 2018, calendar year 2019 and calendar year 2020, the associated step increase in distribution rates shall occur on May 1, 2019, May 1, 2020 and May 1, 2021, respectively; and (3) shall be reflected in distribution rates and in corresponding annual decoupling revenue targets.

b) Outside Contractors. The Company agrees to utilize the following methodology to reduce outside line contractor expense in the event that the Company qualifies for an annual step adjustment for incremental FTEs:

i) The current baseline for outside overhead line contractor costs for 2018, 2019 and 2020 appears in SFR C Schedule 3.10(A), (B) and (C), respectively.

ii) Table 1, below, shows the reduction in contractor expense that will occur if the Company qualifies for an annual step adjustment for proven incremental FTEs. As shown in the table, if the Company hires 100 proven incremental FTEs, then the reduction to outside contractor expense collected in distribution rates shall be $1.53 million. If the Company hires fewer than 100 incremental CL&P FTEs, the corresponding reduction to outside contractor expense will be pro-rata, as shown in Table 1, below.[10]

Table 1

FTE INCREASE AND CONTRACTOR EXPENSE REDUCTION OFFSET					
PROPOSED OPTION					
		2018	**2019**	**2020**	**TOTAL**
FTEs allowed for recovery		33	33	34	100
Avg Expense Cost per FTE	A	$ 84,000	$ 82,000	$ 87,000	$ 87,000
TOTAL EXPENSE COST PER FTE		$ 2,772,000	$ 2,706,000	$ 2,958,000	$ 8,436,000
CUMULATIVE EXPENSE		$ 2,772,000	$ 5,478,000	$ 8,436,000	
FTE Giveback (Lower # of contractors)	B	(2)	(6)	(10)	(18)
TOTAL OH CONTRACTOR EXPENSE REDUCTION	A*B	$ (168,000)	$ (492,000)	$ (870,000)	$ (1,530,000)
CUMULATIVE OH CONTRACTOR EXPENSE REDUCTION		$ (168,000)	$ (660,000)	$ (1,530,000)	
Note: Contractors are fully qualified and are needed to cover work until internal craft become trained and rated (4-5 year cycle). Contractor costs will reduce over time only as new craft becomes qualified. Therefore, contractor offset is small at the beginning, growing over time with full impact occurring in years 4-5. Credit to contractor cost is calculated at the applicable union rate for contractor crews (which is the same rate for company crews), and assumes same benefit cost as the Company.					

iii) Any reduction to contractor expense the Company is required to implement hereunder due to the hiring of incremental CL&P FTEs shall be offset against

[10] Table 1 shows the reduction to outside contractor expense if the Company successfully meets its targeted annual hiring goals for incremental CL&P FTEs in 2018, 2019 and 2020. If the Company hires incremental FTEs in an amount that is less than the full amount of the annual targeted hiring goals, then the annual reduction to outside contract expense shall be made mathematically proportionate to the expense reduction shown in Table 1.

the corresponding step increase in distribution rates

6) Depreciation.

a) Depreciation. The Company's requested increase to depreciation expense will be reduced in Rate Years 1, 2 and 3 by the amounts shown in Attachment 3 due to changes in depreciation rates associated with certain distribution plant accounts. A schedule of plant accounts and applicable depreciation rates is provided in Attachment 4. Consistent with Section 17(b) of this Settlement Agreement, the Settling Parties' agreement to the depreciation rates in Attachments 3 and 4 do not establish any principles and should not be construed as acceptance by OCC or PRO of any depreciation methodology proposed by the Company, or as a change in the Company's position regarding the propriety of any depreciation methodology offered in the Application.

7) Non-Hardship Uncollectibles.

a) Under this Settlement Agreement, non-hardship uncollectible expense shall be reduced by $3.438 million, $3.414 million and $3.419 million for Rate Years 1, 2 and 3, respectively. This adjustment to uncollectible expense is reflected in the Settlement Adjustments in Attachment 3.

b) The Company agrees to provide in Docket No. 18-03-01, PURA Annual Review of the Rate Adjustment Mechanisms of The Connecticut Light and Power Company, an analysis of supplier-related customer account non-hardship net write-offs, as well as the non-hardship write-offs for each respective supplier, as compared to the supplier's contributions through the discounts applied to the supplier payments.

c) The Company agrees to follow PURA Orders 1 and 2 from Docket No. 16-03-01 in Docket No. 18-03-01. A copy of these two orders from Docket No. 16-03-01 is provided in Attachment 9 hereto for convenience.

