STATE OF CONNECTICUT
PUBLIC UTILITIES REGULATORY AUTHORITY

Docket No. 26-05-10

APPLICATION OF THE CONNECTICUT LIGHT AND POWER COMPANY
D/B/A EVERSOURCE ENERGY
TO AMEND ITS RATE SCHEDULES

JOINT REBUTTAL TESTIMONY OF

DONALD J. SCACCO, JR., DIGAUNTO CHATTERJEE AND DOUGLAS P. HORTON

Leadership Panel Rebuttal

On behalf of

The Connecticut Light and Power Company
d/b/a Eversource Energy

November 18, 2026

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I. INTRODUCTION

Q. Please state the names of the witnesses on the Leadership Rebuttal Panel.

A. The Leadership Rebuttal Panel is comprised of Donald J. Scacco, Jr., Digaunto Chatterjee and Douglas P. Horton. We are providing this rebuttal testimony on behalf of The Connecticut Power and Light Company d/b/a Eversource Energy ("Eversource," "CL&P," or the "Company").

Q. Have the members of the Leadership Rebuttal Panel previously submitted testimony in this proceeding?

A. Yes. On July 14, 2026, we submitted direct, pre-filed testimony to the Public Utilities Regulatory Authority ("PURA") on behalf of CL&P in support of its application for approval of amended rate schedules. Company Witnesses Scacco, Chatterjee and Horton co-sponsored Exhibit CLP-ELP-1 and the related attachments. In addition, Mr. Horton co-sponsored Exhibit CLP-AMI-1 and the related attachments.

Q. What is the purpose of this panel's joint rebuttal testimony?

A. On October 21, 2026, the parties and intervenors in this proceeding filed testimony in accordance with the procedural schedule. Our joint rebuttal testimony addresses the

issues and recommendations raised regarding the Company's proposed Performance-Based Multi-Year Rate Plan ("PBMRP"), storm cost recovery and advanced metering infrastructure ("AMI") deployment.[1] We offer a senior executive-level perspective on the policy, business and operational considerations underlying these proposals, complementing the more detailed technical testimony provided by the Company's other rebuttal witnesses.

Q. How is your testimony organized?

A. Our testimony is organized into the following sections:

- Section I is the introduction;
- Section II responds to the claims and recommendations of the parties and intervenors regarding the Company's proposed PBMRP;
- Section III responds to claims and recommendations on the Company's proposed storm recovery framework;
- Section IV responds to testimony regarding the Company's AMI proposal; and
- Section V is the conclusion.

II. RESPONSE ON ISSUES AND RECOMMENDATIONS PERTAINING TO THE PROPOSED PBMRP.

Q. Please describe the scope of your joint rebuttal testimony regarding the Company's proposed PBMRP.

A. Our testimony is intended to present a senior executive-level perspective, focusing on key issues with significant policy, business or strategic implications, rather than delving into the detailed technical aspects of the PBMRP proposal. The more technical aspects

[1] The Company does not respond to every issue raised in the intervenor testimonies. Silence on any issue should not be construed as agreement on any issue.

of the PBMRP are presented in the separate rebuttal testimony of Julia Frayer of London Economics International ("LEI").

Q. Please summarize the issues and positions raised in the testimony submitted by the parties and intervenors that are the subject of your rebuttal testimony on this topic.

A. Three separate testimonies address the Company's proposed PBMRP: (1) Gennelle Wilson and Oliver Tully from the Rocky Mountain Institute ("RMI") on behalf of the Office of Consumer Counsel ("OCC"); (2) Lindsay J. Griffin from Northeast for Vote Solar on behalf of the Acadia Center and the Conservation Law Foundation ("CLF"); and (3) Dr. William Taylor on behalf of the Acadia Center.

Collectively, these testimonies address several key elements of the Company's PBMRP, including alignment with the performance-based regulation framework developed in Docket No. 21-05-15 and its subsequent reopeners; the Company's proposed capital support mechanism (F-Factor) and the revenue cap; distribution system planning; the productivity factor and revenue cap design; and the proposed performance incentive mechanisms ("PIMs").

Before summarizing the intervenor and party testimonies and presenting our specific rebuttal points, we would like to take this opportunity to level-set with the Commission on our motivations for the core proposals we have made in this case, including the development of the Targeted System Plan ("TSP") and the comprehensive PBMRP, which are closely aligned. We genuinely appreciate the diligent engagement by PURA, its staff and each one of the parties and intervenors in this proceeding and we are

striving to present a clear line of sight into what it will take to assure Connecticut's future in relation to a safe, reliable and modernized electric grid. For the Company, it is refreshing and invigorating to be part of this proceeding, with a high level of collaborative interaction and engagement from all parties to this point. Our customers will benefit from this collective effort, which remains our fundamental priority and focus. We are here to serve our customers and our customers are at the center of every proposal we have put forth in this proceeding.

Our proposals in this case are built on the foundation that our customers are heavily reliant on the availability of safe and relative electric service – and meeting those expectations requires us to raise investment levels in Connecticut above historical levels. Simply put, Connecticut is beginning to fall behind because, since 2018, the regulatory construct has not focused on meeting the *dual* demands of customers, which are reliability and affordability, not just affordability.

The required level of infrastructure investment and associated drivers behind the need for it are outlined in our TSP. However, the step-change necessary is influenced by myriad factors that have to be addressed and balanced in order for us to be able to deliver the sustained reliability and resiliency of electric service that customers demand. These factors include the building impacts of climate change and severe weather trends; increased customer expectations of reliability and system performance (and lack of tolerance for outages of any extended duration); increased penetration of DER necessitated by, among other factors, the need for locally sited generation

resources; age and asset condition; regulatory and legislative mandates, and other factors.

There is no dispute that the electric grid is the critical backbone necessary to provide essential services to customers to protect their health and welfare and to power Connecticut's economic viability and sustainability. It is for this reason that we have presented evidence to demonstrate the need to PURA (and to other stakeholders) for a comprehensive PBR framework that balances the Company's need for financial support for operations with the affordability interests of customers. We recognize that other parties are challenging virtually every aspect of the Company's PBMRP proposal, and we respect that the burden is ours to convince PURA to adopt our proposal versus an alternative framework, or no framework at all.

However, the reality is that the Company cannot make the investments necessary to adequately serve our customers without additional revenue support to sustain the investments over time, which, in the absence of adoption of a well-balanced framework, will inevitably lead to multiple, successive rate cases on a cycle as frequently as legally and logistically as possible. The Company is at a point where it must be in a position to advance the grid and to make investments to that end. Where it makes investment, the Company will need to obtain timely and adequate recovery of those investments, which the Company can accomplish through a rate-case cycle or through a well-constructed PBMRP. The Company's concern is that, without a constructive ratemaking framework, the situation becomes lose-lose for customers,

causing the Company to scale investment around the rate-case cycle and resulting in choppier and larger bill impacts for customers that are greater overall than they would otherwise be under a properly designed PBR framework that would harness incentive properties for greater cost efficiency.

i. Consistency with PURA's Proposed PBR Framework

The OCC witnesses and Ms. Griffin devote considerable attention in their testimony to identifying every perceived difference between the Company's proposals and the performance-based regulation framework developed in Docket No. 21-05-15. They ultimately claim that the Company's proposals depart materially from that framework and suggest that such departures are grounds for rejecting the Company's proposals because the Docket No. 21-05-15 framework reflects years of regulatory proceedings and stakeholder input (RMI Testimony at 5–6, 10–14, *et passim*; Griffin Testimony at 76–85, *et passim*).

Here, the Company would like to note that, without a final decision in those dockets, the Company's proposed PBMRP stands as a reasonable outcome that could have been achieved in those dockets had the full process been completed with the fair and balanced consideration of all parties, including the Company, in the final result. Meaning that – there is no reason to conclude that the final performance-based regulation framework in that docket would mimic the proposed final decisions entirely. Nor would such an outcome have precluded the Company's legal opportunity to challenge such a result, given that the final decision(s) would have emerged from an

uncontested proceeding that does not have preclusive effect on the Company. As a result, the Company has properly presented its proposed PBMRP in this docket as a viable outcome to PURA's PBR process and PURA is properly considering the merits of the Company's proposal on its merits.

ii. Capital Support Mechanism and the Revenue Cap

All three testimonies oppose the Company's proposal to apply the revenue cap solely to operations and maintenance ("O&M") expenses. The witnesses argue that by omitting capital costs from the formula, the Company's proposal fails to mitigate the financial incentive for investor-owned utilities to favor capital investment over potentially less costly or more flexible operational solutions (RMI Testimony at 11, 15–17, 20–24; Griffin Testimony at 22–26; see Taylor Testimony at 28–31).

The OCC witnesses specifically argue that the proposed F-Factor, which establishes annual capital investment allowances based on the Company's forecast and is subject to annual reconciliation through the Rate Adjustment Mechanism ("RAM"), could incentivize shifting O&M expenses into capital (RMI Testimony at 17, 25-26). Ms. Griffin similarly argues that a revenue cap constrains costs only if it includes the Company's entire revenue requirement (Griffin Testimony at 36-37).

The OCC witnesses and Ms. Griffin also emphasize, at great length, the differences between the proposed F-Factor and the capital recovery mechanism in PURA's RE01 decision (i.e., the "CT-Bar"). The witnesses assert that the CT-Bar allows recovery of depreciation and taxes on new capital investments but delays any return until a

prudence determination (RMI Testimony, at 18, 19-20; Griffin Testimony at 35, 38, 42). In contrast, the proposed F-Factor would allow the Company to earn a return on forecast capital investment upfront, with downward reconciliation later (RMI Testimony, at 18, 19-20; Griffin Testimony at 35, 38, 42-43). According to the OCC witnesses, this incentivizes an inflated capital forecast and necessitates recurring prudence reviews, which erodes the administrative efficiencies that a multi-year rate plan should deliver (RMI Testimony, at 6, 20, 21, 23-24, 32-33).

iii. Distribution System Planning

The OCC witnesses and Ms. Griffin also challenge the Company's proposed Targeted System Performance Plan ("TSP"), stating that it omits essential elements of an Integrated Distribution System Plan ("IDSP"), the capital planning process proposed in Docket 21-05-15RE03, such as scenario-based forecasting, "least-regrets" analysis, and meaningful stakeholder engagement (RMI Testimony at 28-32; Griffin Testimony at 44, 47-48, 50-51, 55-59).

iv. Productivity Factor and Revenue Cap Design

All three testimonies challenge the Company's proposed -0.03% X-Factor, which is based on a total factor productivity ("TFP") study performed by LEI. The witnesses assert that LEI's study diverges from PURA's guidance in the RE01 decision, relies on customer count as the only output measure while excluding delivered energy and peak demand, and lacks sufficient sensitivity testing (see RMI Testimony at 32, 35-38, 40, 41-41; Griffin Testimony at 37, 79; Taylor Testimony at 6-9, 14-15, 23). The OCC witnesses and Dr. Taylor assert that the TFP results are especially sensitive to

methodological choices and the inclusion of the outlier year 2019–2020 (RMI Testimony at 37, 41-42; Taylor Testimony at 24, 31-34).

The OCC witnesses also object to several other aspects of the Company's proposal, including the 0.5 percent Z-Factor threshold, which is lower than the 0.75 percent established in RE01; limiting the S-Factor to O&M expenses; setting a 0 percent floor on the I-Factor; and not including off-ramps from the multi-year plan (RMI Testimony at 11, 14, 43-44, 44-45, 45-46, 46-47).

v. Summary of Recommendations

The OCC witnesses and Ms. Griffin recommend that PURA reject the Company's proposed PBMRP (RMI Testimony at 6, 9-10, 49; Griffin Testimony at 75-76). The OCC witnesses further recommend approval of only a one-year rate plan (RMI Testimony at 6-7, 10, 49). Alternatively, if PURA approves a multi-year plan, the OCC's witnesses recommend using a 2025 test year, reopening the proceeding to implement a single indexed revenue cap covering both O&M and capital costs, and setting the X-Factor at zero (RMI Testimony at 42-43, 49-50).

Dr. Taylor's testimony focuses more narrowly on the technical aspects of the productivity factor. He recommends a TFP of 0.457% if the cap covers both capital and O&M expenses, or an OM&A X-Factor of at least 0.675% if the cap applies only to O&M (Taylor Testimony at 9-10, 35, 37-38, 44-45). He also recommends independent third-party sensitivity and frontier analyses and proposes alternative TFP

floors of 0% or -1.04 if PURA declines to adopt his recommended values Taylor Testimony at 6, 10, 39-41, 46).

Both the witnesses for OCC, Acadia Center and CLF also argue that the level and design of the PIMs penalty and incentive pools should be modified (RMI Testimony at 52-56; Griffin Testimony at 65-66, 80, 87).

Q. How is your rebuttal testimony on the PBMRP organized to respond to these issues?

A. Our rebuttal follows the four categories of issues described in the summary above and responds, from a senior executive-level perspective, to the arguments raised by the OCC's RMI witnesses, Ms. Griffin, and Dr. Taylor. Specifically, we address: (1) consistency with PURA's proposed PBR framework, where we address the contention that the Company's proposal departs from the framework developed in Docket No. 21-05-15 and its subsequent reopeners; (2) the merits of the capital support mechanism and the associated revenue cap, where we explain why the Company's proposed F-Factor and application of the revenue cap to only O&M expenses are a reasonable and balanced ratemaking approach and do not create the capex bias that the witnesses allege; (3) distribution system planning, where we address the criticisms of the Company's proposed TSP; and (4) the productivity factor and PBRMP design elements, where we respond to the challenges to the proposed X-Factor, Z-Factor threshold, S-Factor, I-Factor floor, and the absence of off-ramps.

1. Consistency with PURA Proposed PBR Framework

Q. How do you address the witnesses' general criticism that the Company's proposal does not align with the PBR framework developed in Docket No. 21-05-15?

A. The Company's proposed PBMRP builds upon the policy objectives and regulatory principles developed in Docket No. 21-05-15 and subsequent proceedings. However, those proceedings should not be interpreted as mandating a single, prescriptive model of performance-based regulation or as foreclosing the consideration of alternative approaches that align with the broader objectives of PBR.

The Company has both the right and the responsibility to propose a regulatory framework tailored to its operating conditions, investment needs and customer requirements. PURA expressly recognized this, finding that nothing in the prior PBR proceedings precludes CL&P from proposing a PBR plan, nor prevents PURA from considering such a proposal (Ruling on Motion No. 43, at 2). Further, PURA noted that it is required, in any rate hearing under General Statutes § 16-19, to "consider the implementation of financial performance-based incentives and penalties and performance-based metrics." (id. at 2 quoting Conn. Gen. Stat. § 16-19a(b)).

Performance-based regulation is an evolving framework that should remain flexible to meet changing industry conditions, utility-specific needs, and insights gained through experience. Consistency with the principles of PBR does not require strict adherence to every design element considered or adopted in a prior proceeding. Instead, the central focus should be whether the proposed approach advances the underlying policy

objectives of PBR and effectively aligns utility performance with customer interests and regulatory outcomes.

In addition, shortly after the rate case was filed, PURA adjusted its schedules in each of the three PBR reopened proceedings and declined to issue updated Proposed Final Decisions or Final Decisions. Even if PURA had issued Final Decisions in each of the PBR dockets, those proceedings were uncontested. As a result, any outcomes would require adjudication in a contested proceeding before taking effect. This process allows the Company to propose a framework and submit supporting record evidence for PURA's consideration, even if elements of the proposed framework differ from what was outlined in the uncontested proceeding.

