Date Filed: October 16, 2026

Witness: Brendan J. O'Brien, Garrett J. Murray and Danielle Munson
Request from: Public Utilities Regulatory Authority

Question:

(EESCO CAPITAL FUNDING) O'Brien and Murray Pre-Filed Test., pp. 83-84; Application, Sch. WP C-3.11; Interrog. Resp. OCC-373. Regarding the EESCO capital funding reflected in Schedule C-3.11 and the return on equity applied:

a. Provide (1) the weighted average of the Eversource operating companies' return on equity as calculated in January of each of the years 2021 through 2026 and (2) the allowed return of each operating company used, the allocation methodology, and the plant balances used as weights.
b. The Company's response to Interrogatory OCC-373 states that EESCO charges billed to CL&P in the Rate Year will be based on the weighted average of the Eversource operating companies' return on equity. Provide an exhibit that shows Schedule C-3.11 recomputed on that basis for the Test Year pro forma and the Rate Year. State the basis for filing a schedule that does not reflect the return the Company states will be billed.
c. Provide the capitalized proportion of EESCO capital funding for each of calendar years 2021 through 2025.
d. Identify the EESCO capital projects on which the Rate Year charge is based and for each capital project, provide in an unlocked Excel spreadsheet the (i) plant balance, (ii) in-service date, and (iii) amount allocated to CL&P.
e. Identify the FERC account to which the reference 930RAX on Schedule WP C-3.11 corresponds.

Response:

a. Please refer to RRU-053, Attachment 1, for 2021 return on equity calculation, RRU-053, Attachment 2, for 2022 return on equity calculation; RRU-053, Attachment 3, for 2023 return on equity calculation; RRU-053, Attachment 4, for 2024 return on equity calculation; RRU-053, Attachment 5, for 2025 return on equity calculation; and RRU-053, Attachment 6, for 2026 return on equity calculation.

b. Please refer to RRU-053, Attachment 7, for Schedule C-3.11 recomputed reflecting the 2026 weighted-average Eversource operating company return on equity for the Test Year pro forma and the Rate Year.

The premise that Schedule C-3.11 should reflect the weighted-average Eversource operating company return on equity rather than CL&P's proposed return on equity is misplaced. The weighted-average return used by EESCO is an administrative cost-allocation mechanism designed to allocate service company costs among affiliate utilities. It is not a determination of the cost of equity applicable to CL&P, nor is it intended to establish CL&P's authorized return for ratemaking purposes.

Schedule C-3.11 appropriately reflects CL&P's proposed return on equity of 10.25%, which is the return the Company seeks authorization to earn in this proceeding based on the evidence presented in its cost of capital testimony. The fact that EESCO bills capital-related costs using a weighted-average return derived from multiple operating companies does not change the return required by investors to provide capital to CL&P and therefore does not provide an appropriate basis for establishing CL&P's revenue requirement.

Moreover, the weighted-average EESCO return is inherently dependent on the existing authorized returns of the various affiliated operating companies and therefore does not necessarily reflect current capital market conditions or contemporaneous regulatory determinations. Because CL&P is presently the only Eversource operating company seeking updated rates, the weighted-average EESCO return reflects legacy authorized returns for other affiliates rather than a current assessment of the cost of equity. The existence of those historical returns does not diminish or modify the return on equity that is appropriate for CL&P in this proceeding.

As explained in response to OCC-373[i], EESCO makes capital investments on behalf of the operating companies it serves. The costs of those investments are ultimately borne by utility customers because the investments support utility operations and functions that would otherwise need to be performed directly by each operating company. Had CL&P made these investments directly and recorded the associated assets in its own rate base, those assets would earn CL&P's authorized return on equity in the same manner as any other utility investment. Accordingly, reflecting CL&P's proposed 10.25% return on equity in Schedule C-3.11 appropriately recognizes the economic substance of the investment and provides the proper basis for establishing the Company's revenue requirement in this proceeding.

