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Witness: Donald J. Scacco Jr., Digaunto Chatterjee and Douglas P. Horton
Request from: Office of Consumer Counsel

Question:

Who or what decision-making body controls all or any investments that are deployed into the subsidiary company, CL&P? Please provide a narrative description of approval processes for modification of capital budgets, such as those indicated in Eversource's December 30, 2024, Order No. 2 Supplemental Compliance Filing.

Response:

CL&P's capital program encompasses a range of project categories necessary to build, maintain, improve and operate the electric distribution system safely and reliably. The project categories are targeted at achieving safe and reliable operation, enabling new customer growth, eliminating capacity limitations, supporting business operations, and maintaining asset health, including remediation of equipment failures, transformer replacements and third-party/joint-ownership work.

Eversource's capital budget planning process starts with a mid-year meeting of the business planning group (the "Planning Group"). In that process, Eversource's capital-planning objective for its operating companies, including CL&P, is to develop capital budgets that represent the optimal balance of executing infrastructure work necessary to maintain and improve the performance of the system, while assuring a cost-efficient use of the capital resources. The overriding strategy for the allocation of capital across the Eversource Energy enterprises, and also within each individual organization, is to develop and rely on in-depth analyses of system risks and requirements to inform risk-based assessments that assist in prioritizing and ranking potential infrastructure projects in accordance with budget targets. At the same time, Eversource maintains a level of flexibility in the budget process to deal with contingencies that inevitably occur during the year and modifications to the overall capital plan, or an individual company's plan, can be made during the year to meet emergent needs on the system, or in relation to financial circumstances.

The Planning Group consists of staff from Engineering, Electric Operations and Finance. Each operating area, whether representing a geographic-based work region or functional area, presents its capital plan and resource requirements to the CL&P President and Chief Operating Officer for review, and with their input, presents the resulting capital plan and resource requirements to the Planning Group for its consideration. The capital plans presented by the operating areas to the Planning Group are input into the five-year planning models and the results are evaluated in

relation to operating performance targets and financial goals. The Planning Group uses this analysis to develop a five-year capital budget forecast that balances financial and performance targets. Once the Planning Group has finalized the capital budget, it is consolidated as part of the Eversource Energy long-range financial forecast.

Following this process, the overall annual capital budget for CL&P and the other operating companies are developed. The annual capital plan for CL&P is developed by Electric Engineering with input from Electric Operations (including the CL&P President) on a project-specific basis. The selection of individual projects is based on analytical assessments derived through system modelling, methodological study and/or observed data). The resulting capital budget plan involves a combination of individual major capital projects, capital programs composed of "sub-projects" and "line of business" work (for example, non-discretionary core projects) to be funded during the upcoming year. A variety of factors are considered in determining which capital investments are necessary to achieve operating objectives, including but not limited to aging infrastructure needs, system conditions, reliability performance, new customer growth and resource availability. Multi-year funding for major projects is also reviewed through the annual budgeting process. The CL&P capital plan is developed through a detailed prioritization process identifying the appropriate mix of work that will best address system-related issues. Once the annual capital budget is finalized, the CFO reviews the annual capital budget with the Eversource Board of Trustees Finance & Risk Committee.

As capital projects are advanced through the project lifecycle, all capital projects are evaluated in accordance with a Project Authorization Policy ("PAP"). With the Company's Initial Filing in this proceeding, Exhibits CLP-ADDITIONS-10A, through CLP-ADDITIONS-10C, provide copies of these policies, as applicable to CL&P. The purpose of the PAP is to provide a framework to guide decision-making, evaluation and approval of all capital project spending. Within this framework, the Planning Group identifies key corporate initiatives, evaluates major projects and prioritizes capital projects within the planned budget. For monitoring and tracking of project authorizations, the PowerPlan system is primarily used as the repository for authorizations. Authorizations are approved in accordance with the Delegation of Authority and the appropriate sign-offs are obtained accordingly (Exhibit CLP-ADDITIONS-10C).

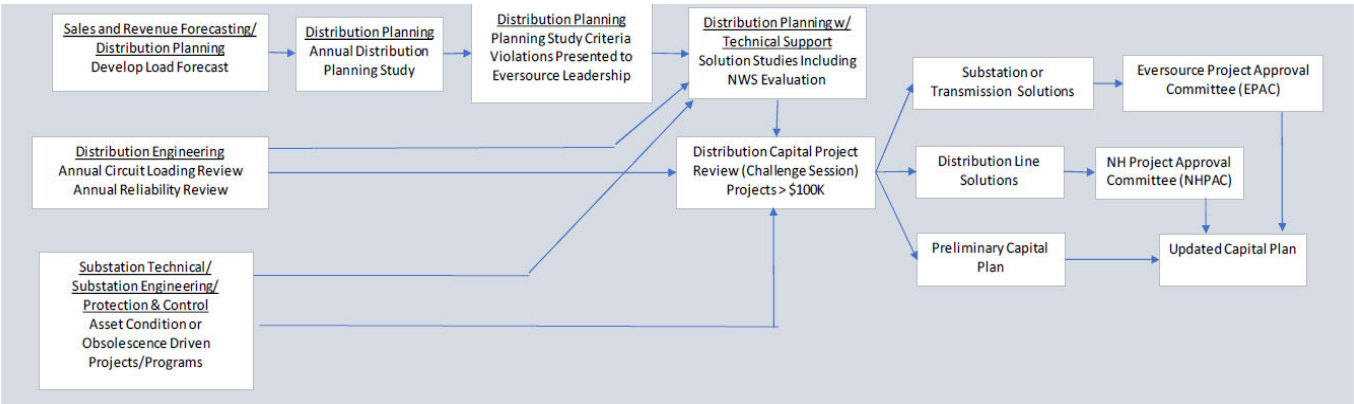
Starting in June 2022, as a result of the Settlement reached in Docket No. 17-12-03RE11 (October 2021), the CL&P Subsidiary Board was expanded to add three outside board members. Among other duties, the role of the subsidiary board is to review CL&P's financial results including capital investments and to review larger-scale capital projects that require subsidiary board approval in accordance with the CL&P Delegation of Authority Policy.

OCC-966 Attachment 1 and Attachment 2 provide the cover letter and Attachment D from Eversource's Supplemental Compliance Filings on Order No. 2, in Docket No. 19-03-01, as filed on December 2, 2025 and December 30, 2024, respectively. Attachment D provides information pertaining to this request.

OCC-966 Attachment 3 provides a flowchart showing the Project Initiation Process for Distribution Projects.

Graphic #1, below, shows the Project Initiation Process for Substation Projects.

1. Project Initiation Process – Substation Projects



2. Capital Project Approval Process