Thus, the Company's proposed PBMRP does not need to replicate every element discussed or developed in Docket No. 21-05-15, or its subsequent uncontested reopeners to align with that proceeding's objectives. The Company's proposal must be evaluated on its own merits, including whether its specific design appropriately advances the objectives of performance-based regulation in light of CL&P's unique circumstances.

2. Capital Support Mechanism and the Revenue Cap

Q. How do you respond to the witnesses' claim that the Company's proposed F-Factor would encourage a capital investment bias?

A. The witnesses rely on the frequently repeated, but unvalidated, assertion that rate-of-return regulation creates an incentive for utilities to over-invest in capital. However,

like others who have advanced this theoretical argument, they offer no empirical evidence demonstrating that this thesis is true, nor that such alleged over-investment actually exists. In this case, the available evidence points in the opposite direction. Specifically, the record demonstrates that "CL&P has historically relied more heavily on [O&M] expenditures than capital-related expenditures in providing electric distribution service." (Exh. CLP-PBR-1, at 58). Additionally, PURA's annual prudence reviews of the Electric System Improvements ("ESI") recovery mechanism in the Rate Adjustment Mechanism ("RAM") process has shown that the Company is routinely imprudent or unable to defend its capital additions, nor has there been an indication of that the Company is over-investing in the electric distribution system, and it is not. Furthermore, during a stay-out period, such as the one proposed under the Company's PBMRP, the Company is incentivized to incur only those costs (capital or O&M) necessary to operate the business and fulfill its obligations. Thus, the proposed mechanism does not introduce an incentive to favor capital investment over O&M expenditures. Instead, the Company must continue to determine, based on what is most appropriate and cost-effective, whether a particular business or system need is best addressed through capital investment or an O&M expenditure.

Contrary to OCC witnesses' assertion, the decision to make a capital investment or incur an O&M expense is not an either-or proposition. In reality, it is uncommon for a particular system need to be addressed by ***either*** a capital investment ***or*** an O&M solution. Typically, the nature and scope of the required work, as well as the specific

system needs involved, determine whether a capital investment or an O&M expenditure is the appropriate approach. Therefore, the claim of capital bias is largely theoretical and unsupported by the Company's historical spending or the practical requirements of operating the electric distribution system during the proposed PBMRP term.

Q. Do you have any more specific information to show that the witnesses asserting this claim of capital bias are wrong on the facts?

A. Yes. To show that these claims are fully misguided, we have analyzed CL&P's investment track record over a multi-year historical period. When evaluated on a consistent, inflation-adjusted basis, the Company's overall level of capital investment ***has remained essentially flat***. Specifically, the Company adjusted historical 2016-2025 expenditures using the Handy-Whitman Index to reflect current-dollar equivalents, allowing for a direct comparison with the proposed 2027-2031 investment plan, presented in this case. On this basis, average annual capital expenditures increased from approximately $690 million during 2016-2025 to approximately $706 million during 2027-2031, representing an increase of only about 2%. Accordingly, the Company's proposed TSP cannot be plausibly viewed as a broad increase in capital spending, but rather as a targeted reallocation of resources toward the highest-priority reliability, asset health, capacity, and resiliency needs of the distribution system.

At the same time, while overall capital spending remained relatively flat in real terms, the Company has strategically redirected investment toward a limited number of high-priority programs. In particular, targeted investments in Lines and Stations asset health,

capacity, and resiliency programs increased by approximately $126 million annually relative to historical spending levels. However, more than $110 million of this increase is offset by reductions or slower growth in other areas of the capital portfolio. As a result, the proposed TSP achieves substantial investment in critical infrastructure, while increasing the average total capital spending by only approximately $16 million annually, demonstrating that the Company is prioritizing investment rather than materially expanding its overall capital program.

Moreover, these targeted investments are necessary to address aging infrastructure, increasing system constraints, and evolving reliability and resiliency challenges. For example, the Company continues to operate approximately 3,700 miles of bare copper conductor, much of which is beyond its expected service life, and approximately 42% of bulk transformers are projected to exceed 50 years of age by the end of the planning period. In addition, load growth, economic development, and electrification are expected to create firm-capacity constraints at multiple substations across the system. Within the ten-year planning horizon, 25% of all bulk distribution substations are projected to exceed their emergency or operational thermal limits, reducing operational flexibility in large areas of the system, and significantly increasing the risk of prolonged outages for customers. At the same time, increasingly frequent and severe weather events continue to be a significant driver of customer interruptions and place additional stress on distribution infrastructure.

Q. Are you able to explain this description in a table form?

A. Yes. In terms of the evaluation of the total capital program and inflation-adjusted averages, as well as the specific areas of increased capital investment on the system, the Company's analysis shows the following:

Table 1: Historical Capital Program Compared to Inflation Adjusted Averages

Organization	Focus Area	2016-2025 Avg	2027-2031 Avg	Variance	
1-Electric Distribution	Basic Business-ED	$248,064	$221,493	($26,570)	-11%
	New Customer-ED	$64,051	$70,994	$6,944	11%
	Peak Load / Capacity-ED	$45,330	$69,245	$23,915	53%
	Regulatory Commitments-ED	$15,340	$31,106	$15,766	103%
	Reliability-ED	$292,171	$279,552	($12,620)	-4%
1-Electric Distribution Total		$664,956	$672,391	$7,434	1%
5-Facilities		$21,426	$27,308	$5,881	27%
6-Information Technology		$3,591	$6,452	$2,861	80%
Grand Total		$689,973	$706,150	$16,177	2%

Table 2: Historical Capital Program – Areas of Increase

Source	SUBCATEGORY	Level_2	2016-25 Avg	2027-31 Avg	Variance	
Lines	Asset Health	Overhead Aging Infrastructure	$0	$14,532	$14,532	
		Overhead Aging Infrastructure-Incremental	$0	$3,590	$3,590	
		UNDERGROUND STRUCTURE ISSUE	$3,517	$15,341	$11,824	
	Asset Health Total		**$3,517**	**$33,464**	**$29,947**	**851%**
	Resiliency		$10,742	$26,961	$16,218	851%
Lines Total			**$14,259**	**$60,425**	**$46,166**	**324%**
Stations	Asset Health	SS AGING INFRASTRUCTURE	$0	$20,028	$20,028	
		SS AGING INFRASTRUCTURE-Incremental	$0	$3,400	$3,400	
		S/S TRANSFORMER RELIABILITY	$14,155	$0	($14,155)	
		SS TRANSFORMER ASSET HEALTH	$0	$42,630	$42,630	
		SS TRANSFORMER ASSET HEALTH-Incremental	$0	$5,100	$5,100	
	Asset Health Total		**$14,155**	**$71,158**	**$57,004**	**403%**
	Capacity		$22,284	$45,552	$23,268	104%
Stations Total			**$36,439**	**$116,711**	**$80,272**	**220%**
Grand Total			**$50,698**	**$177,135**	**$126,437**	**249%**

Accordingly, the information presented in Table 1 and Table 2 show that the proposed plan does not represent a broad-based increase in capital spending. Rather, it reflects the Company's deliberate prioritization of investments needed to replace aging infrastructure, address projected capacity deficiencies, improve equipment performance, and strengthen system resiliency. These targeted investments are necessary to maintain the safety, reliability, capacity and resilience of the electric distribution system while keeping overall capital expenditures largely consistent with historical, inflation-adjusted levels.

Q. How do you respond to the OCC witnesses' claim that the Company's proposed F-Factor encourages inflation of its capital forecast?

A. As an initial matter, the witnesses' assertion that the Company's forecast may be inflated rings hollow given that OCC's consultants from RMI make no effort to meaningfully examine or evaluate the details of the Company's capital forecast. Moreover, the OCC witnesses' assertion completely ignores the financial and regulatory safeguards built into the Company's proposal.

Under the proposed F-Factor, as part of each annual RAM compliance filing, the Company's actual capital additions placed in service during the applicable plan year would be subject to a prudence review and reconciled against the approved forecast. The resulting revenue requirement recovered from customers would be limited to the lower of: (1) the revenue requirement associated with the forecasted capital approved in this proceeding; or (2) the revenue requirement associated with actual capital additions determined to be prudent, used and useful. As a result, the F-Factor does not guarantee recovery of capital spending, nor does it allow immediate recovery beyond the established forecast. Instead, only qualifying plant additions up to the approved forecast are eligible for recovery during the PBMRP term, and any additions that are disallowed for imprudence would result in an immediate financial consequence to the Company (in the form of a plant write-down of the asset) and a credit to customers, to the extent the addition was included in the F-Factor in the first place. For capital expenditures exceeding the forecast cap during the pendency of the PBMRP, the Company must await a subsequent base rate proceeding or successor PBMRP term to

recover capital additions exceeding the forecast, subject to prudence review, with inclusion in rate base at their then-applicable net book value.

Under this ratemaking structure, the Company has a strong incentive to control capital costs. If capital investments exceed the approved forecast, the Company is responsible for the carrying costs, unrecovered depreciation, property taxes, etc., and those costs would persist until rates are reset. As a result, the Company is financially motivated to manage spending and keep costs within the established allowance.

Importantly, the Company seeks recovery ***only*** for qualifying plant additions up to the capped, forecasted amount identified in the TSP, that are found to be prudent, used and useful in serving customers, rather than for all capital expenditures. This approach aligns with traditional ratemaking principles, where qualifying additions are evaluated for recovery in subsequent rate proceedings and remain subject to prudence review.

Q. How do you respond to witnesses' concerns that the Company's proposed F-Factor does not align with the CT-Bar framework?

A. The Company's proposed F-Factor is designed to track PURA's CT-Bar framework as closely as possible while addressing fundamental deficiencies that would otherwise prevent the Company from committing to a multi-year rate stay-out, and that would otherwise cause PBR to fail to deliver the promised benefits to the Company's customers. Specifically, the Company's proposed F-Factor tracks the CT-Bar in the following respects:

⇒ **Like the CT-Bar, the Company's F-Factor would take effect on the first day of the initial Rate Year following the rate case.** This approach eliminates the need to embed Rate Year capital into base rates, as adjustments can be made later through downward-only reconciliation. If capital investment included in the Company's proposed revenue requirement for Rate Year 1 is "rolled back" to an earlier date—such as a capital investment cutoff date of December 31, 2026, for inclusion in base rates—the F-Factor revenue requirement calculation will adjust to reflect the prospective revenue requirement effective with the first F-Factor adjustment, on July 1, 2017, on capital investment as of that cutoff date.

⇒ **Like the CT-Bar, the Company's F-Factor does not categorically exclude any type of capital investment.** Although many capital investments—such as utility poles, transformers, lines, and substations—directly impact electric grid performance, the Company also routinely invests in assets essential to providing service that may not have an immediate effect on grid operations. Examples include security facilities to safeguard equipment, information technology for customer self-service portals, and vehicles for transporting materials to work sites. These capital investments are vital to the Company's daily operation and are therefore considered in the F-Factor allowance.

⇒ **Like the CT-Bar, the Company's F-Factor links the capital investments needed to achieve the electric grid's target performance, as set out in the Company's TSP, to the revenues required to support those investments. In developing the F-Factor, the Company aimed to directly tie revenue allowances to the capital investment forecasts discussed in this docket.** This approach keeps the TSP focused on system needs and objectives while recognizing that these goals inherently require revenue support. The F-Factor thus serves as the essential connection between the system needs evaluated in this proceeding and the revenues necessary to meet them.

⇒ **Like the CT-Bar, annual reconciliation of the revenue requirement ensures that customers pay only for prudent capital investments, while also allowing the utility to cover the ongoing costs of providing service.** Importantly, the Company's F-Factor proposal does not bypass prudence reviews—essential components of effective regulatory frameworks—nor diminish their value to customers. The Company fully recognizes that any capital investment must withstand rigorous prudence review. Any findings of imprudence regarding current capital investments can have significant financial consequences, regardless of timing. As a result, the expectation of future prudence reviews reinforces prudent decision-making today. Furthermore, the risk of a future finding of imprudence and the associated financial penalties eliminates any perceived incentive for the Company to "over-invest" now.

⇒ **To aid in clarity on the operation of the F Factor:** The Company is submitting EXHIBIT CLP-RATES-REBUTTAL-2, as part of Rates rebuttal testimony to assist in responding to the claims of the various parties and intervenors. The Company's Rate Application originally anticipated that rate year capital would be reflected in base rates effective July 1, 2027, and that the first F-Factor would take place a year later on July 1, 2028. To both conform to the design contemplated by the CT Bar, and in order to assure that plant additions included in base rates as a result of this proceeding have sufficient time for review in this proceeding, the Company has modified the PBMRP Tariff to reflect the fact that the F-Factor would go into effect on July 1, 2027, commensurate with new base rates in this proceeding and would capture the prospective revenue requirement on plant additions after the base-rate cutoff, subject to the same review reconciliation procedures which are components of the Company's F-Factor proposal.

Accordingly, the Company's proposed F-Factor is substantially aligned with the CT-Bar in both structure and intent. The modifications to the F-Factor proposed by the Company are needed to address three key deficiencies in the CT-Bar framework: (1) exclusion of the cost of capital associated with incremental plant additions; (2) exclusion of the cost of removal; and (3) a mechanical error in deducting depreciation expense from new plant additions rather than from the rate base. The F-

Factor remedies the first two issues by incorporating them into the revenue requirement calculation and corrects the third.

Inclusion of Cost of Capital. A bedrock principle of ratemaking is that rates must allow a utility to fully recover its cost of service, including its cost of capital. As currently designed, the CT-Bar does not meet this requirement, and adopting it would significantly impair the Company's ability to make the investments needed to maintain safe and reliable service throughout the PBMRP term.

Although the cost of capital is less visible than other service costs, such as maintaining aging equipment or fueling line trucks, it is just as real. The Company frequently faces a cash deficit, where the funds needed for ongoing operations exceed customer revenues. This shortfall must be financed by debt and equity investors, those who provide capital through financial markets. These investors have nearly unlimited alternatives and consider many factors when deciding where to allocate their funds, such as competing utilities, industries, markets, investment durations, expected returns, dividends, and risk. The Company cannot expect investors to supply capital without adequate compensation, given the many other available opportunities. Therefore, the cost of securing the capital required for the system's ongoing investments is a genuine and unavoidable cost of service.

Moreover, including the cost of capital in the F-Factor does not result in the Company inappropriately earning on capital additions before they are placed into service for the

benefit of customers, or before a prudence determination. The operation of the F-Factor provides a level of revenue support that appropriately balances the interests of customers and of the Company by providing a level of revenue support (based on the forecasted capital presented in the TSP), while limiting that revenue support in the event the Company is required to invest more than it expects to today, crediting to customers any over-recovery in the event the Company spends less than it expects to today, or in the event of a future prudence disallowance by PURA. In the current environment, highlighted on the one hand by a need for sustained, elevated, and growing capital infrastructure requirements and on the other hand by a world with relatively flat overall sales volume increases, and with full revenue decoupling in any event, the Company is not able to support the cost of ongoing investment without the added revenue support of a mechanism substantially similar to the F-Factor.