The service company structure is intended to achieve efficiencies and economies of scale by centralizing functions, personnel, systems, and technology investments that would otherwise need to be duplicated across multiple operating companies. The relevant regulatory question is therefore not whether EESCO bills using a weighted-average return on equity, but whether the underlying investments support utility operations and provide benefits to CL&P customers. They do. Recomputing Schedule C-3.11 using the weighted-average EESCO return would substitute an administrative allocation convention for the Company's actual cost of equity and would fail to reflect the return associated with

comparable investments had those same assets been owned directly by CL&P. Indeed, absent the service company model, CL&P would be required to make many of these investments itself, resulting in additional standalone costs and operational duplication. The service company structure therefore produces a lower-cost and more efficient means of providing these capabilities while preserving the fundamental economic reality that the investments are made for the benefit of, and ultimately support service to, CL&P customers.

c. Please see the below table for the capitalized proportion of EESCO capital funding for each of calendar years 2021 through 2025:

EESCO Capital Funding - Capitalized Portion

2021	4,373,292
2022	6,041,810
2023	6,531,398
2024	4,961,042
2025	5,093,797

d. The Company is pursuing the necessary details and will supplement this response as soon as the information is available.

e. The reference to "930RAX" is denoting the specific FERC Account. As outlined in Title 18, Chapter I, Subchapter C, Part 101 of the Code of Federal Regulations, Federal Energy Regulatory Commission ("FERC") Account No. 930.2 Miscellaneous general expenses, compensation for the use of capital is recorded to this account as it is the cost from the shared services company incurred in the general management of the utility not provided for elsewhere.

Prior Referenced Response:

[i] OCC-373 Question:
ESC Capital Funding. to Exhibit CLP-REVREQ-1, page 83 lines 1-21 through page 84 lines 1-2 and lines 11-15.

a. Explain why the Company replaced the weighted average of Eversource operating companies ROE with the Company's proposed ROE in this case.
b. Confirm that the ESC charge billed to CL&P in the rate year will be based on the weighted average of Eversource operating companies ROE.

OCC-373 Response:

a. First, the Eversource Energy Service Company ("ESC") makes significant capital investments, primarily IT infrastructure, on behalf of the operating companies it serves on a regular, ongoing basis. These investments are necessitated to: (1) enable business process improvements and new business capabilities via the implementation of new technology solutions; (2) improve customer interaction capabilities; (3) standardize collaboration and service technologies across the enterprise; and (4) maintain secure and supported technology solutions. These services would be costlier for customers if Connecticut Light & Power had to make these investments on its own. For example, the general ledger employed by each Eversource operating company resides with ESC's books. Were it not for this centralized service provided to the Company by ESC, the Company would need to develop and support its own general ledger, a prospect that would be costlier to customers. Therefore, it is beneficial to ratepayers that ESC continues to invest in a general ledger and other systems in the provision of essential services to the utilities it serves.

Secondly, all capital, as discussed elsewhere in this proceeding, has a cost. However, ESC, as a quasi-regulated shared services company, does not have a simple cost of equity approved by a single regulator. Instead, to establish its ROE for purposes of calculating the revenue requirement necessary to support the capital investments ESC makes on behalf of its utilities, ESC uses a weighted average of the approved ROEs of each Eversource operating company it serves. The ESC ROE rate is calculated on an annual basis in January. The ROE rate is calculated by weighing the most recent allowed ROE of each Eversource regulated utility, based on the applicable allocation methodology and the prior year-end Plant balances of the applicable ESC projects. This is a reasonable, repeatable estimate of the cost of the capital necessary to provide cost effective and efficient services across multiple jurisdictions. It is important to note that regardless of the methodology used to derive the ESC's ROE, the capital funding charged to CL&P is grounded in the ESC cost-causation principles and methodologies (as noted within, and in accordance with, the ESC cost allocation manual provided in EOE-066, Attachment 1) to ensure the ESC costs billed are appropriate and equitable based on the net assets from which each operating company benefits.

The Company replaced the weighted average of Eversource operating companies' ROE with the Company's proposed ROE in this case, which is consistent with prior rate case practice, because the Company's proposed ROE in this case reflects current market conditions and is the result of the extensive analysis performed by the Company's cost of capital witness. The approved ROEs of all Eversource operating companies that would be used to calculate ESC's ROE during the Rate Year (i.e., approved ROEs of the operating companies through 2028) are unknown and subject to change.

b. Yes, the Company confirms that the ESC charges billed to CL&P in the Rate Year will be based on the weighted average of Eversource operating companies' ROE. The weighted average of Eversource operating companies' ROE will be updated with the final PURA approved CL&P ROE on January 1, 2028.