The Connecticut Light and Power Company dba
Eversource Energy

Berlin, CT Office:
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Stephen T. Sullivan
President & Chief Operating Officer

February 5, 2024

TO THE BOARD OF DIRECTORS OF THE CONNECTICUT LIGHT AND POWER COMPANY (CL&P):

2024 has arrived, and the Eversource team in Connecticut is diving right into another year of hard work to serve our customers and communities. Our areas of focus remain consistent. We're focused on safe, reliable service; first-class customer service; and ongoing efforts to support a constructive regulatory environment. We'll continue to share information with all stakeholders on the contributions Eversource makes to Connecticut and the importance of our ability to invest in the state.

Please find below the latest financial, operational, regulatory, and other business updates.

Financial and Performance Update

Overall, our financial performance for 2023 was mixed. Our overall net income was lower than plan due to higher storm, employee and corporate related O&M costs. Operations O&M ended the year under budget despite higher than planned storm activity. In addition, we executed above our capital plan with additional targeted transmission and distribution reliability investments. Also, we exceeded all performance metrics except for preventable motor vehicle accidents where we have been lagging throughout the year. We have taken measures to address this and expect to be back on track for 2024.

PURA/Regulatory Update

Storm cost filing

On December 23, the company filed an Application with PURA seeking review of $634 million of deferred storm costs incurred from 2018 to 2021. The filing covers 24 events with expenses exceeding $4 million that caused substantial damage to the system requiring a response under our Emergency Response Plan ("ERP").

The filing also includes the cost of eight pre-staging events where forecasts indicated severe weather triggering the company to secure additional crews. Fortunately, the forecasts did not result in severe events that impacted our system. Nonetheless, under our ERP, to protect our customers, we needed to prepare well ahead of a storm event.

Of the $634 million, 98% of the costs are related to the 24 weather events. Of that 98%, approximately 60% is from two weather events.

- Approximately $232 million is for Storm Isaias in August 2020.
- Approximately $139 million for Storm Henri in August 2021.
- Each of the other 22 weather events are less than $25 million per event.

In the Application, the company is requesting that PURA review cost information to determine whether the costs were prudently incurred. The historical practice is that storm cost would be recovered in the company's next distribution rate case.

However, to lower customer bill impacts, Eversource is requesting that PURA authorize the company to collect revenues of $50 million annually from the date of the final decision until new base rates are set in the next rate case. We project this should save customers about $30 million from reduced carrying costs on amounts paid prior to the setting of new base rates.

The estimated bill impact for a residential customer if all of the $634 million of incremental cost to the company is approved and amortized over six years would be $5 per customer per month.

Advanced Metering Infrastructure ("AMI") Update

At our last Board meeting on December 12, we reported that we had filed our written exceptions to the proposed final decision on AMI which set forth some of the defects of the decision, first and foremost, the failure to provide a cost-recovery path that's reasonably balanced, clear or certain.

On January 3, PURA issued its final decision on AMI that ignored our concerns. Instead of providing a clear path to recovery of prudent costs for technology that is foundational for customer empowerment and achieving a clean energy future, PURA again "kicked the can down the road." Instead of making a decision on cost recovery, PURA set up a new docket to adjudicate the issue over the next year. This decision only locks in additional delay on a critical decision in a docket opened almost five years ago in 2019. This delay has already caused the cost to implement AMI over the first five years to balloon from $532 million (2020 estimate) to about $765 million (2023 estimate).

On January 18, we filed a motion for reconsideration of the final decision. While we do not expect this motion to be granted, we wanted to again state our desire to deploy AMI on the condition that PURA:

- Allow the company to propose a cost-recovery tariff that could be addressed on a more expedited basis; and
- Eliminate a new standard which conditions recovery of costs on the achievement of outcomes outside our control.

We have consistently advocated that the successful implementation of AMI will require a clear and certain regulatory path. The lack of a defined pathway for launching this substantial project creates inordinate regulatory risk.