In fact, implementation of an F-Factor mechanism has the added benefit of instituting a form of regulatory lag, as used to exist naturally for utilities when operating at the time (i.e., two or more decades ago) when sales volumes (and associated customer revenues) were generally increasing at a fairly steady clip year over year to provide added revenues to support incremental capital investments that were not directly reflected in utility rates in the period between rate cases.

Inclusion of Cost of Removal and Deducting Depreciation Expense. The F-Factor calculation captures the impact of ongoing depreciation accumulating in rate base, which has the effect of reducing overall revenue requirements. Additionally, the

Company's F-Factor calculation captures the reduced revenue requirement resulting from plant retirements and accumulated deferred income taxes, while also incorporating the effect of cost of removal on rate base.

Thus, the Company has designed its proposed F-Factor to follow the CT-Bar framework as closely as practicable, while the CT-Bar's fundamental defects make its full adoption unworkable for the reasons discussed above. The Company cannot responsibly proceed with the PBMRP under a mechanism that, by design, fails to provide even a perfectly operating utility, and with the benefit of hindsight, with the opportunity for revenues that reflect its costs, including its cost of capital. Such a mechanism undermines necessary capital investment and threatens the performance objectives the PBMRP is intended to achieve.

As discussed extensively in Docket No. 21-05-15RE01, a workable performance-based regulatory framework requires both an appropriate going-in revenue requirement and a mechanism for ongoing recovery of the revenue requirement associated with incremental capital investment. Without sufficient revenues to cover the cost of service (including the cost of capital and cost of removal), the Company would be forced to absorb significant capital costs without a reasonable opportunity to earn its authorized ROE and would not be in a position to commit to a stay-out of any duration. A multi-year rate stay-out would be unworkable under such a framework, given the substantial system investments needed to maintain and improve customer service. In the absence of a multi-year rate plan, the Company anticipates filing rate cases on a rolling basis,

with base rate changes effective January 1, 2029, July 1, 2030, and January 1, 2032 (Exh. EOE-156, at 3).

Q. Ms. Griffin states that the Company's proposal "does not recognize that some capital additions would already be covered by what is provided in base rates" and that CT-Bar "would more appropriately recognize the recovery of such infrastructure replacement programs" because it "was designed to deduct depreciation expense already included in going-in rates from plant additions eligible for supplemental recovery." Is that accurate?

A. No. Both propositions are incorrect. As stated in the Company's responses to multiple interrogatories, including OCC-859, OCC-423, OCC-436, OCC-427, EOE-156, and UPA-082, among others, the Company's F-Factor expressly accounts for ongoing depreciation reflected in base rates, which reduces the rate base on which a return is calculated and, therefore, the resulting revenue requirement. Moreover, the Company's F-Factor reflects ongoing depreciation consistent with the underlying accounting, whereas CT-Bar does not.

In addition, the Company's response to OCC-423 explains that CT-Bar nets ongoing depreciation against new plant additions before calculating depreciation expense on the new investment, thereby understating the resulting depreciation expense. For example, if the Company has $100 million of new plant additions, $20 million of ongoing depreciation, and an applicable depreciation rate of 3.75%, new depreciation expense related to the investment would be $100 million × 3.75%, or $3.75 million. CT-Bar instead nets the $20 million of ongoing depreciation against the $100 million of new plant and calculates depreciation expense on the resulting $80 million, producing $3.0

million of depreciation expense. Ongoing depreciation properly reduces the investment base on which a return is calculated. It does not reduce the amount of new plant that generates new depreciation expense.

3. Distribution System Planning

Q. As discussed above, the OCC's witnesses and Ms. Griffin contend that the TSP is inadequate because it was not developed through the IDSP framework developed in Docket No. 21-05-15. What is your response to that contention?

A. The OCC's witnesses and Ms. Griffin's arguments are unavailing for several reasons. First, the IDSP framework proposed in Docket No. 21-05-15RE03 was never adopted as a mandatory planning requirement for the Company. There is no requirement for the Company to implement that framework, nor do the OCC or Ms. Griffin provide any justification for treating it as a prerequisite to PURA's review of the Company's proposed capital investments in this proceeding. That a separate planning framework was proposed in another proceeding does not make it the exclusive or required method for evaluating the Company's capital investment plan. PURA should assess the Company's TSP on its own merits, rather than comparing it to an unapproved framework in a separate uncontested docket.

Second, the claim that the TSP results from an inadequate or insufficiently robust planning process is not supported by the record. Exhibit CLP-TSP-1 and its attachments demonstrate that the TSP is a data-driven, strategic plan for distribution system investment, designed to move the system toward a defined future state while balancing performance and customer affordability. The Company's proposed

investments aim to improve reliability and resiliency, expand capacity for future growth, address aging infrastructure, and reduce both the frequency and duration of customer interruptions. Some investments deliver near-term benefits, however, many will yield results over time as projects are completed and integrated into the distribution system. The fact that these benefits accrue over multiple years does not lessen the necessity of the investments or the soundness of the underlying planning analysis and decisions.

Third, the OCC's and Ms. Griffin's proposed approach overlooks that the Company's capital investment plan must encompass all investments required to operate the business and serve customers—not just those addressed in a proposed IDSP framework. While distribution system modernization is a significant and expanding need, it is only one part of the Company's capital responsibilities. The Company must also prioritize other essential investments to ensure safe, reliable, and effective service. These investments must be evaluated collectively, considering the Company's overall capital requirements and the core obligation to provide affordable service for customers. An IDSP process limited to a specific subset of distribution system investments cannot substitute for the comprehensive capital planning needed to operate the business and serve our customers' needs holistically.

Lastly, the OCC's and Ms. Griffin's arguments wrongly treat the proposed IDSP framework as a universal solution for utility capital planning. This view conflicts with the flexibility built into a performance-based regulatory framework, which is designed

to adapt to each utility's unique circumstances, investment needs, and operating priorities. Merely identifying differences between the TSP and IDSP frameworks as the OCC and Ms. Griffin have done does not, by itself, prove that the Company's approach is deficient or that its proposed investments are unreasonable.

The need for increased investment in Connecticut's electric distribution system is well supported by the testimony of the Company's Leadership Panel and TSP Panel. These investments are essential to maintain and improve customer service, regardless of whether the Company is subject to a multi-year rate plan. The central issue in this proceeding is whether the Company's proposed investments are reasonable and necessary to fulfill its obligations and address identified system needs—not whether it followed a proposed planning framework from a separate uncontested proceeding that was never concluded and that is not required to adopt. The OCC and Ms. Griffin have not shown that the TSP is an inadequate basis for evaluating the Company's proposed capital investments. Accordingly, PURA should reject their recommendation to defer consideration of the Company's capital plan pending completion of an IDSP process.

Q. Would you like to address any other specific criticisms raised by the parties and intervenors regarding the Company's proposed TSP?

A. Yes. We would like to briefly address a few of the arguments raised by Mr. Balakumar regarding the Company's proposed TSP.

Historical Spending as a Benchmark

Mr. Balakumar argues that the Company's Sustained Performance Tier averages about $722 million per year, compared with $434 million per year in actual Connecticut Distribution capital spending from 2017 through 2024 (Balakumar Testimony at 18, 20). He argues that this gap undercuts the Company's claim that the tier is a "minimum" (id. at 4, 20, 21, 33, 35). However, this is not correct.

The Company's historical capital expenditures do not reflect the investment needed to maintain the distribution system in the future. Current asset conditions, anticipated customer and demand growth, and evolving reliability standards are driving the Company's future investment requirements. Mr. Balakumar incorrectly assumes that past spending sets an appropriate benchmark for future investment and fails to account for changing system needs and rising construction costs. The proper standard for PURA to apply when evaluating the Company's TSP proposal in this proceeding is whether the investments are reasonable and necessary to address current and forecasted system needs, not simply whether they exceed historical spending levels. The Company cannot sustain the system with yesterday's dollars and Mr. Balakumar does not provide any analysis to substantiate his claim that everything that needs to be done can be done at historical levels of investment.

The Tiering Framework Is "Artificial" and "Business-as-Usual" and Lacks Urgency

Mr. Balakumar claims that the Company's TSP proposal is "business-as-usual," lacks urgency on grid modernization, and uses "artificial" tiers. He recommends that PURA reject the tiering framework (Balakumar Testimony at 15, 16).

Contrary to Mr. Balakumar's claim, each tier is grounded in specific performance objectives and quantified system impacts. The Sustained Performance Tier ($3.611B) maintains reliability, with a SAIDI impact of -0.7 minutes. The Targeted System Performance Tier ($3.985B) hardens the system, with a SAIDI impact of -6.1 minutes. The Advancing the Grid Tier ($4.381B) modernizes the grid, with a SAIDI impact of -10.3 minutes.

As documented in Exhibit CLP-TSP-3, at pages 7, 11, and 39-49, each tier is defined by a distinct set of characteristics spanning multiple dimensions, including primary objectives, operational approach, reliability performance, resiliency investment, cost trajectory, and alignment with regulatory requirements, including RE08.

Mr. Balakumar's criticism that the Company is improperly treating grid modernization as a "long-term" objective and lack urgency reflects a fundamental misunderstanding of prudent infrastructure planning and the foundational investments required to support advanced grid capabilities. The Company's approach correctly recognizes that successful DER integration and the development of dynamic grid capabilities depend on first ensuring sufficient baseline resiliency. To proceed otherwise would be

imprudent and could jeopardize both system reliability and the effectiveness of subsequent investments.

Limited Reliability Benefit of the Sustained Performance Tier

Mr. Balakumar argues that the Sustained Performance Tier's projected net SAIDI improvement of only 0.7 minutes shows that it provides limited reliability benefits (Balakumar Testimony at 17, 21).

However, the Sustained Performance Tier is intended to preserve existing reliability levels rather than deliver significant incremental improvements in SAIDI. The Company's distribution system faces ongoing asset deterioration, rising capacity demands, and emerging reliability challenges that require continued investment. Additionally, SAIDI does not fully reflect the benefits of preventive investments, such as reduced equipment failure risk, improved asset health, expanded system capacity, and greater operational flexibility. The Sustained Performance Tier should be evaluated by its effectiveness in mitigating system degradation and maintaining the reliability and quality of service customers expect, rather than solely by its projected SAIDI improvement.

O&M Costs and Advancing the Grid Investments

Mr. Balakumar argues that the $71 million in O&M proposed for the Targeted System Performance Tier, including the $38 million Grid Services Compensation Fund, is not adequately supported (Balakumar Testimony at 14, 37-38). He also argues that the

Company has not quantified the incremental benefits of the $770 million Advancing the Grid Tier (id. at 5-6). Mr. Balakumar further argues that DERMS and the Grid Services Compensation Fund should be approved only if they are subject to conditions, such as an iterative roadmap with annual updates, testing a flexibility market platform, and targeted deployment at constrained locations (id. at 63).

The Company disagrees with Mr. Balakumar's assertion that the proposed O&M costs are insufficiently supported. The $71 million in incremental O&M costs for the Targeted System Performance Tier reflects specific, well-defined investments in personnel, programs, and resources essential to achieving the Company's system performance objectives. The principal components of these investments are as follows:

- Grid Services Compensation Fund: $38 million
- Control Room Labor: 7 new FTEs
- Field Communications Labor and Cellular: 2 new FTEs
- Data Innovation: 3 new FTEs
- Distribution Substation Asset Management: 1 new FTE
- Vegetation Management: 21 new FTEs to bring certain work in-house
- Power Quality: 5 new FTEs to investigate and resolve power quality issues

(Exh. CLP-TSP-3, at 43).

These targeted investments provide the staffing and programmatic resources needed to enhance system performance, advance grid modernization, and address emerging distribution system needs. Rather than representing unsupported or generalized increases in O&M spending, they are tailored to specific operational requirements

identified by the Company. Moreover, these investments support the broader objectives of the Company's proposed grid investment strategy, including the deployment of customer DERs and the development of a more flexible and resilient distribution system. It is within PURA's authority to establish the funding for these items as adjustments to the PBMRP over its term and the Company has provided the information to support these adjustments in this filing.

Regarding the $38 million Grid Services Compensation Fund, Eversource appreciates Mr. Balakumar's recognition that this is "a good starting point" for compensating customer DER and flexible loads for local grid services. However, the Company respectfully disagrees with Mr. Balakumar's recommendation to restrict funding solely to specific capacity constrained locations or deferred infrastructure investments[2].

The proposed Fund is a policy-driven mechanism intended to capture local grid benefits from customer-owned DERs, while also facilitating the deferral or avoidance of traditional infrastructure investments and ensuring customers receive their fair share of resulting economic benefits. Notably, this approach is not without precedent. In 2024, Eversource received approval to implement a Grid Services Compensation Fund in its Massachusetts service territory, laying the foundation for procuring local grid services from customer-owned DERs. As emphasized in the Massachusetts proceeding, the

[2] The Company clarifies that, should PURA authorize the Company to proceed with the Grid Services Compensation Fund as described in the TSP, funding would be provided for through the RAM proceeding, subject to the 4 year program budget cap of $38 million outlined therein.

Fund should be supported by a long-term, sustainable funding mechanism, a transparent compensation methodology, and clearly defined program rules. These components help ensure that participating customers are fairly compensated, reflecting the shared savings realized by deferring or avoiding traditional infrastructure investments.

In addition to supporting these targeted O&M investments, the Company has also demonstrated the measurable reliability benefits associated with its broader grid investment strategy. Contrary to Mr. Balakumar's claim, the Company has clearly articulated and quantified the incremental benefits of the Advancing the Grid Tier. As detailed in Exhibit CLP-TSP-3, the Advancing the Grid Tier is projected to deliver a 10.3-minute improvement in SAIDI over five years, compared to a 0.7-minute improvement under the Sustained Performance Tier—resulting in a 9.6-minute incremental increase in reliability (Exh. CLP-TSP-3, at 7, 11, 40). This measurable benefit directly improves customer service quality and system performance. Importantly, the incremental benefits of the Advancing the Grid Tier go beyond the projected SAIDI improvement. The additional investments proposed by the Company are designed to modernize the electric distribution system, increase system resiliency, strengthen operational capabilities, and better equip the grid to address evolving customer needs. The resulting benefits will extend well beyond the initial five-year planning period, supporting a more reliable and resilient electric system for the long term.

Turning to the specific conditions proposed by Mr. Balakumar, Eversource agrees that ongoing evaluation, robust framework development, and regular regulatory oversight are necessary to ensure the successful implementation of a Grid Services Compensation Fund. While these objectives align with the Company's priorities, Eversource does not agree that approval of the Fund should be contingent upon the additional requirements suggested by Mr. Balakumar. The Company has already gained valuable experience with flexibility market platforms and maintains that its proposed approach offers a practical, cost-effective, and adaptable solution.

For example, Eversource has already tested the Piclo flexibility market platform in Connecticut as part of PURA's Innovative Energy Solutions (IES) Program, and so a new pilot should not be a condition of approval. This initiative identified challenges with stand-alone market platforms implemented with no direct integration to the Company's control room systems used by its system operators to ensure safe, reliable grid operations.

Building on its experience with the Piclo IES demonstration, Eversource acknowledges that flexibility marketplaces are a viable option for procuring cost-effective flexibility resources. Nevertheless, the Company maintains that a range of fit-for-purpose solutions should be considered. For instance, expanding Eversource's industry-leading ConnectedSolutions programs to compensate customers for providing local grid services could prove more effective for accessing behind-the-meter (BTM) resources than relying solely on a flexibility marketplace. Therefore, Eversource does not

consider funding and testing an additional flexibility market platform to be a necessary condition for approving the proposed Fund.

