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Witness: Sasha P. Lazor
Request from: Public Utilities Regulatory Authority

Question:

(OFFICER VARIABLE COMPENSATION—REGULATORY-OUTCOME AND RATE-RECOVERY GOALSIN EXECUTIVE INCENTIVES) Application, Ex. CLP-EMPLOYEE-4B. The referenced exhibit includes executive initiatives involving, among other matters, preparation and support of rate cases to achieve a "positive regulatory outcome," storm-cost recovery, rate recovery, and a Connecticut "Regulatory Balance Tour" to re-establish a "balanced regulatory environment." Identify each officer/executive whose compensation is included in Schedule C-3.7 and whose 2025 performance assessment or variable-compensation award was affected by any initiative involving regulatory outcomes, rate recovery, storm-cost recovery, or similar objectives. For each such individual:

a. identify the initiative;
b. state its weight or significance in the performance assessment;
c. state the actual assessment/result;
d. quantify its effect, if any, on the performance rating or payout; and
e. explain why recovery from CL&P ratepayers of compensation tied to that objective is reasonable and necessary and how the objective provides a benefit to those ratepayers.

Response:

(a) Please note that the relevant officer titles are listed in Exhibit CLP-EMPLOYEE-4B, designated as "Responsible." The vice president designated in each sample is responsible for setting staff in that functional area on a course to achieve the identified outcomes, all of which are beneficial to customers. CL&P is a pervasively regulated utility and every "outcome" that the Company achieves is tied to the customer interest within the context of a regulatory policy, initiative, or requirement designed to serve the interests of customers. It is hard to conceive how the Company would establish a performance-based framework for internal operations that *did not include* numerous initiatives to comply with, or further, regulatory objectives.

For example, a performance objective that is to "support [a] rate process to achieve a successful outcome," a group of employees will have the role of participating in a rate case filing with a "successful" outcome including preparing and filing discovery in a manner that is timely and informative to the other parties representing customers and promoting goodwill among the parties and the regulator and managing the case in a manner that

demonstrates that the Company is a responsible contributor in the context of that proceeding. A "successful" outcome would also include obtaining a revenue increase that sufficiently covers the cost of service to potentially obviate the need for a second, sequential filing, while enabling needed investment on the system for the benefit of customers. In fact, the interests of customers and the Company are ***not*** diametrically opposed when it comes to regulatory proceedings, outcomes or initiatives, as the question appears to suggest. The Company rejects the proposition that any successful outcome for the Company is bad for customers. The Company is fully committed to meeting the expectations of customers and state leadership in relation to the level of service that customers expect and require. However, for the Company to fulfill that role efficiently and effectively, a fair and reasonable regulatory process must exist and regulatory outcomes must support those objectives. This should be a system that all works together to serve the common interest that regulators and the Company have providing essential services to customers in an efficient and affordable manner.

(b) At the individual employee level, there is no "weighting" attached to individual performance goals.

(c) The performance objectives are used to evaluate the employee's overall effort, commitment and personal contribution to objectives, rather than the specific achievement of the objective. In most cases, no one individual would be able to produce the results implied by the applicable performance objectives without contributions from other employees. Therefore, it is the employee's contribution to the objective that is evaluated for purposes of variable pay compensation.

(d) There is no "quantification" that applies to each of the stated objectives, nor that is tied to the employee's pay-out. The employee's pay-out is based on a holistic assessment of the level of contribution to the team's objectives and the relative merits of that assessment compared to other employees in the business unit.

(e) Each and every performance objective listed in Exhibit CLP-EMPLOYEE-4B has a direct benefit for customers because each objective is designed to promote the efficient, effective and productive performance of a regulated public utility that has a core obligation to provide safe, reliable and affordable service to customers. The Company spends a significant amount of time in a year to the development of meaningful performance parameters that will produce benefits for customers, particularly when accomplished as a whole across the employee base.