8) Environmental Remediation.

a) Environmental remediation costs shall be recovered as follows: (i) The Company shall be allowed to recover its environmental remediation costs in accordance with the proposal described in the Application; and (ii) the Company is authorized to track and defer environmental costs for future review and recovery in each subsequent rate case.

9) Cost of Capital.

a) Consistent with PURA precedent and in consideration of other provisions contained herein, the Company shall use 9.25% as its allowed return on common equity ("ROE").

b) The Company's revenue requirement is based on a capital structure consisting of

53.00% common equity for Rate Years 1, 2 and 3. The Company can utilize a higher percentage of common equity in its capital structure, but, if it does so, its capital structure for distribution rate making purposes shall be capped at 53.00% common equity until the time of its next rate case.

c) Attachment 6 provides the overall rate of return used to establish the revenue requirements in this Settlement Agreement based on the ROE and capital structure in Sections 9(a) and 9(b) for each of the applicable Rate Years.

10) Earnings Sharing Mechanism.

a) Earnings at the end of each calendar year above the authorized ROE of 9.25% shall be shared with customers and shareholders on a 50/50 basis.

b) The Settling Parties agree that the customer portion of any earnings in excess of the Company's allowed ROE will be used to offset the environmental remediation deferral and, if there are no environmental remediation deferrals to offset at such time, then the customer portion of any earnings in excess of the Company's allowed ROE will be used to offset the cost of catastrophic storms.

c) The Company shall file an earnings sharing report, on a calendar year basis, annually with the Authority each March 31st.

11) Enhanced Tree Trimming. The Company's proposed recovery under the system resiliency program of capital expenditures for enhanced tree trimming ("ETT") in the rate case application for calendar years 2018-2020[11] and the associated return thereon, as filed in this rate case,: (a) are approved; (b) shall be reclassified as O&M expense; (c) the amounts for ETT spending for years 2018-2020 shall be eligible for a return as defined in section 3(a)(iii)(3), and shall be recovered in the New Capital Tracker; and (d) annual ETT expense shall be amortized over a five-year period. Additionally, in the future, any new incremental costs for ETT for the period after the expiration of calendar year 2020 shall be presented as O&M expense in the New Capital Tracker.

12) Revenue Decoupling.

a) Consistent with the December 17, 2014 decision issued in the Company's last rate case in Docket No. 14-05-06,[12] which established a revenue decoupling mechanism for the Company, the approved distribution revenue requirement for each of the three rate years will be the basis for the revenue decoupling target. Each year, the Company will compare the approved annual revenue requirement with the actual distribution revenue collected, and a credit or charge will subsequently be included on customer bills based on the annual revenue

[11] See Docket No. 17-10-46, Nov. 22, 2017 Kenneth P. Bowes Pre-filed Testimony at Page 28, Chart KBB-5.

[12] Docket No. 14-05-06, Application of The Connecticut Light and Power Company to Amend its Rate Schedules.

reconciliation. Attachment 7 shows the development of the Decoupling Targets for Rate Years 1, 2 and 3.[13]

b) Under or over-recovery of the decoupling target will be collected or refunded on a volumetric basis. This calculation would be performed at the end of each rate year. Any prior-period true-ups would be included in this annual calculation.

13) Rate Design.

a) Rate design is excluded from the Settlement Agreement. Rate design will be litigated in this Docket by each Settling Party pursuant to the schedule in this Docket.

14) Credit/Debit Card Fees.

a) The Settling Parties agree to allow the Company to implement the following modified version of the "Fee Free" credit card/debit card proposal.

b) Residential and small business customers are eligible to participate in the Fee Free program and therefore will not be assessed a credit/debit card transaction fee. The cost of this program will be charged to all residential and small business customers. For purposes of this Settlement Agreement, the term "small business customers" includes those customers that receive electric service under CL&P Rates 18, 27, 29, 30, 35, 37 and 40.

i) The credit/debit card transaction fee charged to all other customers who elect to pay their utility bill by credit or debit card shall be reduced by 25%. The cost of this program will be charged to the customer segments who are eligible for this reduction in the cost of the transaction fee.

c) The Company shall file an annual compliance filing in this Docket each March 1st that includes the following data for the immediately preceding calendar year: (i) the number of credit/debit card payments, (ii) costs associated with the credit/debit card payments, (iii) monitoring how quickly payments are being received from the date a bill is issued, (iv) number of credit card payments made by financially challenged/hardship customers, (v) annual amount of uncollectibles, and (vi) qualitative improvements in customer satisfaction with this option. In its first annual compliance filing, the Company shall also file data relating to (i) through (v), above, for the Test Year in this rate case (which is calendar year 2016).

d) Based on a comparison of actual total "Fee Free" credit card/debit program costs incurred by the Company to the amount allowed in rates, any over-collection shall be credited to customers and any under-collection shall be deferred for recovery

[13] Due to a shift in the decoupling period for Rate Years 1 through 3, the Company will file its decoupling filing for current rates in June 2018 for recovery from July 1, 2018 through June 30, 2019. This will eliminate the need for two concurrent decoupling rates in effect during 2019.

in rates at the time of the next rate case.