Similarly, the Company's proposed DERMS investment reflects a deliberate, phased approach to grid modernization, rather than the need for additional prescriptive approval conditions. Eversource also disagrees with Mr. Balakumar's recommendation to make DERMS approval contingent on an iterative roadmap with annual updates and specific MW targets. The Company's proposed $24.7 million DERMS investment—$10.7 million for the core Grid DERMS (within the Targeted System Performance Tier) and $14 million for a targeted demonstration project (in the Advancing the Grid Tier)—reflects a prudent, phased strategy tailored to Connecticut's unique grid needs and regulatory environment.

The core Grid DERMS implementation ($10.7M) establishes the foundational platform that will transform real-time operations across Connecticut's entire distribution system. As detailed in Exhibit CLP-ELP-1, Grid DERMS "represents a significant advancement as EDCs transition toward the Control Room of the future—leveraging Advanced Distribution Management Systems not only to pinpoint fault locations and reconfigure the distribution system to isolate faults, but also to utilize DERs to maximize customer restoration and grid resilience." (Exh. CLP-ELP-1, at 72).

Building on this foundational investment, the DERMS architecture, detailed in Exhibit CLP-TSP-3, will give control room operators visibility and control over both utility-

scale and behind-the-meter DERs. It will enable dynamic, flexible interconnections that lower DER integration costs, provide advanced decision-support tools for optimal DER control, orchestrate behind-the-meter ("BTM") and front-of-meter ("FTM") DERs to deliver grid services, and facilitate compliance with FERC Order 2222 by supporting DER Aggregators. These capabilities are critical for effectively managing Connecticut's increasing DER penetration and meeting the state's clean energy objectives.

The $14 million DERMS demonstration is not indicative of limited ambition on the part of the Company, as Mr. Balakumar suggests. Instead, it exemplifies prudent utility practice. The proposed demonstration will validate three essential use cases before pursuing system-wide deployment: (1) DER communications and control technology to evaluate new protocols that reduce integration costs compared to current DER Gateway systems; (2) centralized voltage management leveraging DERMS control of advanced inverters, coordinated with grid devices, to improve power delivery efficiency; and (3) cost-effective, DER-enabled microgrids through integration of third-party DERs. As described in the Company's filing, this initiative will "demonstrate the use of centralized DERMS advanced capabilities to integrate third-party DERs, [delivering] grid benefits in a select location in support of future programs at scale." (Exh. CLP-TSP-3, at 134).

Conditioning approval on an iterative roadmap with annual updates, as Mr. Balakumar suggests, would delay essential grid modernization, and risk stranding investments if

requirements change each year. Accordingly, the Company respectfully requests approval of the DERMS investment as proposed, with the expectation that future rate cases will offer opportunities to assess progress, confirm realized benefits, and consider subsequent deployment phases based on proven outcomes.

4. Productivity Factor and Other PBMRP Design Elements

Q. How do you respond to the OCC witnesses' criticisms regarding the Company's proposed Z-Factor, S-Factor, I-Factor, and the absence of off-ramps in the PBMRP design?

Z-Factor Threshold

Ms. Wilson and Mr. Tully's recommendation to increase the Z-Factor threshold from 0.5 percent to 0.75 percent is not supported by evidence that the Company's proposed threshold would capture ordinary cost fluctuations. Setting an excessively high materiality threshold, as suggested by the OCC's witnesses, could weaken the Z-Factor mechanism and the overall PBR framework by preventing CL&P from recovering legitimate exogenous costs. This could undermine the Company's financial stability and creditworthiness, and increase borrowing costs, ultimately resulting in higher rates for customers. In addition, if the threshold is set too high, customers may not benefit from cost reductions (such as those resulting from lower federal or state income tax rates) if the savings do not exceed the materiality requirement.

S-Factor

The OCC witnesses' recommendation to extend the S-Factor to capital expenditures overlooks the fundamental differences between capital investments and O&M

expenses. While reductions in O&M expenses can indicate improved efficiency, similar reductions in capital expenditures cannot reasonably be viewed in the same light during a period of increasing capital investment needs, as has been extensively documented in this proceeding.

I-Factor

Apart from the fact that it applies only to O&M, Ms. Wilson and Mr. Tully's main concern with the I-Factor is that it includes a floor of zero and cannot go negative. They offer no rationale for this criticism other than that the Docket No. 21-05-15RE01 Proposed Final Decision does not specify that the I-Factor "must be non-negative" (RMI Testimony at 46). The OCC witnesses' criticism is inconsistent with the purpose of the I-Factor and, more broadly, the purpose of the PBMRP.

The purpose of the I-Factor is to recognize that the costs of providing utility service change over time due to inflation. A negative I-Factor would convert that adjustment into a reduction even though the Company's underlying costs to operate and maintain the system have not declined. For example, a portion of the Company's labor costs is fixed by contract and does not decrease when inflation declines.

The purpose of the PBMRP is to provide a predictable framework for adjusting O&M revenues during the term while creating incentives for the Company to improve efficiency and manage costs. Allowing the I-Factor to go negative would impose an automatic downward adjustment unrelated to the Company's efficiency or performance

and impair the Company's ability to operate the system safely and reliably for the full PBMRP term.

Off-Ramps

Ms. Wilson and Mr. Tully's recommendation to incorporate off-ramps overlooks or ignores the potential for such mechanisms to weaken the cost-containment incentives central to a multi-year rate plan. The Company's proposal already incorporates robust customer protections, including the Consumer Dividend, the I-Factor cap, the Earnings Sharing Mechanism, and capped capital expenditures. These mechanisms provide appropriate safeguards while preserving CL&P's incentive to manage costs within the established PBMRP framework. Furthermore, the lack of predefined off-ramps does not limit PURA's authority to address extraordinary circumstances as needed.

Q. How do you respond to Dr. Taylor's criticisms of the TFP study and its results?

A. Dr. Taylor's criticisms of the productivity study center mainly on differing opinions regarding specific methodological choices. However, alternative methodological choices do not establish that LEI's analysis is flawed or unreliable, nor do they undermine the reasonableness of the proposed X-Factor. As with any productivity study, selecting inputs, outputs, and study periods requires informed judgment. LEI's methodological choices are well supported and reasonable, and Dr. Taylor's specific technical criticisms are addressed in Ms. Frayer's rebuttal testimony.

5. PIM Design Elements

Q. What conclusions and recommendations do the OCC's witnesses make with respect to the Company's proposed PIM incentive and penalty design and pool?

A. The OCC witnesses contend that they are not certain that the Company has proposed an appropriate size of the incentive and penalty pool, as well as the allocation of the pool (RMI Testimony at 52). The OCC witnesses do not have a concern with the asymmetrical structure of the PIMs, where the potential penalties are double the potential incentives (RMI Testimony at 54). The witnesses raise only a general question about whether the proposed penalty and incentive pool is right-sized and whether the incentive amount is appropriate to encourage incremental performance that provides incremental benefits to customers to justify the potential costs (RMI Testimony at 55). The OCC witnesses, however, do not propose an alternative pool or allocation methodology. Instead, OCC recommends that PURA approve financial incentives only when the Company has demonstrated that the PIM targets exemplary performance or discourages substandard performance, that a financial incentive or penalty is appropriate to influence that performance, and that the financial exposure is calibrated to the outcome (RMI Testimony at 56).[3]

Q. How does the Company respond to the OCC's conclusions and recommendations regarding the determination to include an incentive or penalty for a PIM?

A. As a general matter, the Company agrees with the principles that OCC's witnesses identify for evaluating whether to include a penalty or incentive for a proposed PIM.

[3] OCC's witnesses made additional recommendations regarding the design of specific PIMs and metrics which are addressed in the Company's Performance-Based Ratemaking Metrics Panel testimony.

In the Company's initial filing, the Company similarly explained that a "well-designed performance metric encourages improvements in areas that the Company may not otherwise directly pursue unless necessary to fulfill its basic obligation of safe and reliable services" (Exh. CLP-ELP-1, at 105). The Company specifically designed the PBMRP PIMs to incentivize it to achieve specific goals that go above and beyond the efficient delivery of core business operations. Out of the array of performance metrics, the Company has proposed four PIMS: two System Reliability PIMs - Blue Sky SAIDI and Blue Sky SAIFI; a Customer Reliability PIM - Count of Repeat CEMI-5/CELID-6; and a Customer PIM Suite consisting of five components representing a holistic assessment of overall customer service. Although the overall performance metric portfolio provides transparency into multiple aspects of the Company's operations, the PIMs are targeted at reliability and improving customer service in order to provide significant and direct benefits to customers.

The System Reliability PIMs are downside-only PIMs and subject the Company to penalties for substandard performance. These PIMs, which are aligned with RE02's penalty structure proposal, provide a financial incentive for the Company to maintain system reliability during the PBMRP term and not allow system reliability to degrade by deferring system investments while the Company pursues cost efficiencies. The PIMs set a floor for system reliability and holds the Company accountable for failing to achieve the minimum level of reliability. Given that degradation in system reliability substantially impacts all customers and can have ramifications for businesses and

economic development, the Company has proposed allocating a significant portion of the penalty pool (70%) to the System Reliability PIMs. This level of penalties is intended to provide appropriate financial consequences for failing to achieve the PIMs, recognizing the importance of system reliability, while also ensuring a sizeable penalty associated with other PIMs to warrant the Company's focus on multiple objectives.

The Customer Reliability PIM targets improving service for a small group of customers that may experience multiple or prolonged outages in consecutive years. Addressing the reliability for this relatively small group of customers will require the Company to dedicate significant resources to identify the cause of the service interruptions and remediate the issue. Because this is a more targeted effort, the Company has proposed an incentive-only PIM, consistent with RE02's proposed financial structure, that rewards the Company for exemplary performance by reducing the total average number of repeat CEMI-5 and CELID-6 customers.

The maximum incentive amount ($3 million) is intended to compensate the Company for the substantial effort required to monitor underlying causes of repeat and prolonged service interruptions in a targeted manner. The Company is eligible for a portion of the incentives for achieving reductions but is only eligible for the maximum incentive if substantial reductions are achieved. This sliding-scale incentive mechanism is intended to tie the portion of incentives achieved to the customer benefits of achieving greater reductions in the number of customers experiencing multiple or prolonged service interruptions. Similar to the System Reliability PIMs, the Company proposes

to allocate a slightly larger portion of the incentive pool to the Customer Reliability PIM. Specifically, the Company allocated $3 million as the maximum incentive for achieving this PIM, which is less than the potential penalty for either System Reliability PIM. This level ensures the Company faces more downside risk for allowing reliability to degrade, while providing sufficient financial incentive to encourage the Company to undertake the efforts necessary to address the causes of multiple or prolonged service interruptions for repeat CEMI-5 and CELID-6 customers.

The Customer PIM Suite is an asymmetrical penalty-and-incentive PIM designed to encourage the Company to maintain and improve customer service throughout the PBMRP term. As discussed in the Company's PBMRP Metrics testimony (Exh. CLP-METRICS-REBUTTAL-1), the Customer PIM Suite is designed to provide a holistic assessment of the Company's performance across a variety of customer engagement points to ensure focus on continuing to provide a high-level of customer service across its breadth of customers while the Company pursues cost efficiencies during the PBR term.

The PIM is designed with a bandwidth where the Company does not receive a penalty or incentive for maintaining overall customer service based on the composite score of the PIM components. If the Company significantly improves customer service or allows service to significantly degrade, the PIM's financial mechanism will be triggered. The PIM ensures that the Company receives a financial incentive only for exemplary performance, not for simply maintaining existing levels of performance.

The Company allocated a little under half of the total penalty (30%, $3 million) and incentive (40%, $2 million) pools to the Customer PIM Suite. The allocation is intended to provide sufficient financial incentives to encourage the Company to maintain and improve customer service across the components of the PIM, but right-size the incentives compared to the System Reliability and Customer Reliability PIMs, which target overall distribution service impacting all customers, where the Customer PIM Suite focuses more on application processing and customer interactions. The asymmetrical penalty and incentive values ensure that the Company faces more downside risk for customer service degradation, while still providing a financial incentive sufficient to encourage the Company to dedicate the resources necessary to make substantial improvements to already high-quality customer service.

Making substantial incremental improvements to customer service holistically will require increased training, analyzing and optimizing processes, and investing in additional resources to reduce application processing and call-hold timelines, as well as increased customer satisfaction and use of cost-effective self-serve tools. Accordingly, the Company has proposed a maximum $2 million incentive to encourage the Company to undertake such activities. The sliding scale incentive mechanism also rewards the Company for achieving the threshold for improving performance but provides increasing incentives for more substantial improvements, with greater incentives as benefits increase. The sliding-scale penalty mechanism similarly penalizes the Company for allowing customer service to degrade below the threshold,

while increasing penalties for falling substantially below the threshold. This encourages the Company to minimize any degradation to the extent possible even if the PIM threshold will be met.

Q. How does the Company respond to the OCC's arguments regarding the scale of the incentive and penalty pool?

A. As explained in the Company's initial filing, the Company proposed to tie the financial penalty and incentive pool to the exogenous cost threshold (Exh. CLP-ELP-1, at 115). The scale of the potential penalty under a PIM should be sufficient to encourage a utility to maintain performance above any penalty threshold, while also avoid posing a significant financial burden that may unnecessarily jeopardize the Company's overall financial health. The exogenous cost threshold provides a good benchmark for determining a potential PIM penalty pool, as it is intended to represent a significant level of costs that the Company could not absorb without jeopardizing the Company's financial stability. Accordingly, tying the potential PIM penalty pool to the exogenous cost threshold ensures that the scale of the penalty is significant enough to motivate the Company to undertake the objectives of the PIM but also scaled to not result in eroding the financial stability of the Company, which could impact creditworthiness and borrowing costs, ultimately resulting in higher rates for customers.

Regarding the scale of the incentive pool, the Company proposes to set the incentive pool at half the penalty pool. The goal of this design is to create an asymmetrical PIM structure that provides a significant incentive to encourage Company behavior, while

creating greater risk for the Company for failing to meet the objectives of the PIM and minimizing potential cost impacts to customers if the Company achieves the maximum incentive. The $5 million maximum incentive pool represents 0.25% of the Company's total distribution revenue and can only be earned for exemplary improvements under the Customer Reliability and Customer PIM Suite, linking incentive obtainment to metrics with direct customer benefits. This incentive level is significant enough to motivate the Company to pursue exemplary performance under the metrics, particularly in light of the effort required to achieve the PIM thresholds, but also relatively a small potential bill impact to customers if the PIMs are achieved, particularly in light of the benefits that would be achieved under the PIMs.

Q. What conclusions and recommendations do the Acadia Center and CLF's witnesses make with respect to the Company's proposed PIM incentive and penalty design and pool?

A. Acadia Center and CLF's witness argues that the maximum penalty pool should be the minimum penalty and should be a fixed amount (Griffin Testimony at 66, 87). Acadia Center and CLF also argues that because the Company already has an obligation to provide reliable service, it should not be eligible for any incentive under the Customer Reliability PIM (Griffin Testimony at 80). In the alternative, Acadia Center and CLF argue that if incentives are included in the PIM framework, the total incentives and

total return on equity achieved should be no greater than the level PURA would otherwise find just and reasonable (Griffin Testimony at 65).[4]

Q. How does the Company respond to the Acadia Center and CLF's recommendation regarding the scale of the penalty pool for PIMs?

