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Witness: Brendan J. O'Brien, Garrett J. Murray and Sasha P. Lazor
Request from: Public Utilities Regulatory Authority

Question:

(OFFICER VARIABLE COMPENSATION—RESIDUAL LONG-TERM OFFICER VARIABLE COMPENSATION) Application, Sch. WP C-3.7. After the exclusions described in Schedule WP C-3.7, the Rate Year still includes long-term officer variable compensation. For each anonymized recipient of the remaining long-term compensation, provide:

a. title and employing entity;
b. award type or instrument;
c. grant date;
d. performance and vesting period;
e. target and actual award;
f. performance or vesting metrics and weights;
g. accounting expense recognized in the Test Year, pro forma, and Rate Year;
h. amount allocated or charged to CL&P; and
i. an explanation of how the award and its performance metrics benefit CL&P customers. Identify whether any metric is based on total shareholder return, stock price, EPS, dividend growth, net income, return measures, relative market performance, regulatory outcomes, or another financial measure.

Response:

a. The population in Exhibit CLP-REVREQ-2, Schedule C-3.7 represents the officer at the Vice President level and above as of December 31, 2025 for whom a portion of their compensation is charged to the Company. Please see UPA-015, Attachment 1, which provides a reconciliation by officer for the Test Year, Test Year Pro-Forma and Rate Year. As shown in Attachment 1 columns (D) and (E) the Test Year expense consists of the accounting accrual of short-term and long-term variable compensation (see rows 11 through 79). The Company made pro-forma adjustments to (1) remove both the short-term and long-term variable compensation associated with the CEO, CFO and CL&P President (see row 82); (2) remove the long-term variable compensation associated with other named executive officers (see row 83); and (3) remove the 2024 true-up recorded in 2025 and add the 2025 true-up recorded in 2026 (see rows 84 and 85). Lastly, the Company made Rate Year adjustments to reflect the known merit increases of 3 percent for the period January 1, 2026 through June 30, 2028.

In summary, after these adjustments, the Company's proposed cost of service in this proceeding includes executive (i.e., those at the level of Vice President and above, excluding those components referenced above and removed on lines 82 and 83) variable compensation charged to CL&P as earned in the Test Year, 2025, based on the payouts associated with that performance year, as adjusted to Rate Year levels.

The Company recognizes that the variable compensation accruals and payouts vary from year to year and may be more (or less) than target levels. For instance, as shown in UPA 15, Attachment 1, the amount of cash variable compensation accrued in the Test Year, and which serves as the basis for Rate Year amounts is above target levels (see, e.g., Column D as compared to Column F). Conversely, the Test Year accrual for LTI variable compensation is below target (see, e.g., Column H as compared to Column E). The Company's experience in Massachusetts is to reflect the amount of variable cash incentive at target levels, rather than at accrued amounts. As shown in Attachment 1, using the target short-term and long-term variable compensation, the Company's Rate Year amounts would be $1.571 million and $1.913 million respectively as compared to $2.438 million and $1.331 million.

b. Long-term officer variable compensation awards is recognized over a three-year vesting period in the form of two vehicles:

    1. Restricted Share Units ("RSUs") vest by one-third typically on the 1st of February in each of the three years following the calendar year of the grant.

    2. Performance Shares ("PSUs") vest at the end of the three-year performance period (December 31st).

    3. The Company recognizes compensation expense in accordance with Generally Accepted Accounting Principles ("GAAP"), specifically Accounting Standards Codification 718, *Compensation - Stock Compensation*

c. Please refer to the table below for the long-term officer variable compensation grant date and payment dates for the last three plan years:

Long-Term Variable Compensation Awards

Officer RSUs:	Award - Grant Date	Payment - Distribution Date
2023-2025 Plan	2/1/2023	Year 1: 2/12/2024 Year 2: 2/18/2025 Year 3: 2/12/2026
2024-2026 Plan	1/31/2024	Year 1: 2/18/2025 Year 2: 2/12/2026 Year 3: 2/18/2027
2025-2027 Plan	1/29/2025	Year 1: 2/12/2026 Year 2: 2/18/2027 Year 3: 2/17/2028

Officer PSUs:	Award - Grant Date	Payment - Distribution Date
2023-2025 Plan	2/1/2023	2/12/2026
2024-2026 Plan	1/31/2024	2/18/2027
2025-2027 Plan	1/29/2025	2/17/2028

d. Please refer to subpart (c) for payment dates.

e. Please refer to UPA-015, Attachment 1, for the CL&P-related component for target and actual awards.

f. Long-term officer variable compensation is awarded with the following weights:

   1. 75% of the grant in the form of PSUs

   2. 25% of the grant in the form of RSUs.

g. Please refer to UPA-015, Attachment 1.

h. Please refer to UPA-015, Attachment 1.

i. Variable compensation is comprised of short-term and long-term incentives that pay out based on the performance of the individual employee. Long-term incentives are based on the metrics shown below, which are appropriate given that customers benefit from lower operating costs, lower capital costs and other areas of good fiscal management, which are the outcomes that are promoted through this compensation.

Long-Term Incentive Program Performance Share Potential Payout

Three-Year Average EPS Growth	Three-Year Relative Total Shareholder Return Percentiles									
	Below 10th	20th	30th	40th	50th	60th	70th	80th	90th	Above 90th
10.0%	100%	110%	130%	140%	150%	160%	170%	180%	190%	200%
9.0%	90%	100%	120%	130%	140%	150%	160%	170%	180%	190%
8.0%	80%	90%	110%	120%	130%	140%	150%	160%	170%	180%
7.0%	70%	80%	100%	110%	120%	130%	140%	150%	160%	170%
6.0%	60%	70%	90%	100%	110%	120%	130%	140%	150%	160%
5.0%	40%	60%	80%	90%	100%	110%	120%	130%	140%	150%
4.0%	30%	40%	60%	80%	90%	100%	110%	120%	130%	140%
3.0%	—	20%	40%	70%	80%	90%	100%	110%	120%	130%
2.0%	—	—	20%	60%	70%	80%	90%	100%	110%	120%
1.0%	—	—	—	30%	50%	60%	70%	80%	100%	110%
0.0%	—	—	—	10%	20%	30%	40%	50%	60%	70%
Below 0%	—	—	—	—	10%	20%	30%	40%	50%	60%