15) Additional Terms and Conditions.

a) OCC Consultant Costs. OCC consultant costs for all dockets incurred in compliance with Conn. Gen. Stat. § 16-18a will be recovered semi-annually in the NBFMCC.

b) Pending PURA Gas Docket. This settlement does not release OCC's right to investigate the subject matter of gas capacity release practices in Docket No. 17-10-31.[14]

c) Rate Case Expense. The Company and OCC shall recover only actual rate-case expense through rates.

d) Reserve for Catastrophic Storms. Beginning on May 1, 2018, the Settling Parties agree that the benchmark for accessing the reserve for catastrophic storms is $4 million of incremental expense per event.

e) Amortization Period for Deferred Catastrophic Storm Costs. Attachment 5 hereto reflects the Settling Parties' agreement to utilize six years for amortizations for the deferred storm cost reserve instead of the Company's proposal in the Application to use a three-year period.

f) Other Revenues. SFR Schedule C-3.1, Work Paper C-3.1, at pages 7-9, show the "Other Revenues" the Company expects to receive (i.e., third party pole attachment revenue), which are an offset to the Company's Rate Year costs of doing business. If the Authority's final decision in this rate case reduces those Other Revenues, then the Company would be entitled to receive a corresponding adjustment in order to be made whole either in the final decision in this rate case or the next annual revenue decoupling proceeding.

16) Regulatory Process.

a) The Settling Parties shall cooperate and use best efforts to obtain approval of the Settlement Agreement from PURA to allow for implementation of new rates on May 1, 2018. The Settling Parties request the Authority to issue approval of the Settlement Agreement in its entirety by that date.

b) To facilitate PURA's review of this Settlement Agreement and issuance of a final decision in this Docket, the implementation of the Company's distribution revenue requirement increase shall be subject to a make-whole provision in the event the regulatory process extends past May 1, 2018 and new rates are not implemented until after this date. The purpose of this provision is to keep the Company and its customers in the same position as if Rate Year 1 rates had taken

[14] Docket No. 17-10-31, PURA Review of the LDC's Gas Supply Portfolio, Asset Strategies And Practices.

effect on May 1, 2018.

c) If the Authority approves this Settlement Agreement after May 1, 2018 or otherwise approves new rates to take effect after May 1, 2018, the Company will be allowed to recover the full annual value of the rate increase for Rate Year 1. This rate increase recovery will be accomplished through the next annual revenue decoupling calculation that will reconcile actual Rate Year 1 distribution revenue to the approved Rate Year 1 distribution revenue.

17) Settlement Conditions.

a) This Settlement Agreement will not be deemed in any respect to constitute an admission by any party that any allegation or contention in this proceeding is true or false.

b) The making of this Settlement Agreement establishes no principles and will not be deemed to foreclose any party from making any contention in any future proceeding or investigation, except as to those issues and proceedings that are stated in this Settlement Agreement as being specifically resolved by approval of this Settlement Agreement.

c) This Settlement Agreement is the product of settlement negotiations. The Settling Parties agree that the content of these negotiations (including any work papers or documents produced in connection with the negotiations) are confidential; that all offers of settlement are without prejudice to the position of any party or participant presenting such offer or participating in such discussion; and, except to enforce rights related to this Settlement Agreement or defend against claims made under this Settlement Agreement, that they will not use the content of said negotiations in any manner in this or other proceedings involving one or more of the parties to this Settlement Agreement, or otherwise.

d) The Settling Parties intend to each receive the full value of the settled matters, and not some substitute regulatory treatment of lesser value either now or in the future, and agree that no terms of this Settlement Agreement will be used or interpreted to diminish, in any way, the intended benefits related to this Settlement Agreement.

e) The provisions of this Settlement Agreement are not severable. This Settlement Agreement is conditioned upon its approval in full by the Authority. This Settlement Agreement is also contingent upon the provision of accurate and truthful information by the Company during the settlement negotiation process.