A. As discussed above, the Company established the potential penalty pool by benchmarking the pool against the exogenous cost threshold. Since the purpose of a penalty metric is to provide sufficient financial motivation to achieve the PIM's objectives, the exogenous cost threshold is a good measure of the costs that constitute a significant expense for the Company. While a penalty should be significant enough to incentivize a particular action, the penalty level should not be set so high that it could cause financial instability. Assessing a high penalty could impact the Company's creditworthiness and borrowing costs, which ultimately will negatively impact customers. Accordingly, the penalty level should seek to balance these factors. Using the exogenous threshold, as discussed above, achieves this objective.

Q. How does the Company respond to the Acadia Center and CLF's recommendation regarding using a fixed penalty level for PIMs?

A. As discussed above and in the Company's Performance-Based Ratemaking Metrics Panel testimony, the Company's proposed sliding scale PIM design provides additional benefits compared to a fixed penalty. Under the sliding scale approach, the Company will receive a meaningful penalty or incentive if the respective PIM threshold is

[4] AC-CLF's witness made additional recommendations regarding the design of specific PIMs and metrics which are addressed in the Company's Performance-Based Ratemaking Metrics Panel testimony.

triggered but the Company is encouraged to continue pursuing the PIM objectives to obtain additional incentives or mitigate potential penalties. This mechanism ensures that the objectives of the PIM are pursued even if the PIM threshold is achieved, while also establishing a maximum penalty or incentive to limit potential financial exposure for the Company and its customers.

Q. How does the Company respond to the Acadia Center and CLF's recommendation regarding limiting the total return the Company can achieve under the PBMRP and PIMs?

A. The Company's proposed Earnings Sharing Mechanism provides a means for customers to share in savings obtained during the PBMRP term. If the Company achieves cost efficiencies during the PBMRP term that result in earnings above the Company's authorized return on equity, the Company would share the additional earnings 50/50 with customers (Exh. CLP-ELP-1, at 98). This mechanism provides a safeguard for customers and addresses the concern Acadia Center and CLF raise, while also incentivizing the Company to pursue cost-efficiency opportunities during the PBMRP term.

III. RESPONSE TO TESTIMONY REGARDING STORM COST RECOVERY

Q. Please summarize the testimony submitted by parties and intervenors regarding the Company's storm cost recovery proposals.

A. Nikhil Balakumar[5] of Eclipse Energy Partners and Gennelle Wilson and Oliver Tully

[5] On page 94 of his testimony, Mr. Balakumar quotes the Company's testimony as including costs associated with "eight pre-staging events" (Balakumar Testimony at 94 quoting Exh. CLP-STORM-1 at 80). The reference to eight pre-staging events originated in prior testimony and was inadvertently included on page 80 of Exhibit CLP-STORM-1. The Company's filing includes 14 weather events, each of which exceeded the $4 million threshold for catastrophic storm recovery.

of RMI filed two separate testimonies on behalf of OCC concerning the Company's proposed storm cost recovery and its new cost recovery framework.

The Balakumar and RMI testimonies are predicated on a common, but erroneous, premise, which is that CL&P's proposed storm cost recovery framework provides insufficient incentives to control costs and inadequate protection for customers against forecast and spending risk (Balakumar Testimony at 95-96; RMI Testimony at 78-81). Specifically, the witnesses criticize the use of a monetary threshold as the primary criterion for classifying a storm as "catastrophic" (Balakumar Testimony at 95-96; RMI Testimony at 80-81). They contend that a cost-only threshold could incentivize the Company to increase storm-response spending to qualify for catastrophic-storm cost recovery. Frankly, this contention in mind-boggling to the Company as the Company would prefer that catastrophic storms never occurred to begin with and the Company is not certainly *driving* to a catastrophic storm event, whereas its *sole focus* in storm restoration is the safe and expeditious restoration of power to customers – without harm to employees – restoration of the system to its steady state operation. Where the ratemaking framework supports restoration, through a combination of base rates and incremental cost recovery, the Company is entirely neutral as to how that recovery occurs. The Company simply seeks an opportunity to prove prudence before cost recovery is denied for storm restoration, whether that is through one rate or the other.

The witnesses' overlapping recommendations ask PURA to: (1) retain a monetary threshold only if paired with objective, impact-based criteria, such as the Major Storm

criterion established in Docket No. 86-12-03, the IEEE 1366 Major Event Day ("MED") methodology, the number of customers interrupted, or the number of trouble spots; (2) require standardized event-level reporting comparing forecasts, declared event levels, crew plans, actual crew utilization, outages, trouble spots, restoration performance, standby time, travel, lodging, meals, SAIDI/SAIFI/CAIDI/CMI, storm-hardening and vegetation-management spending, and total costs; (3) establish clearer benchmarks for storm staffing and related costs, including comparisons with other utilities; (4) require the Company to explain material forecast-to-actual and staffing variances, and deny recovery of unjustified overspending; and/or (5) evaluate storm-hardening, vegetation-management, analytics, automation, and AMI investments based on measurable reductions in outages, restoration time, and storm costs (see Balakumar Testimony at 97-101; RMI Testimony at 82-89).

Mr. Balakumar also briefly addresses the Company's request to recover approximately $157.3 million for 14 catastrophic storm events in 2024 and 2025. He recommends that PURA disallow any portion of the $62 million requested for storms MS24A, MS24B, MS24C, MS24D, MS24H, and MS24K that exceeds "established spending benchmarks[,]" unless the Company provides evidence justifying the "variances" (Balakumar Testimony at 101). In support of his recommendation, he argues that the six storms were less severe than forecast and their cost per trouble spot was roughly twice that of the other eight events (id. at 97-98).

Mr. Balakumar further recommends using the storm costs presented in this filing as the baseline for evaluating the Company's claimed savings for AMI and storm hardening investments (id. at 100). In support of that recommendation, he asserts that the Company relies on anticipated storm-cost savings when seeking funding, yet states in this proceeding that cost-effectiveness "is not a concept generally applicable to storm response" (id. citing OCC-557 at 1).

OCC witnesses Wilson and Tully separately object to three elements of the Company's proposal: the higher monetary storm-eligibility threshold of $5.4 million, annual SCRAF proceedings, and the accrual of carrying charges before a prudence determination (RMI Testimony at 79-80, 81). They argue that these features reduce regulatory lag and weaken incentives for efficient storm-cost management (id. at 81). Instead, they recommend that PURA consider an annual review process, potentially through the RAM proceeding, with recovery permitted only after a prudence determination (id. at 82). They also briefly consider alternative reserve structures, including a reserve for all storm and prestaging costs, but make no final recommendations on those design choices pending further analysis and stakeholder input (id. at 86-89).

Q. Did any other witnesses file testimony on the Company's storm cost recovery proposals?

A. Yes. OCC's consultant, John Defever, filed testimony asserting that the Company's proposed annual Rate Year allowance of $38 million for non-catastrophic storm and

prestaging expenses is overstated (Defever Testimony at 40). According to Mr. Defever, the Company should not have adjusted historical costs to 2028 dollars when calculating the five-year average used to derive the $38 million Rate Year allowance for non-catastrophic storms (id. at 39). He argues that a five-year average of unadjusted historical costs would smooth out annual fluctuations and yield an allowance of approximately $32 million (id.).

Mr. Defever raises a similar objection to the proposed $4 million in annual funding for the prestaging reserve. He recommends removing the inflation adjustment from the five-year average of historical costs (id. at 40–41). He calculates an unadjusted average of annual funding at approximately $3.4 million (id. at 41–42).

Q. In addition to the testimony described above addressing storm cost recovery, has PURA undertaken any other efforts to examine storm cost recovery frameworks in this proceeding?

A. Yes. On November 2, 2026, PURA held a technical session to facilitate discussion of storm cost recovery frameworks. The session addressed, among other things, the definition of catastrophic storms and pre-staging events, funding mechanisms for the reserve funds, and carrying costs on regulatory assets.

Q. How is the Company's rebuttal testimony organized to address the issues raised by the OCC witnesses regarding the Company's storm cost recovery proposals?

A. The Company's rebuttal testimony addresses the issues raised by the OCC witnesses in five principal categories: (1) the design and operation of the Company's proposed storm cost recovery framework, including the criteria for catastrophic storm eligibility

and the process for cost recovery; (2) the treatment of carrying costs on storm costs, including the timing at which such charges begin to accrue; (3) the review of storm costs, including cost management incentives, cost benchmarks, reporting requirements, and the evaluation of storm-related investments; (4) the reasonableness of the Company's requested recovery of costs associated with the 14 catastrophic storm events in 2024 and 2025; and (5) the calculation of the proposed annual allowances for non-catastrophic storm and prestaging expenses. These categories are addressed in the following subsections.

1. Design and Operation of Proposed Storm Cost Recovery Framework

Q. The OCC's witnesses argue that a monetary threshold for accessing the storm reserve creates an incentive to spend more to push events over the threshold. What is your response to that argument?

A. From the Company's perspective, there are a few disconnects in this thinking. First and foremost, this allegation ignores the circumstances under which storm response expenditures are incurred. Before and after a storm event, the Company's attention is directed toward preparing for the event, protecting public safety, assessing damage, deploying personnel and resources, and restoring service as safely and efficiently as possible. The Company's operational decisions are driven by the conditions on the ground and the resources necessary to address them—not by how close the Company may be to reaching a predetermined monetary threshold. Indeed, the Company does not have visibility into the full storm costs as those costs are being incurred. Rather,

the total costs become known only after the event, as contractors and other service providers submit invoices, and the associated costs are reviewed and processed.

Second, this argument also presumes (incorrectly) that the Company has confidence that, when it expends dollars on storm restoration, and allegedly does so in a way that *pushes* a particular storm event into the category of incremental, catastrophic recovery, there is no increase in risk in recovering those dollars, which is 100% ***not*** the case. The Company has no objective whatsoever to expend dollars and to place those dollars at ***greater*** risk of recovery – both in terms of the timeliness and adequacy of such recovery. The incremental storm costs incurred by the Company are recoverable only if PURA finds them to be prudent and storm costs incurred in relation to storms that are directly on that margin of being catastrophic or non-catastrophic are the events most susceptible to disallowance in the long run, as recently occurred in Docket No. 25-12-13. There is no incentive for the Company to place ***greater*** dollars at risk.

For example, a monetary threshold does not incentivize the Company to incur unnecessary expenses that are going to be totally exposed in a prudence review, particularly where the storm conditions place the event on the margin. The Company is always responsible for efficiently managing its resources and making prudent decisions when responding to storm events. All costs incurred, regardless of whether they fall above or below the threshold, must be reasonable and necessary to respond to the storm and restore service. Contrary to the characterization advanced by the OCC's witnesses, the threshold is not a spending target. Rather, it is a ratemaking construct

that establishes the point at which storm-related costs become extraordinary enough to justify cost recovery through the reserve mechanism.

The OCC witnesses' assertion also ignores the circumstances under which storm response expenditures are incurred. Before and after a storm event, the Company's attention is directed toward preparing for the event, protecting public safety, assessing damage, deploying personnel and resources, and restoring service as safely and efficiently as possible. The Company's operational decisions are driven by the conditions on the ground and the resources necessary to address them—not by how close the Company may be to reaching a predetermined monetary threshold. Indeed, the Company does not have visibility into the full storm costs as those costs are being incurred. Rather, the total costs become known only after the event, as contractors and other service providers submit invoices, and the associated costs are reviewed and processed.

Ultimately, the Company's operational interests and financial interests are aligned. The best decisions from an operational standpoint, including deploying the appropriate resources and restoring service efficiently, are also the best decisions from a financial standpoint. Conversely, unnecessary spending does not improve storm response, it simply increases costs. In fact, expenditures incurred without reasonable justification would only expose the Company to a finding of imprudence and the disallowance of those costs from recovery. In other words, the Company has no reasonable economic incentive to incur unnecessary costs merely to access reserve funding.

That said, like other parties and PURA, the Company would prefer a non-monetary metric as a way to measure qualifying events in order to reduce controversy around the point of whether an event has met a threshold that signals whether the storm is a "normally recurring" minor weather event contemplated in base rates, or a randomly occurring, major event that requires the use of outside crews and cost incurrence not intended to be recovered through base rates. To that end, the Company is evaluating alternative criteria and intends to submit written comments addressing this more fully, along with other proposals discussed during the November 2, 2026 technical session, as described below.

Q. What is your assessment of using impact-based criteria, such as the number of trouble spots, the number of customer outages or an IEEE Major Event Day designation, to establish eligibility for accessing reserve funding for storm-related costs?

A. Generally speaking, the impact-based criteria, as proposed by the OCC's witnesses, are not an appropriate basis for determining eligibility to access reserve funding because these types of criteria do not consistently or adequately capture the impact of the effort required to restore service from a qualitative perspective, nor have any correlation to the actual storm costs incurred, which would tend to consistently overstate or understate the financial significance of a particular storm. Using these criteria as eligibility thresholds could allow or deny access to reserve funding in circumstances that do not reflect CL&P's actual circumstances, creating a disconnect between reliability objectives and cost recovery.

Because the Company's objective in the context of a weather or storm event is to restore service as quickly and safely as possible, PURA should not adopt criteria that preclude a prudence review of costs prudently incurred to achieve that objective and thereby prohibit their recovery. An outcome that flat-out disqualifies storm costs for a prudence review, or reasonably accurate inclusion in base rates, would be directly contrary to the fundamental purpose of a fair and balanced storm cost recovery framework. To reach that goal it is necessary to establish a framework that permits the recovery of prudently incurred costs based on the circumstances of the storm response, rather than arbitrary eligibility thresholds that would unilaterally eliminate the opportunity for cost recovery without any chance of recovery.

As discussed below, each impact-based criterion has limitations that make them unsuitable as an eligibility threshold for access to reserve funding.

Number of Trouble Spots

The number of trouble spots should not be used to determine eligibility for reserve funding – this has been tried before and it doesn't work. Although the number of trouble spots may seem intuitive, and does provide some insight into the extent of storm-related damage, it does not reliably represent the level of restoration effort required to restore the system to its steady state, the amount of resources needed, or the costs associated with those efforts. For example, two storms may create the same number of trouble spots but demand vastly different restoration efforts and expenditures. One trouble spot could involve a broken utility pole, while another might

be a tree limb resting on a power line. Although both are counted equally as one trouble spot, the resources and time needed to address them can differ dramatically. A broken pole may require multiple crews, specialized equipment, and an extended restoration period, whereas clearing a tree limb may need only a single crew and minimal time (Exh. OCC-905). This disparity demonstrates the fundamental flaw in using trouble spots as the basis for reserve funding eligibility: the criterion treats events of different severity and cost as equivalent.

As another example, the number of trouble spots, standing alone, fails to account for the geographic dispersion of those locations. A storm resulting in trouble spots concentrated within a small geographic area may impose substantially different restoration demands, and costs, than a storm resulting in the same number of trouble spots dispersed across a larger geographic area.

