Date Filed: October 07, 2026

**Witness: Douglas P. Horton**
**Request from: CLF and Acadia Center**

**Question:**

(Performance-based Regulation) Refer to Exhibit CLP-PBR-1, pages 58-59.

(a) Please confirm that the Company did not propose the S-Factor / stretch factor methodology to align with the mechanism as described in the RE01 2025 PFD to include the Benchmarking-Study-based tiered approach under which "highly efficient utilities have an S-Factor at zero.(as stated in Docket No., Proposed Final Decision, July 2025, at page 22)"

(b) Please confirm whether or not the Company considered proposing that methodology. If so, produce all analyses, benchmarking studies, models, workpapers [etc] reflecting that consideration.

**Response:**

(a) No. While the Company's proposed S-Factor includes a benchmarking-based tiered approach that adjusts based on the Company's core O&M performance per customer relative to a benchmark, it does not align with the methodology described in the Proposed Final Decision ("RE01-PFD") in Docket No. 21-05-15RE01, under which highly efficient utilities would have an S-Factor of zero. Under the Company's proposal, the S-Factor has a floor of 30 basis points, meaning customers receive a 30-basis-point reduction relative to inflation even when the Company is classified in the highest performance tier. By contrast, the RE01-PFD described a framework under which highly efficient utilities would have an S-Factor of zero, resulting in no reduction relative to inflation.

Further, the RE01-PFD's discussion of the S-Factor was conceptual in nature. The RE01-PFD described potential benchmarking and tiering concepts and provided illustrative examples, but it did not establish the specific benchmarks, indices, thresholds, tiers, or other parameters that would be necessary to implement such a mechanism. Accordingly, while the Company's proposal incorporates benchmarking and tiering concepts similar to those discussed in the RE01-PFD, it does not adopt the specific zero-floor approach described therein.

(b) As stated in the Company's response to CLF-AC-002[i], as a general practice, the Company would consider an alternative ratemaking construct, with potentially differing elements and mechanisms from its own proposal, so long as it supports the same objectives outlined in

the Company's proposal, ensuring: (1) the reliability and performance requirements of the Company's customers and the broader State of Connecticut; (2) customer rate stability and affordability; (3) incentives for cost efficiency in utility operations; and (4) implementation of a revenue support mechanism sufficient to cover the cost of delivering these objectives to customers.

Lastly, as noted in subpart (a) of this response, the RE01-PFD lacked the specificity necessary to be able to adopt a single, cohesive methodology with respect to the S-Factor.

**Prior Referenced Response:**

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[i] **Question:**

(Performance-based Regulation) Refer to Exhibit CLP-PBR-1, page 42.

(a) Please confirm whether the Company is proposing in Docket 26-05-10 the Revenue Cap Formula proposed in the RE01 PFD, which applies to the Company's total revenue requirement (both capital and O&M).

(b) Please confirm whether under the Company's proposal referenced in CLF-AC-2(a), the X-factor is applied only to OM&A costs, while capital costs are adjusted based on actual capital placed in service.

(c) Please confirm whether the Company considered proposing a revenue cap applied to its total revenue requirement. If so, please produce written discussions, written analyses, workpapers, or other documentary materials used in making that decision.

(d) If the Company did not consider proposing a revenue cap applied to its total revenue requirement, please explain why it did not do so.

**Response:**

(a) The revenue cap formula itself is generally consistent with the formula outlined in the Docket No. 21-05-15RE01 proposed final decision ("RE01-PFD"), insofar as the current year revenue is based on the prior year's revenue requirement adjusted for inflation, productivity factor, stretch factor, capital funding, and exogenous cost recovery. However, the construction of the individual components of the Company's proposal differ from those of the RE01-PFD. For example, while both the RE01-PFD and the Company's proposal included capital funding components in their respective revenue cap formulas, the RE01-PFD's capital funding mechanism, which was called "CT-Bar," was a variation of the Company's own K-bar mechanism in Massachusetts, although calculated differently from the Company's F-Factor proposed in the present case. For reference, those differences are discussed in the Company's various other responses, such as to interrogatories CLF-AC-003[i], OCC-423[i], and OCC-859[i]).

(b) This is correct.

(c) For clarity, the incremental revenue adjustments resulting from the Company's proposal collectively do apply to the total revenue requirement under the revenue cap formula. However, the Company interprets this question as meaning "did the Company consider a construct in which the revenue cap is adjusted by a single percentage factor, such as "I-X"? As a general practice, the Company would consider alternative ratemaking constructs, with potentially differing elements and mechanisms from its own proposal, so long as the

alternative framework supports the same objectives outlined in the Company's proposal, which are ensuring: (1) the reliability and performance requirements of the Company's customers and the broader State of Connecticut; (2) customer rate stability and affordability; (3) incentives for cost efficiency in utility operations; and (4) implementation of a revenue support mechanism sufficient to cover the cost of delivering these objectives to customers.

Based on its own experiences in the state of Connecticut as well as those of its affiliates, combined with its expectations of significant capital infrastructure investments required in the years ahead on the Connecticut distribution system, the Company concluded that a single adjustment, such as "I-X," would not be an adequate mechanism to propose in this docket in order to facilitate a multi-year stay-out period between rate cases. Consequently, the Company's proposal introduces a necessary link between the capital investments necessary to achieve the performance objectives outlined in this docket with the revenues necessary to support those investments, including the cost of capital, while also attempting to build off the PFD and the prior PBR docketed proceedings. This essential link between performance, capital infrastructure investment, and revenue support form the basis for the long-term viability of the Company's proposed PBMRP.

(d) Please refer to the Company's response to subpart (c) above.