f) If the Authority does not approve this Settlement Agreement in its entirety, or does not issue an order on the Settlement Agreement within three months of the date this Settlement Agreement is filed with PURA, then each of the Settling Parties shall have the right (but not the obligation) to elect to withdraw from the Settlement Agreement upon notice to the other parties and the Authority, and in that event the Settlement Agreement will be deemed to be withdrawn and will not

constitute a part of the record in this or any other proceeding or used for any other purpose.

g) Under no circumstances will: (i) any charge under this Settlement Agreement or tariffs promulgated hereunder recover costs that are collected by the Company more than once, or through some other rate, charge or tariff; or (ii) any charge recover costs more than once in any other rate, charge or tariff collected by the Company, it being acknowledged by the Settling Parties that such collection(s) described in this article, unless fully refunded with interest as soon as reasonably possible, will constitute a breach of this Settlement Agreement when discovered and generally known, and be deemed to violate the involved tariffs.

h) The terms of this Settlement Agreement will be governed by Connecticut law and not the law of some other state. This Settlement Agreement will be effective upon approval by the Authority, regardless of any pending appeals or motions for reconsideration, clarification, or recalculation, and the obligations imposed in each article will expire on that date stated therein, if any.

i) The signatories listed below represent that they are authorized on behalf of their principals to enter into this Settlement Agreement.

j) This Settlement Agreement may be signed in counterparts each of which will be deemed an original and all of which together will constitute one in the same document.

k) The words used in this Settlement Agreement shall have the normal and customary meaning of such words.

18) Material Tax Law Change.

a) Tax Law Change. United States House Resolution (H.R. 1) from the 115th Congress, which was signed by the President on December 22, 2017 and was designated as Public Law No: 115-97 (the "Federal Tax Law Change"),[15] among other things, reduced the federal corporate tax rate, effective January 1, 2018. Attachment 1 hereto, Page 3 of 3, describes the estimated reduction to tax expense resulting from the Federal Tax Law Change that is already reflected in the distribution revenue requirements set forth in this Settlement Agreement, as well as the additional calculations the Company must still perform to calculate additional tax impacts resulting from the Federal Tax Law Change.

i) Gross-Up. Attachment 1 hereto reflects the Company's estimate of the reduction to the federal corporate tax rate from 35% to 21% resulting from the Federal Tax Law Change to its tax expense for the incremental distribution revenue requirements for Rate Years 1, 2 and 3 (the "Estimated Gross-Up Tax

[15] See https://www.congress.gov/bill/115th-congress/house-bill/1.

Reduction"). Attachment 1 hereto, Page 3 of 3, confirms that the estimated benefits to customers of the Estimated Gross-Up Tax Reduction are therefore reflected in the distribution revenue requirements set forth in this Settlement Agreement.

ii) Regulatory Assets and Regulatory Liabilities. Attachment 1 hereto, Page 3 of 3, confirms that the Company's estimate of the reduction to tax expense resulting from the Federal Tax Law Change to deferred tax offsets for certain rate base items other than plant (i.e., regulatory assets and regulatory liabilities) is also reflected in the distribution revenue requirements set forth in this Settlement Agreement ("Estimated Regulatory Assets/Liabilities Calculation").

iii) ADIT. Attachment 1 does not reflect the estimated reduction to ADIT expense resulting from the Federal Tax Law Change because the calculation of the impact of this change in law on ADIT expense requires involvement of the Company's tax professionals and additional time to be completed (the "Estimated ADIT Reduction").

iv) Other Potential Tax Impacts. To the extent that the Company determines that the Federal Tax Law Change impacts distribution rates beyond, or in addition to, the above-described Estimated Gross-Up Tax Reduction, Estimated Regulatory Assets/Liabilities Calculation and the Estimated ADIT Reduction, it shall promptly identify any such additional tax impacts ("Additional Tax Impacts") through an appropriate filing in this docket.

b) General Principles. The Settling Parties agree that the following provisions shall apply to the calculation of the impact on the Company's tax expense resulting from the Federal Tax Law Change:

i) Compliance with IRS Normalization Rules. The excess ADIT balances and reduction to ADIT expense resulting from the Federal Tax Law Change that will be credited to customers shall comply with applicable "normalization"[16] rules, regulations and interpretations of the Internal Revenue Service ("IRS"), including requiring the reduction of ADIT expense to be allocated over the remaining lives of the Company's assets in question, as specified in Attachment 4 to this Settlement Agreement for plant-related ADIT.