Number of Customers Interrupted

A minimum customer interruption threshold is also not an appropriate criterion for determining eligibility for reserve funding because restoration costs are driven by the nature and extent of system damage, rather than solely by the number of customers affected. The relationship between customer interruptions and restoration costs is neither direct nor consistent. For example, a fault on a heavily automated circuit may affect significantly fewer customers than a similar event on a circuit without automation, while requiring substantially the same field resources, equipment, and repair activities (Exh. OCC-902). As system automation expands, the number of

customers interrupted may decrease without a corresponding reduction in restoration costs (id.). Similarly, significant storm response expenditures, such as clearing blocked roads, removing debris, and addressing other public-safety needs, are not reflected in customer outage counts (id.).

Conversely, the loss of a single transmission line could interrupt service to a large number of customers while requiring relatively limited repair work and restoration expenditures.

Accordingly, customer interruption counts are not a reliable measure of the magnitude or cost of a storm event. The Company's eligibility to access reserve funding should instead be based on whether the Company has incurred incremental, prudently incurred restoration costs, rather than whether an arbitrary customer outage threshold has been met.

IEEE Major Event Day

The Company's initial reaction to this proposal is that MED designations should not be used as a criterion for determining eligibility to access reserve funding under the SCRAF, because MEDs reflect system reliability performance rather than storm severity, customer impacts, or restoration costs. IEEE 1366 is designed to identify days with exceptionally high SAIDI values, enabling utilities to more accurately assess reliability under normal conditions and to shape investment plans that target those areas of the system requiring more reliability spending, rather than storm restoration spending

(Exhs. OCC-852; OCC-902). The IEEE 2.5 Beta methodology highlights statistically unusual outage durations based on historical system performance, but it does not define what constitutes a major or catastrophic storm from an operational or ratemaking perspective (Exhs. OCC-852; OCC-902). Moreover, further review of historical storm data confirms that the IEEE 2.5 Beta methodology may exclude events that required substantial operational response and incurred significant restoration costs. This reinforces the Company's position that storm qualification should consider operational impacts and resource requirements in addition to any statistical reliability metric.

To that end, the IEEE methodology will fundamentally view storm events that have relatively lower SAIDI values as “normal operations,” although the Company may have had to bring a relatively material complement of external crews to address the damage and impacts of that weather event, thereby “limiting” the SAIDI impact below the level that would have been achievable had the Company’s relied exclusively on its own crews. Moreover, it is the cost of those external crews that the “threshold” is looking to identify because the costs of those external crews will not be included in the Company’s base revenue requirement unless PURA makes an express allowance to identify and provide for that cost recovery.

This is a consideration that PURA cannot overlook. There is no correlation between an MED designation and the costs or resources required to respond to a storm (Exhs. OCC-852; OCC-902). In addition, the MED threshold shifts over time with historical reliability performance, so improvements in system reliability, such as investments in

automation and sectionalizing, may reduce measured outage durations even when a storm causes substantial damage and demands significant restoration resources (id.). As a result, a storm could require extensive efforts and incur substantial costs but still fail to meet the MED threshold because earlier investments have minimized customer outage impacts (id.). Likewise, since MEDs are determined on a daily basis, a storm may be classified as an MED on its initial day, while subsequent days of substantial restoration and associated costs are not (id.). Neither scenario provides a reasonable basis for determining cost recovery eligibility.

Furthermore, relying on MEDs as an eligibility threshold, risks creating perverse incentives that penalize utilities for effective restoration efforts (Exh. OCC-852). Utilities that quickly deploy resources and restore service may be less likely to meet the MED criteria than those that allow outages to continue beyond typical durations (id.). Over time, extended restoration periods could become embedded in historical data, further reducing the methodology's value as an indicator of truly extraordinary storm events (id.). These effects are antithetical Company's ERP obligations and the best interest of customers (id.).

Additionally, weather events are inherently uncertain and may weaken, change course, or otherwise fail to materialize with the severity originally anticipated. In such circumstances, the Company may have appropriately incurred extraordinary costs to prepare for the event, even though the event ultimately does not result in an MED. It would be inappropriate to conclude that these expenditures are ineligible for storm

reserve funding solely because the storm did not ultimately satisfy the IEEE MED criteria. This approach would unfairly judge operational decisions using hindsight, even though those decisions were made with the best information available at the time.

Lastly, the IEEE MED is not an appropriate threshold because it is designed to identify the most statistically extreme events—essentially, outliers among outliers. As a result, the methodology excludes certain events that, while not meeting the statistical threshold for classification as an MED, are nevertheless catastrophic in nature due to the level of system disruption, as well as the level of resources necessary to restore service and the associated costs. In other words, the fact that an event does not qualify as an MED under the IEEE methodology does not mean that it was routine, ordinary, or operationally insignificant.

The Company has demonstrated this in response to a discovery request asking it to identify the catastrophic storms that would have been classified as MEDs under the IEEE methodology. As shown in the table below (reproduced from the Company's response to OCC-904), there are five storms that would not have been classified as MED under the IEEE methodology but the record evidence in this proceeding plainly demonstrates that these were catastrophic events in their magnitude and impact when viewed in the context of the resources procured based on the information available at the time those procurement decisions were made.

Storm Work Order	IEEE MED?	Incremental Cost
MS24E011	Y	$5,346,370
MS24F011	Y	$9,962,874
MS24G011	Y	$24,427,262
MS24J011	Y	$8,645,547
MS24K011	Y	$5,290,522
MN25K011	Y	$23,238,528
MN25M011	Y	$9,288,108
MN24Q011	Y	$9,003,603
MN24X011	Y	$5,354,923
a. Average Cost for MEDs		**$11,173,082**
MS24A011	N	$20,328,260
MS24B011	N	$8,734,920
MS24C011	N	$8,667,329
MS24D011	N	$12,373,421
MS24H011	N	$6,608,771
b. Average Cost for non-MEDs		**$11,342,540**

The bottom line is that IEEE MEDs were developed to measure system reliability, not storm severity or restoration costs, and should not be used (***absent modification***) to restrict access to reserve funding for incremental storm costs subject to prudence review.

All that said, the Company is looking at the IEEE MED to determine whether it could be utilized, in combination with other criteria, to serve as a basis for a technical threshold, which would be a positive step for the overall storm-cost framework. The Company expects that more dialogue on this point will occur in this docket as a result of PURA's technical session on the same issue.

PURA Major Storm Definition

PURA defines a Major Storm as any event where the frequency of restoration work locations exceeds the 98.5th percentile, by company or region. Decision, Aug. 31, 2022, Docket No. 17-12-03RE08, PURA Investigation into Distribution System Planning of the Electric Distribution Companies – Resilience and Reliability Standards and Programs at 36. This definition was created in 1995 to help PURA evaluate reliability performance during blue-sky conditions, because Conn. Gen. Stat. § 16-245y(a) requires PURA to exclude the effects of major storms from reliability-based evaluations in certain periodic reports to the Connecticut General Assembly.

The Major Storm definition is not a suitable criterion for determining reserve funding eligibility. Like the MEDs discussed above, the Major Storm definition was created to measure reliability performance—not storm severity, customer impacts, or restoration costs. Thus, applying this definition to reserve funding eligibility would improperly exclude events that generate extraordinary storm-related costs simply because they do not meet an incompatible, reliability-based statistical threshold.

Q. What is the Company's recommendation for the criterion that should be used to determine whether an event is eligible for recovery under the SCRAF?

A. The clearest sign that an event exceeds normal operating conditions is when internal resources are insufficient to restore service and Eversource must engage external mutual assistance or contract crews. The need to engage outside resources reflects the event's scale and complexity and the incremental costs incurred to respond to the event. Unlike MED designations, customer outage, or trouble spot thresholds that measure

outage outcomes that may not accurately represent restoration efforts or the related costs, the need for external resources directly aligns with the actual resources required for restoration and the associated costs.

The magnitude of incremental restoration costs, driven in significant part by the use of external crews, has to remain a factor in the determination of whether an event surpasses "normal" operating conditions and qualifies for catastrophic storm cost recovery under the SCRAF, although the Company is evaluating whether the IEEE methodology could factor into this analysis. Because catastrophic storms and the associated costs are inherently unpredictable, it is impractical to establish a representative amount of costs for these events in base rates. In addition, incremental storm costs may be prudently incurred in accordance with the ERP, even when the proposed impact-based thresholds discussed above are not met. For example, the Company may prudently prepare for a catastrophic storm event by securing additional resources in advance, even if the storm ultimately does not materialize as forecast. Therefore, eligibility for SCRAF cost recovery should be based on the costs incurred, as measured relative to a monetary threshold, rather than strictly on impact-based measures.

The number of crews required, the duration of their deployment, and the resources needed to support them are driven by the scope of storm damage and the Company's obligation to restore service as quickly and safely as reasonably possible. Fulfilling that obligation means responding not only to the physical damage caused by a storm,

but also to the expectations of customers, local and state officials, and regulators. These expectations directly shape the scale, speed, and intensity of restoration efforts, as well as the workforce and resources required to carry them out. As a result, the Company must ensure it can deploy sufficient personnel and resources to meet these operational demands.

The storm cost recovery mechanism must reflect these operational realities. It should recognize that restoration costs are primarily determined by the resources necessary to fulfill the Company's service restoration obligations. At the same time, it should provide a reasonable and predictable process for recovering prudently incurred costs and ensure robust regulatory oversight and accountability. For these reasons, a monetary threshold should continue to be used as the primary criterion for determining whether a storm qualifies for reserve funding because that criterion is consistent with the purpose of the reserve itself. The reserve is intended to provide funding for extraordinary storm restoration expenditures, including the incremental costs necessary to procure additional crews and other resources to assist with restoration. Accordingly, the threshold for accessing those funds should be tied primarily to the extraordinary costs incurred in responding to the storm event.

Nevertheless, the Company agrees that the recovery mechanism could benefit from an additional, objective criterion reflecting impact-based criteria. As discussed above, the impact-based criteria proposed by the OCC's witnesses, if used alone and without adjustment, do not sufficiently capture the actual damage from a storm event or the

circumstances in which the Company prudently prepares for a catastrophic storm that ultimately does not materialize as anticipated. Therefore, any impact-based criteria incorporated into the SCRAF must be refined to address these shortcomings and used in conjunction with a monetary threshold to ensure the mechanism continues to fulfill its primary purpose, i.e., providing funding for extraordinary storm restoration costs. As discussed at the November 2, 2026 Technical Session, any adjustment to the storm threshold requires additional analysis and adjustment to base distribution rates to ensure the level of storm costs included in base distribution rates is set at the appropriate level, ensuring that costs are not 'trapped' with no opportunity for recovery, either through base rates, the SCRAF, or a combination thereof.

Q. Please describe the alternative threshold that the Company is working to develop.

A. In light of the expressed interest during the technical session in developing an alternative methodology for determining when a storm event qualifies as catastrophic for purposes of accessing reserve funding, the Company is actively and diligently developing a hybrid approach that it believes will provide an appropriate and objective basis for making that determination. Consistent with this objective, the Company supports the use of an objective threshold measure based, in part, on SAIDI, as part of the proposed methodology. The Company only recently received the transcript of the technical session and requires a small amount of additional time to consider the discussion and further develop its proposal. Although work remains ongoing, the Company is committed to advancing this effort and will present its proposed

methodology to PURA and the parties once the approach has been sufficiently developed to permit a complete and fully supported presentation, and as soon as possible.

2. Carrying Cost Recovery and Regulatory Lag

Q. The RMI witnesses challenge the Company's proposal to accrue carrying charges from the date costs are incurred. They argue that carrying charges should only begin accruing after a prudence review and maintain that annual prudence reviews would reduce regulatory lag, thereby encouraging more efficient spending. How do you respond to these assertions?

A. The OCC witnesses' positions are internally inconsistent. On one hand, they argue that regulatory lag should be reduced to minimize the carrying costs customers pay. On the other, they characterize regulatory lag as an important mechanism for promoting cost discipline and efficient spending. These positions are difficult, if not impossible, to reconcile. Moreover, the OCC witnesses' assertion that regulatory lag incentivizes cost discipline is misplaced in this context. The expenditures at issue here are not discretionary, nor does the Company have meaningful discretion over when they must be incurred. Instead, they result from ***catastrophic*** storms that demand immediate action to restore electric service and protect public safety. For example, when a storm destroys a utility pole, the Company cannot defer its replacement to reduce costs—the pole must be replaced promptly to restore power and ensure safe and reliable service. When the power goes out following a catastrophic storm, municipal officials are not calling the Company to engage in an academic debate about the theoretical merits or shortcomings of regulatory lag. They are calling because their communities are in the

dark, critical services are disrupted, and they need to know one thing: **When is the power coming back on?** That urgency is reflected in Connecticut law, which recognizes that storm restoration is not simply a matter of discretionary spending or cost management. Connecticut Gen. Stat. §§ 16-32h and 16-32i establish specific emergency preparedness and restoration performance standards for electric distribution companies, with the potential for substantial civil penalties when those standards are not met.

Electricity is a critical service and the restoration of that service cannot reasonably be delayed, postponed, or deferred. At the same time, the Company is required to make staffing and resource decisions in advance of upcoming weather events, based on forecasts that are far from perfect. The Company firmly agrees it should have (and does have) strong incentives to control expenditures to the greatest extent possible, because the Company perceives that it is better off where it can demonstrate that cost efficiency is incorporated into the costs incurred and subject to the prudence review.

However, the regulatory framework needs to recognize that there is a constant and persistent requirement for the Company to prepare adequately in advance for weather events that, in the end, may not materialize. Regulatory lag as a concept is inapplicable, certainly not in the traditional sense of the phrase, when the Company may need to respond to multiple successive weather events in a condensed period, each requiring their own unique response and expenditures. The Company must finance those expenditures immediately and as they are incurring. Therefore, imposing

uncompensated financing costs on the Company as suggested by the OCC does not encourage greater efficiency; it merely shifts the entire financial burden of emergency restoration onto the Company without recognizing the real cost of that emergency restoration.

The Company's proposed annual prudence reviews and carrying-charge treatment are not competing approaches—they are complementary components of a balanced recovery framework. The annual reviews provide a predictable process for timely regulatory oversight of storm-related expenditures and carrying costs recognize the financing costs the Company incurs between the time those expenditures are made and the time recovery begins. Together, these mechanisms promote regulatory accountability while ensuring the Company is appropriately compensated for the cost of financing storm restoration. OCC's regulatory lag discussion is not the appropriate focus in this context, and it adds little, if anything to the evaluation of the Company's proposal.

Q. Why is it appropriate to accrue carrying costs from the date those expenditures are incurred, rather than from the point at which PURA issues a prudence determination?

A. The Company has already explained in testimony and discovery responses why the Company incurs carrying charges from the date storm-related expenditures are incurred, and why a storm framework should recognize the costs incurred by the Company, inclusive of the carrying costs of capital, so it will not repeat all of that information here. In short, the Company faces substantial costs when responding to

storm events, and it must finance these expenditures as they occur, regardless of when PURA completes its prudence review.

Just as the timing of the expenditure reflects when the Company begins financing these expenditures, the applicable carrying charge should reflect the actual cost of that financing. When substantial balances remain outstanding for extended periods, the Company's weighted average cost of capital ("WACC") accurately represents the mix of debt and equity financing required to support these obligations. This approach aligns with the ratemaking treatment of long-term utility assets, which earn a return based on the Company's authorized WACC. This is true for long-term utility assets in the same way it is true for long-term regulatory assets, such as storm costs.