PURA rejection of United Illuminating ("UI") interim rate request

On November 30, 2023, UI petitioned PURA requesting approval of an interim rate increase. UI asserted that its Petition was necessary to prevent further deterioration of the company's financial condition following the final decision issued by PURA on August 25, 2023, in UI's rate case. In that proceeding, UI sought a rate increase of $131 million over three years, with $91 million for the first year. Instead, PURA authorized a revenue increase of $16.4 million. UI has since appealed this decision.

Instead of considering the merits, PURA treated the Petition as a motion to reopen UI's closed rate case. On December 29, 2023, PURA denied the motion. The ruling stated that "procedural deficiencies" prevented any consideration of the facts at hand, thereby blocking consideration of a critical issue -- the financial health of a public utility that must make infrastructure investments to ensure the safety, reliability, and resiliency of the electric grid in its territory and provide services to its customers.

It's likely that PURA's decision will be appealed by UI, adding yet another appeal to the rapidly growing list.

Legislative Update

The regular session of the Connecticut General Assembly gavels in on Wednesday, February 7, and adjourns *sine die* at midnight on Wednesday, May 8. Government Affairs, working with the extended outreach team, has been developing our strategy and actively engaging with legislators, their staff and other stakeholders, to prepare. We are in the process of finalizing our legislative agenda.

There appear to be two major energy bills in the works. The Governor has indicated that he will present a bill to the General Assembly tightening emissions standards for automobiles and trucks to help transition to the electric vehicle ("EV") future and meet clean air goals. The EV bill may be called in a special session before the regular session begins. A bill expanding grid scale solar in Connecticut is likely to be raised by Rep. Jonathan Steinberg, Co-Chair of the Energy and Technology Committee. We are closely monitoring and providing our input on both efforts.

Storm Activation and Response

Eversource's Connecticut team has proven its mettle this month by responding to regional storm events that threatened significant impact to our state. A heavy wind and rain storm January 10 thankfully had less impact than forecast. Our team mobilized and restored power to more than 22,000 customers despite street flooding. Electric and Gas Operations monitored a partial failure of the Fitchville Pond Dam on the Yantic River and coordinated with local municipal utilities to provide any needed support. A second round of strong wind and rain passed through the state January 13, causing additional flooding but only about 3,000 outages. The team, supported by outside contractors, again worked around the clock to restore all customers to service and promptly address blocked roads, downed wires and other concerns raised by communities. A third event roared through on Sunday afternoon, January 14, with higher than forecast winds again bringing trees and tree limbs down onto our system. By Monday morning all 25,000 customers had been restored to service.

Offshore Wind

Other News

In closing, I'm pleased to share a few brief updates on recent employee honors and community activities:

- Employees across western Connecticut organized a toy drive with the International Brotherhood of Electrical Workers (IBEW) Local 420 in honor of Kyle Schlatter, a line worker and volunteer firefighter who worked out of the Norwalk Area Work Center. Kyle died in a non-work-related crash in July 2023. The toys collected were distributed to several organizations based in Waterbury.
- Connecticut employees continued the annual tradition of participating in Wreaths Across America ceremonies at the state cemetery in Middletown, Connecticut, honoring men and women who served our country who are buried there.
- As part of this year's United Way employee and retiree donation campaign, employees from the New London Area Work Center joined forces with the staff at the United Way Gemma Moran/Labor Food Center in New London. Together they sorted and packaged groceries and produce for 72 member agencies.

Please do not hesitate to reach out if you have any questions.

Sincerely,



cc: Paul Chodak III, Chairman and Chief Executive Officer
Flo Iacono, Secretary
Jonathan Harris, Regulatory Affairs

Information for Directors

FINANCIAL UPDATE
INCOME STATEMENT

Year-to-Date December 2023

(Millions)