ii) Timing for the Estimated ADIT Reduction. The Company shall use all commercially reasonable efforts to calculate the Estimated ADIT Reduction

[16] Under IRS rules, "normalization" is the practice of recording the tax impacts of timing differences on the Company's books to ensure that taxes are treated (and accounted for) the same as for ratemaking purposes. As timing differences are accounted for on a company's books, the "normalization" of the tax treatment (what the IRS allows for deductions) is maintained consistent with rate treatment (how deductions impact rate base). The Company must follow these IRS rules with respect to normalization in order to, among other things, ensure that it can utilize accelerated depreciation. The federal statute that discusses normalization rules affecting public service companies appears in 26 U.S.C.A. § 168, at I.R.C. § 168(i)(9).

and an estimate of any Additional Tax Impacts prior to PURA's issuance of a draft decision in this Docket.

(1) If the Company is able to calculate this estimate prior to the issuance of a draft decision in this Docket, then the new distribution rates approved by PURA in this Docket shall reflect the Company's Estimated ADIT Reduction and an estimate of any Additional Tax Impacts.

(2) If the Company requires additional time to calculate this estimate, then, once the Company's estimate has been completed, it shall reflect in rates the Company's Estimated ADIT Reduction and an estimate of any Additional Tax Impacts upon the earlier of: (A) the next regularly scheduled semi-annual adjustment to the New Capital Tracker; or (B) the next applicable step increase in distribution rates that occurs pursuant to this Settlement Agreement (i.e., the May 1, 2019 distribution rate step-increase associated with Rate Year 2 or the May 1, 2020 distribution rate step-increase associated with Rate Year 3).

iii) True-Up of Estimated Tax Impacts to Actual Tax Impacts. Based on a comparison of the actual tax expense incurred by the Company due to the Federal Tax Law Change compared to the estimated tax expense[17] reflected in distribution rates (and, to the extent applicable, reflected in the New Capital Tracker), any over-collection or under-collection shall be credited or charged to customers in the New Capital Tracker described in Section 3 for the time frame after new distribution rates go into effect under this Settlement Agreement until a permanent change is made to rates under Section 18(b)(iv) below.

iv) Implementation of Permanent Rate Changes. Following a true-up of estimated tax expense to actual tax expense under Section 18(b)(iii) above (a "True-Up"), if permanent changes are required to distribution rates (and, to the extent applicable, to the New Capital Tracker) in order to make such rates consistent with the results of a True-Up, then such permanent changes shall be implemented as follows.

(1) Such permanent changes to distribution rates shall take effect upon the earlier of: (A) the next applicable step increase in distribution rates that occurs pursuant to this Settlement Agreement (i.e., the May 1, 2019 distribution rate step-increase associated with Rate Year 2 or the May 1, 2020 distribution rate step-increase associated with Rate Year 3); (B) a re-opening of this docket, or (C) the Company's next rate case.

(2) Any such permanent change that is required to the New Capital Tracker

[17] "Estimated tax expense" includes the Company's Estimated Gross-Up Tax Reduction, Estimated Regulatory Assets/Liabilities Calculation, Estimated ADIT Reduction and any estimated Additional Tax Impacts.

shall take effect at the next regularly scheduled semi-annual adjustment to the New Capital Tracker.

c) Treatment of Tax Law Change for Period January 1, 2018 to April 30, 2018. Although new distribution rates under the Settlement Agreement do not take effect until May 1, 2018, the Company agrees to provide customers with the benefits of the Federal Tax Law Change effective as of January 1, 2018 in the form of a customer credit made through the New Capital Tracker that is equivalent to, and reflective of, the reduction in the Company's federal income tax rate expense during the period January 1, 2018 through April 30, 2018. That credit shall be offset against the recovery through the New Capital Tracker of the revenue requirement associated with the incremental Plant Additions that have been placed in service since the Company's last rate case in Docket No. 14-05-06 during the period January 1, 2018 through April 30, 2018.

d) Any additional, material costs or benefits resulting from changes in federal tax law will be addressed in a future re-opening of this rate case.

[signature page follows]

The foregoing Settlement Agreement is executed as of January 11, 2018.

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

By: _____
Christine Vaughan
Vice President Rates & Regulatory Requirements, and Treasurer
Eversource Energy Service Company, which is the duly authorized contracting agent on behalf of CL&P

Office of Consumer Counsel

By: _____
Elin Swanson Katz, Esq.
Connecticut Consumer Counsel

Public Utilities Regulatory Authority Prosecutorial Staff

By: _____
Steven Cadwallader
Chief of Utility Regulation