Utilities earn their WACC on rate base (long-term utility assets) because the utility must finance assets recovered over an extended period with an appropriate mix of debt and equity, each of which comes with its own unique set of risks and costs. Although the cost of debt is generally lower than the cost of equity of the same firm due to the different financial risk parameters associated with each financing option, utilities are not able to finance any single long-term asset (be it a physical asset like a pole or substation, or a regulatory asset like a storm cost expenditure, required to be financed and recovered over an extended period) with any single, dedicated source of funding. Credit rating agencies, as well as debt and equity investors, evaluate companies as a whole, taking into consideration all sources and uses of cash, and all financing arrangements supporting the firm's balance sheet. It is not possible for the Company

to finance storm costs exclusively with debt, just like it is not possible for the Company to finance storm costs over an extended period of time and *not* incur a cost of financing. In summary, the cost to the Company to finance storm cost expenditures is the Company's WACC, from the date the costs are incurred through the time of full cost recovery, when such recovery extends longer than one year.

The Company acknowledges that adopting a more systematic approach to storm-cost review and recovery would help to reduce carrying costs and provide efficiency benefits customers. To that end, the Company's proposed framework includes annual funding contributions through distribution rates to cover catastrophic storm and prestaging costs, coupled with more frequent prudence reviews and timely recovery. Under this structure, it is not expected that deferred storm balances will accumulate over multiple years to the extent they have since 2018, which enables the Company to accept a lower carrying charge, such as the Prime rate, rather than its WACC, to reflect the shorter financing period.

Accordingly, the Company is willing to accept the Prime rate from the date costs are incurred if PURA adopts the SCRAF, enabling more timely review and recovery. The Company clarifies that its proposal to accept a carrying cost other than its WACC includes another important technical detail: when applying the WACC, it is appropriate to offset ADIT from the balance subject to carrying charges. This is methodologically appropriate since the WACC reflects the combined cost of all sources of long-term capital to the Company: (a) long-term debt; (b) shareholder equity; and (c) ADIT,

which reflects a cost-free source of financing to the utility that appropriately reduces rate base, or reduces the balance of costs subject to the WACC (since the cost of ADIT is zero). When applying the Prime rate, or another proxy for carrying charges, such as a cost-of-debt proxy, the Company does not propose to offset the balance with ADIT. In an alternative carrying cost scenario, the Prime rate would be applied to the over or under recovery balance symmetrically (over recovery in a scenario where customer reserve funding exceeds storm costs) on the balance, without netting ADIT.

Importantly, the Company agrees that carrying charges should be recoverable only on those costs found to have been prudently incurred. If any deferred costs are later deemed imprudent, any related carrying charges would not be recoverable. Thus, the Company's proposed framework balances financing costs with customer interests by ensuring timely, systematic review and recovery, rather than arbitrarily denying the recognition of carrying charges before a prudence determination.

The OCC witnesses' proposal to eliminate the accrual of carrying charges before a prudence determination ignores the fact that the Company's financing obligations begin when expenditures are incurred, not when regulatory review concludes. Under the OCC's approach, customers would benefit from the Company's financing of storm restoration costs during the review period while avoiding the associated financing expense. However, the underlying cost and the costs incurred in financing that expense are inextricably intertwined and cannot be treated as distinct. Nor can the date of

PURA's prudence determination serve as an arbitrary dividing line between recoverable and unrecoverable financing costs.

PURA's prudence determination establishes whether the underlying costs are recoverable; it does not alter when the Company incurred those costs or the related financing expense. The most appropriate protection for customers is to ensure carrying charges are recovered only for expenditures ultimately deemed prudent—not to eliminate recognition of carrying costs during the period the Company must finance those expenditures.

As a final matter on carrying costs, at the November 2, 2026 technical session, there was discussion over the viability of a 'pay as you go' model, which, based on the Company's understanding, would essentially either (1) establish an annual funding level that matches the expected annual storm cost level, thereby limiting amounts subject to deferral; or (2) allow for a near 'immediate' change in rates to align with the incurrence of costs, rather than accruing a storm balance for a period of time, undertaking a prudency review, and then subsequently amortizing the recovery of storm costs deemed prudently incurred over a number of years. The Company wholeheartedly supports this framework as it is truly the only mechanism that could eliminate, or at least substantially reduce, the need to consider recovery of carrying costs altogether. If the Company is able to match revenues with costs, it does not need to issue debt or equity to finance the costs over an extended period (i.e., during the period from the cost is first incurred through when the cost is ultimately and fully

collected through customer rates), meaning that it will not require carrying costs at all (assuming that revenues are able to be perfectly matched with costs under a pay-as-you-go model). This approach is a simple yet fundamentally elegant and efficient answer to the problem that Connecticut has been struggling with over the past eight years.

Q. What is the Company's response to the recommendation that storm-cost reviews be conducted through the RAM process?

A. Ms. Wilson and Mr. Tully's propose to incorporate annual storm cost recovery reviews into the RAM process. The Company is generally open to a schedule that enables timely annual reviews, of qualifying storm costs and supports incorporating this review into the RAM proceeding to the extent parties find it administratively more efficient than an alternative schedule. Once the review of storm costs is reset to a relatively cyclical exercise, it will become easier for all parties to accomplish this review in the context of the RAM or another annual process.

To that end, the Company's proposal is to establish an annual cadence of filing storm costs annually in September for storms that occurred during the prior calendar year. The Company's proposal anticipates that parties would require approximately one year from the filing date to conduct discovery and hearings etc., such that PURA could issue a decision on the prudency by August of the following year, allowing for a rate change in September, one year from the date of filing. Should PURA wish to incorporate the storm review as part of the annual RAM process, the Company would endeavor to

support this, realizing that it will require approximately nine to ten months to compile and review the requisite storm cost documentary evidence (such that a filing in January would imply a storm cut-off of storms occurring prior to the preceding March. Benchmarks and Reporting

Q. Does the Company oppose the recommendation of the OCC's witnesses that it be required to provide post-storm reports and information to PURA?

A. No, not at all. The Company does not object to providing PURA with standardized post-storm data and information on its storm preparedness and restoration activities, as long as any reporting requirements are practical to implement and track, provide meaningful information, do not impede safe and efficient storm restoration, and do not impose unreasonable costs. It is far preferable, from the Company's point of view, for there to be transparent, reliable and certain instruction on the types of information PURA, OCC and others want to gauge storm performance than to require the Company to suppose what might be helpful in a case that comes later, multiple years *after* an event. The Company fully acknowledges the value in providing information about storm impacts, restoration efforts, resources utilized, and performance following a major storm event with PURA and other stakeholders.

The only cautionary note is that the prudence of the Company's decisions must be evaluated based on all of the information available regarding decisions that were made at the time that the decision had to be made—not based on hindsight later informed by actual storm conditions or restoration outcomes. While post-storm comparisons of forecasts, anticipated resource needs, and actual conditions can be valuable for

operational review and continuous improvement, they cannot be substituted for the governing prudence standard. If differences between forecasts and actual outcomes could be treated as evidence of imprudence, as the OCC's witnesses suggest, it would unfairly penalize the Company for taking reasonable, precautionary measures in response to the risks and uncertainties of an impending storm.

Q. Are there other potential issues with the reporting requirements and benchmarks proposed by OCC's witnesses?

A. Yes. Although Mr. Balakumar acknowledges that the ERP and Event Level Matrix ("ELM") do not prescribe a fixed resource plan for each emergency event, he nevertheless recommends requiring the Company to justify crew levels at each decision point against a benchmark tied to the declared event level and forecasted trouble spots (Balakumar Testimony at 99). This approach misconstrues the ELM's purpose, transforming a flexible planning tool into a rigid staffing mandate.

The ELM is a framework for classifying events and planning resources based on a range of factors, such as weather forecasts and anticipated trouble spots. Its purpose is to guide advance preparation—not to prescribe fixed resource levels or impose strict limits on deployment. Since emergencies rarely follow a predictable script, resource needs must be reassessed continually as actual storm impacts, damage, and evolving conditions become clear. The ELM's overlapping resource ranges are therefore

intentional, underscoring the uncertainty of storm response and the necessity of adaptive decision-making.

Moreover, the ELM is just one of several factors the Company weighs when determining resource needs. In addition to the ELM, the Company assesses weather forecasts, outage prediction models, resource availability, and environmental variables, such as tree conditions, foliage, and soil saturation, that can influence storm damage. Taken together, these variables yield a wide range of possible outcomes, a wide bell curve, rather than a precise forecast of storm impacts and resource requirements.

Accordingly, deploying crews above the range associated with a given event level does not mean the Company has used excessive resources. The ELM is a planning guide, not a resource cap, and the declared event level does not dictate the precise number of crews needed for an effective response. Mr. Balakumar's proposed benchmark would discourage deploying additional resources when justified or could potentially prompt unnecessary escalation of event levels to satisfy staffing requirements. Thus, Mr. Balakumar's proposal would undermine effective storm response by replacing operational flexibility with predetermined staffing mandates.

Q. Do you have any other comments regarding the reporting and benchmarking proposals offered by OCC's witnesses?

A. Yes. All three OCC witnesses recommend that the Company report contractor time spent on standby, travel, lodging, and meals separately. While such granular reporting may be feasible and potentially useful, this recommendation appears to be based on a

fundamental misconception: that time not spent turning a wrench or physically restoring power is unproductive time and an unwarranted cost. This premise is incorrect and does not reflect the realities of storm restoration.

The use of external crews necessarily requires travel to Connecticut. Additionally, restoration efforts demand that the Company mobilize resources across its system to address numerous issues occurring simultaneously. OCC cannot reasonably argue that the time external crews spend traveling to and within the Company's service territory is unproductive or is not essential to storm restoration.

As conditions evolve during an event, crews may need to remain on standby to respond to anticipated developments or coordinate work in specific areas. Demobilizing and remobilizing crews would cause unnecessary delays, inefficiencies, and significant added costs. Standby time is not unproductive; it is a purposeful and cost-effective resource management strategy that preserves the Company's ability to respond rapidly as restoration needs change.

OCC also cannot reasonably discount the time needed to provide crews with lodging, meals, and rest between extended shifts. Crews perform physically demanding work under challenging conditions. Proper nutrition and rest are not optional perks or signs

of inefficiency; they are essential for maintaining workforce readiness, ensuring safety, and sustaining restoration operations over long durations.

Ultimately, effective storm restoration encompasses far more than the hours crews spend performing hands-on repairs. Travel is necessary to deploy crews to the affected system; standby ensures qualified personnel remain available when and where they are needed; and adequate lodging, meals, and rest enable crews to work safely and effectively. Any characterization of these activities as unproductive improperly ignores their essential role in the safe and effective restoration of service following a catastrophic storm event.

3. Recovery of 2024-2024 Storm Costs

Q. Please explain why Mr. Balakumar's recommendation to disallow costs incurred for six storm events is inconsistent with the governing prudence standard.

A. Mr. Balakumar recommends that PURA disallow any portion of the $62 million requested for six storms (MS24A, MS24B, MS24C, MS24D, MS24H, and MS24K) that exceeds "established spending benchmarks,"[6] unless the Company provides evidence justifying the variances (Balakumar Testimony at 101). Although his testimony is not clear on this point, his recommendation appears to be based on his assertion that these six storms were less severe than forecast, and that their cost per trouble spot was higher than the average. However, those facts do not establish that

[6] In response to discovery, Mr. Balakumar explains that "established," in this context, means established by the Company based on its own examination of the interaction of its past staffing and its responses to past storms, rather than approved by PURA as a spending cap or drawn from industry practice or published research (Exh. CLP-OCC-09).

the Company's decisions were unreasonable when they were made. Mr. Balakumar's own testimony acknowledges the governing prudence standard, stating that "PURA asks whether the Company's decision-making process was in good faith and reasonable under the circumstances at the time the costs were incurred." (id. at 94). Yet, his central argument, and ultimate recommendation, relies exclusively on a *post-hoc,* hindsight analysis.

Q. Has the Company provided evidence to demonstrate that its decisions were reasonable and prudent at the time they were made?

A. Yes. In Exhibits CLP-STORM-IMT-1 and CLP-STORM-IMT-3, and in response to numerous discovery requests, the Company has provided substantial evidence detailing its preparation for and response to each storm event. This evidence encompasses weather forecasts, anticipated damage and outage projections, resource assessments throughout the events, and restoration status updates. This information is essential for evaluating the reasonableness and prudence of the Company's storm-related expenditures. However, Mr. Balakumar's testimony neither discusses nor analyzes any of this evidence.

For each of the six storm events for which Mr. Balakumar challenges cost recovery, the Company submitted evidence from professional weather forecasters indicating a high likelihood of significant weather events affecting the Company's electric distribution system. The table below summarizes the forecasted conditions for each event:

Event	Forecasted Conditions	Record Citations
MS24A (1/9/24)	Forecasts called for a powerful, winter storm with moderate to heavy rainfall with snow in the northwest hills, and strong damaging winds expected to impact Connecticut beginning on or around January 9th and continuing into January 10th. Peak wind gusts were predicted to range from 45-50 mph, with higher gusts of up to 57 mph in the southeast coastal areas.	Exhibits CLP-STORM-IMT-1, at 1; Exhibit CLP-STORM-IMT-3 (Event 1-MS24A), at 7-99
MS24B (1/13/24)	Forecasts called for a storm system with 1.5 to 2.5 inches of rain, strong wind gusts, with peak winds predicted from 50-55 mph, a chance for isolated thunderstorms, and flooding.	Exhibits CLP-STORM-IMT-1, at 4-5; Exhibit CLP-STORM-IMT-3 (Event 1-MS24B), at 8-40
MS24C (2/13/24)	Forecasts called for a strong, fast-moving low-pressure system with strong winds, with peak gusts up to 45 mph, and heavy wet snow with totals ranging from 3 to 14 inches across Connecticut.	Exhibits CLP-STORM-IMT-1, at 8-9; Exhibit CLP-STORM-IMT-3 (Event 1-MS24C), at 7-136
MC24D (2/28/24)	Forecasts called for a very strong cold front to move across Connecticut, bringing continuous widespread rainfall, rapidly falling temperatures, elevated sustained winds and hazardous wind gusts in the range of 40-55 mph.	Exhibits CLP-STORM-IMT-1, at 10-11; Exhibit CLP-STORM-IMT-3 (Event 1-MS24D), at 7-65
MS24H (6/30/24)	Forecasts called for two rounds of strong-to-severe thunderstorms, predicted to form on the afternoon of June 30th and later that evening. Both events were predicted to bring high winds of up to 65 mph.	Exhibits CLP-STORM-IMT-1, at 22; Exhibit CLP-STORM-IMT-3 (Event 1-MS24H), at 9-22
MS24K (12/10/24)	Forecasts called for a strong cold front to move across Connecticut on the evening of December 11th, with heavy, widespread rain and strong winds, with gusts up to 60 mph, ahead of that cold front.	Exhibits CLP-STORM-IMT-1, at 27-29; Exhibit CLP-STORM-IMT-3 (Event 1-MS24K), at 4-88

Even this high-level summary plainly shows that each event posed a substantial risk of damage to the Company's electric distribution system. In particular, the forecasts for all six events predicted hazardous wind conditions, with gusts expected between 40 and 65 mph. These conditions are a serious threat to the Company's overhead

infrastructure, which is directly exposed to the elements. High winds can bring down trees and large branches onto overhead lines, causing outages, breaking conductors, and damaging or toppling utility poles. These risks increase further when combined with heavy rainfall, which saturates the soil and increases the likelihood of trees uprooting and falling onto electric distribution equipment.