	Actual	Budget	Variance
Total Operating Revenues	$ 4,578.8	$ 5,006.6	$ (427.8)
Energy Supply	2,612.9	2,534.3	78.7
Operations and Maintenance	699.8	650.1	49.7
Energy Efficiency	133.5	185.2	(51.7)
Depreciation & Amortization	(123.5)	339.8	(463.2)
Taxes Other Than Income Taxes	401.1	403.0	(1.8)
Total Operating Expenses	3,723.9	4,112.3	(388.4)
Operating Income	854.9	894.3	(39.4)
Interest Expense	193.4	195.7	(2.3)
Other Income	28.1	23.6	4.5
Income Before Income Tax Expense	689.6	722.2	(32.6)
Income Tax Expense	170.9	167.9	3.0
Preferred Stock	5.6	5.6	0.0
Net Income	**$ 513.2**	**$ 548.7**	**$ (35.5)**

December YTD 2023 Actual vs. Budget

- Operating revenues are less than budget due to lower Purchased Power costs offset in amortization expense and have no impact on net income.
- O&M is driven by higher than planned storm costs, employee-related expenses and other corporate costs.
- Energy Efficiency is under budget due to lower spending in the battery and innovation pilots
- Interest expense is slightly higher than budget due primarily to higher long-term interest expense, mostly offset by lower regulatory interest and higher AFUDC debt.
- Net Income is lower than budget, driven primarily by the higher O&M expense and lower Transmission earnings due to the annual reconciliation process, partially offset by higher Energy Efficiency incentives and lower municipal taxes.

Information for Directors

FINANCIAL UPDATE
OPERATIONS O&M EXPENSE

Year-to-Date December 2023

In millions

	Actual	Budget	Variance
Operations O&M			
Distribution	$ 91.6	$ 100.5	$ (8.9)
Storm	34.4	29.0	5.4
Transmission	30.4	32.3	(2.0)
Total	156.3	161.8	(5.5)
Labor	67.8	72.8	(5.0)
Overtime	9.6	7.9	1.7
Invoice/Material/Other	44.5	52.0	(7.5)
Subtotal	121.9	132.8	(10.8)
Storms	34.4	29.0	$ 5.4
Total O&M Expense	$ 156.3	$ 161.8	$ (5.5)

December YTD 2023 Actual vs. Budget

- Total Operations O&M is under budget primarily due to more labor spent on capital and storm work, lower contractor charges, and favorable third-party damage reimbursements, partially offset by higher storm costs.

Information for Directors

FINANCIAL UPDATE
OPERATIONS CAPITAL INVESTMENTS

Year-to-Date December 2023

In millions

	Actual	Budget	Variance
Basic Business	$ 159.4	$ 136.4	$ 23.1
New Customer	58.0	53.2	4.8
Peak Load / Capacity	80.0	62.0	18.0
Regulatory	14.7	8.4	6.3
Reliability	245.7	206.7	39.0
Electric Distribution	557.8	466.7	91.2
Transmission	$ 469.9	$ 405.6	64.3
Total Capital	$ 1,027.7	$ 872.2	$ 155.5

December YTD 2023 Actual vs. Budget

- Capital investments are higher than budget primarily due to higher Distribution emergent replacements identified from circuit patrols, higher substation capacity projects and higher Transmission reliability and equipment replacements.

Information for Directors

OPERATIONAL PERFORMANCE UPDATE

PERFORMANCE AHEAD FOR ALL METRICS WITH PMVA LAGGING

Year-to-Date December 2023

			ACTUAL	PLAN
EMPLOYEES	SAFETY	Injury rate per 100 employees (DART)	1.1	1.4
		Preventable MV accident per 1M miles	1.6	1.1
	DIVERSITY (Eversource)	% Diverse Leadership Promotions / Hires	48.1%	40.5 – 45.5%
CUSTOMER	EST. TIME FOR RESTORATION	% Well Managed	95%	94%
	NEW CUSTOMER SATISFACTION	Customer Survey Score (Scale 1-10)	8.60	8.30
OPERATIONS	ELECTRIC RELIABILITY *(Rolling 12 months)*	Average months between interruptions (MBI)	20.0	19.0
		System average interruption duration (SAIDI)	67.9	71.4
	PLANNED MAINTENANCE	% Complete	100%	100%
	ENVIRONMENTAL COMPLIANCE (Eversource)	Index Score	97.3	95.0