The Company's prudence must be evaluated based on the information available when it made the decisions, rather than with the benefit of hindsight. The forecasts for these six events provided advance notice of potentially severe weather, giving the Company ample justification to anticipate significant impacts to its distribution system and to prepare accordingly. The Company's resource assessments, restoration records, and contemporaneous communications document the reasonableness of its response as conditions evolved and restoration needs emerged.

Q. Please explain why Mr. Balakumar's use of cost-per-trouble spot as evidence of imprudence is flawed.

A. A comparison of cost per trouble spot does not establish whether the underlying costs were imprudent or unreasonable. As explained above, every single storm is unique and the factors affecting each particular trouble spot can differ greatly depending on the equipment involved, the extent of damage, and the complexity of restoration required. Additionally, the cost-per-trouble-spot ratio does not account for storm-specific factors such as resource availability, storm geography, damage distribution and severity, mobilization distances, and storm duration. It also fails to reflect the varying amounts

of labor, equipment, and time needed for different types of repairs. Without considering the specific facts and circumstances that drive these costs, the cost-per-trouble spot ratio does not, by itself, demonstrate that expenditures were excessive, unreasonable, or imprudent.

4. Calculation of Annual Allowances

Q. Is inflation a known and measurable cost that should be applied to rate setting?

A. Yes. As the Connecticut Supreme Court has explained, ratemaking is a prospective endeavor. PURA must make reasoned estimates to establish rates that will adequately compensate the utility during the period those rates are in effect. Aquarion Water Co. of Connecticut v. Pub. Utilities Regul. Auth., 352 Conn. 381, 390 (2025). The Court further recognized that the test year may be adjusted to permit recovery of "definite, ascertainable expenses maturing or certain to materialize" during the relevant period. Id. at 391 (citing Connecticut Natural Gas Corp. v. Public Utilities Commission, 29 Conn. Supp. 379, 390–91 (1971)). An inflation adjustment is fully consistent with these principles.

Inflation is objectively measurable through established government indices. When applied to identifiable expense categories and supported by verifiable calculations, these indices provide a sound basis for determining known and measurable cost adjustments. The Gross Domestic Product Price Index ("GDP-PI") provides a reasonable and broad-based measure of changes in prices across the economy and,

accordingly, serves as an objective basis for escalating historical O&M expenses to the Rate Year.

Because ratemaking is inherently forward-looking, the revenue requirement must reflect reasonable estimates of revenues and expenses during the rate-effective period. Accordingly, relying solely on historical expenses, without accounting for reasonably ascertainable and measurable cost increases, would understate the revenue requirement necessary to provide service during that future period. This problem is magnified under a multi-year rate plan with a stay-out commitment, such as the one proposed in this proceeding. In a single-year rate plan, a utility can seek a new rate adjustment if its authorized revenue requirement no longer covers the actual costs of providing service.

By contrast, a multi-year rate plan locks in rates for a longer period, increasing the risk that rates will become misaligned with the actual costs of service over time. The further these rates extend into the future, the more pronounced the gap can become between historical expenditures and the actual costs of providing service. To address this, an inflation adjustment is necessary to set a revenue requirement that reasonably reflects the costs of providing service throughout the authorized rate-effective period. The principle is perhaps best summed up by the Virginia Supreme Court: "in exercising its legislative function of fixing utility rates for the future, [a public utilities commission]

should not be blind to the future." Commonwealth v. Virginia Elec. & Power Co., 211 Va. 758, 771 (1971).

Q. How do you respond to Mr. Defever's argument that the Company should not have made an inflation adjustment when calculating the five-year average used to derive the Rate Year funding for non-catastrophic and prestaging expenses?

A. Mr. Defever's recommendation to use an unadjusted average of the Company's 2021 to 2025 non-catastrophic storm costs does appropriately account for inflation in labor, contractor services, materials, equipment, and fuel. Eversource will incur these costs for storm restoration at prevailing 2028 prices, not at the historical prices in the five-year average (2021 – 2025). Accordingly, the Company adjusted its historical storm costs for inflation to more accurately reflect expected costs during the rate-effective period. While a five-year average without an inflation adjustment may smooth annual fluctuations, it understates the cost of service for the rate-effective period. The Company's proposed adjustment, on the other hand, aligns historical cost data with expected costs during the period in which rates will apply.

Q. Did the Company apply an inflation adjustment to any other components of its storm cost recovery proposal?

A. The Company seeks to establish a fair, balanced, and stable storm cost recovery framework for catastrophic and non-catastrophic storms that reflects the costs reasonably incurred to restore service to customers—an objective it believes all the parties in this proceeding share. To that end, CL&P adjusted not only the proposed base-rate funding but also the threshold for accessing the catastrophic storm reserve for inflation. As explained in its revenue requirement testimony, the Company derived the

proposed $5.4 million catastrophic storm threshold by adjusting the current $4 million threshold for inflation from 2018 through the Rate Year using the Gross Domestic Product Price Index ("GDP-PI") (Exh. CLP-REVREQ-1, at 104).

It is important to note that changes to the proposed catastrophic storm threshold, whether upward or downward, affect the Company's revenue requirement and the required revenue increase. Consequently, if the threshold is adjusted, the Company must adjust base rates to reflect the costs of storms that fall below the new, higher threshold, ensuring that rates are designed to recover a representative level of costs each year. To do otherwise would result in rates that are neither just nor reasonable.

IV. RESPONSE TO TESTIMONY REGARDING AMI DEPLOYMENT

Q. Please summarize Mr. Balakumar's AMI testimony.

A. Mr. Balakumar characterizes AMI as a foundational investment critical to grid modernization and the shift toward a flexible, cost-effective grid (Balakumar Testimony at 74). He claims, however, that these benefits can only be realized if the technology is fully leveraged and deployed expeditiously. Although he views the Company's proposal as a solid starting point, Mr. Balakumar claims several gaps must be addressed as a condition to approval (id.).

First, the witness recommends several changes to the Company's customer data access platform. While Mr. Balakumar considers the Green Button Connect and API-based architecture a strong foundation, he urges the Company to provide access not only to billing-quality data, but also to raw meter usage data and enrolled-program information

(id. at 74, 80). He further recommends that the Company track and publicly report additional performance metrics, including the number of registrants, average registration approval time, and platform uptime (id. at 74-75). Mr. Balakumar also asserts that the platform should become a one-stop shop for future data access—including system data and rates or tariff information—to better support distributed energy resource ("DER") integration (id. at 75-76).

Second, Mr. Balakumar argues that the Company's AMI proposal lacks sufficient detail regarding key implementation elements. For instance, Mr. Balakumar recommends enabling 8760 profiles at both the feeder and substation levels as AMI is deployed (id. at 65, 71, 75, 77-78). He also recommends that the Company prioritize AMI deployment in areas with DER and load constraints (id. at 64, 78). Additionally, Mr. Balakumar urges the Company to propose a concrete distributed intelligence pilot with specific use cases within one year of AMI deployment approval (id. at 79). Finally, he requests that the Company assess whether AMI can defer or replace other sensor investments and report on its findings (id. at 80).

Mr. Balakumar recommends that PURA approve the Company's AMI investment, conditioned on the Company meeting these requirements.

Q. What is the Company's general response to Mr. Balakumar's AMI testimony?

A. The Company appreciates Mr. Balakumar's general support for its proposed AMI investment and agrees with him that AMI is a foundational investment critical to grid modernization and the shift toward a flexible, cost-effective grid. Regarding his

suggested conditions for approval, the Company can evaluate and address these capabilities as deployment progresses. The AMI proposal is a six-year, systemwide initiative, with benefits accruing in stages as the meters, communications infrastructure, and operational systems are implemented. Mr. Balakumar himself recognizes that the proposal is a solid starting point, and that some capabilities will emerge at the outset while others will only be fully realized after full deployment. Mr. Balakumar's recommendation to condition approval on a fixed set of additional deliverables is needlessly heavy-handed and risks delaying the very deployment he urges the Company to expedite.

Q. What is the Company's response to Mr. Balakumar's specific recommendations?

A. The Company's response to Mr. Balakumar's specific recommendations is as follows:

1. Raw meter usage data, enrolled programs, and additional platform metrics

The Company intends to track both the number of platform users and the platform's availability/reliability. Usage data will be subjected to the initial Validation, Estimation, and Editing ("VEE") process and available in the Green Button data sharing portal within 12 hours of actual consumption—the Company believes that this satisfies all reasonable use cases and minimizes discrepancies between data subject to sharing and data used for bill calculations.

2. Commitment to a "one-stop shop" including system and rates/tariff data

Eversource agrees that data access is important to DER integration. However, it does not follow that the Company must commit now to a particular scope for a platform that

has not yet been built. Additionally, the Company notes that the Green Button Connect data sharing platform is intended to empower customers to control which third-party may receive their usage data, as well as data related to other attributes of their service, such as their specific rate selection and bill components. The following is the list of data fields that will be available for customer-authorized data sharing via the platform.

Field
Account Number
Account Address / Premise Address
Premise ID
Customer Name
Customer Email Address
Customer Phone
Commodity
Customer Rate Code / Tariff
Overall Consumption Last Period
Overall Consumption This Period
Billing Period
Bill Amount
Customer Charge
Energy Service Charge Fixed
Peak Demand (for current bill period)
Consumption Tax
Meter Number
Quality of Reading
Interval Reading Start Date and Time
Interval Duration
Interval Reading Value

Interval Reading Quality
Interval Reading Quality
Interval Reading Quality
Interval Reading Quality
Interval Reading Quality
Interval Reading Quality
Interval Reading Quality
Generation Service Charge

Distribution Charge

Transition Charge

Transmission Charge

Net Meter Recovery Surcharge

Revenue Decoupling Charge

Distributed Solar Charge

Renewal Energy Charge

Energy Efficiency Charge

Electric Vehicle Program

The Company does not consider it cost-efficient for the AMI program to fund the integration of a customer data sharing platform with non-customer-specific rate information or system data, because the non-proprietary elements of that data are already available in other repositories.

3. Iterative 8760 profiles at feeders and substations

As part of the RE03 IDSP proceedings, the Company has outlined its fundamental concerns with 8760 forecasts and reiterates that 8760 forecast data does not create incremental value for designing a system that can address peak system demand. However, the Company understands the stakeholders' and PURA's interest in

producing such forecasts and, as part of this rate case filing, has included a request for incremental FTEs to support such efforts. The Company requests these incremental FTEs, while maintaining that it can already plan its system safely, reliably and cost-effectively using existing forecast details and its current capabilities, as Mr. Balakumar notes, to create hourly load profiles that meet PURA's NWS process and review criteria.

Furthermore, it is important to note that developing time series data does not require AMI availability but can, as the Company has demonstrated, be developed using SCADA telemetry. AMI data will provide value in the forecasting process as it delivers improvements to bottom-up adoption propensity models using resource detection to train models on which customers adopt what technologies. It also supports the creation of standardized or randomized load profiles for probabilistic simulations. In summary, while Mr. Balakumar's assertions are technically feasible, the value he attributes to them is overstated. Regardless of the use of AMI data, expectations should remain realistic. First, the AMI rollout must be completed, and second, at least 1-2 years of data must be collected before reliable conclusions can be drawn. With PURA's approval of the requested incremental FTEs for this forecasting effort, the Company can and will develop these datasets.

4. Prioritizing deployment by DER and load constraints

The Company reiterates its deployment philosophy that hybrid mesh AMI technology is most cost-efficiently deployed by saturating one location with meter installations,

then expanding to adjacent areas, which achieves mesh stability more quickly. This approach also provides the quickest path to realizing system-wide benefits for all customers.

5. Distributed intelligence pilot within one year of approval

The Company notes that it is currently piloting a wide range of Distributed Intelligence ("DI") capabilities under its Massachusetts AMI program. Therefore, if the Company's proposal to leverage its Massachusetts technologies for Connecticut is approved, those DI applications with demonstrated value can be readily extended to Connecticut.

6. Evaluating AMI's potential to defer or replace sensor investments

Eversource agrees it is important to study the opportunities for AMI to defer or replace sensor investments. As with all reliability-driven distribution investments, Eversource compares options and selects investments to maximize benefit to customers. There are several use cases for distribution line sensors, including load and voltage monitoring, power quality measurements, wildfire risk monitoring, and physical asset condition. The Company's AMI business case, for instance, has identified the opportunity to use AMI data to avoid the need for voltage sensors required to implement effective Volt VAR optimization programs. In contrast, some sensor-use cases, such as pole tilt monitors, cannot be deferred with AMI. For more advanced use cases, including predictive outage detection, the Company agrees that a formal study to compare efficacy and cost effectiveness of AMI versus other sensor technology is a valuable effort. Any such study, however, should be limited to use cases that are appropriate for comparison with AMI technology.

V. CONCLUSION

Q. Do you have any concluding comments?

A. Yes. The Company's objective in this proceeding is to establish a sustainable, balanced, and cohesive ratemaking framework that ensures reliable electric service while maintaining long-term customer affordability. This framework is necessary due to the significant investments required across the CL&P system to enhance reliability, improve resiliency, and modernize utility infrastructure. To ensure these investments remain financially manageable for customers, a comprehensive ratemaking approach is needed—one that considers customer interests beyond the immediate rate case cycle.

Specifically, the framework must appropriately balance four fundamental considerations: (1) meeting the service reliability and performance expectations of the Company's customers and the State of Connecticut; (2) maintaining reasonable and predictable customer rates; (3) promoting cost-effective and efficient utility operations; and (4) establishing a revenue recovery mechanism that ensures sufficient financial support for CL&P to meet these objectives, including an appropriate return on and recovery of its capital investments.

The Company's PBMRP is designed to integrate these considerations into a single, coordinated ratemaking structure. In developing this proposal, CL&P started with the framework under consideration in PURA's Performance-Based Regulation proceeding (Docket No. 21-05-15RE01) but added features to address shortcomings and defects

that, if unaddressed, could prevent the PURA's (draft) PBR model from providing a solid foundation for an extended stay-out period.

The other parties and intervenors devote considerable attention in their respective testimonies to highlighting every perceived and actual distinction between the Company's proposal and the framework developed in Docket No. 21-05-15RE01. Yet, in doing so, they largely overlook or minimize the substantial similarities between the two approaches. More fundamentally, the Company was never required to adopt the framework established in Docket No. 21-05-15RE01 wholesale. Notably, that framework was developed in a separate uncontested proceeding under the direction of the former Chairperson and is reflected in a draft order that was never formally adopted by PURA in a final order.

Accordingly, it does not constitute a formally adopted PURA framework that the current Commissioners are obligated to endorse, apply, or extend to CL&P. Nor should that unadopted model be treated as a prescribed model for evaluating subsequent PBR proposals. Indeed, doing so would be inconsistent with the philosophy underlying performance-based ratemaking. A PBR framework is intended to be flexible and adaptive, capable of being tailored to the particular circumstances and objectives of the utility it governs—not an inflexible, one-size-fits-all construct. Accordingly, PURA should evaluate the Company's proposal based on its own merits, rather than measuring it against a prior framework that, like any regulatory model, has its own limitations and imperfections.

Q. Does this conclude your rebuttal testimony?

A. Yes, subject to reserving the Company's right to respond to additional issues raised in discovery or at hearings.