Date Filed: October 16, 2026

Witness: Matthew P. Fallon, Timothy J. Griffin and Jonathan Kallen
Request from: ALLCO

Question:

(The Company's own estimates of its cost of capital.) (a) State each discount rate, weighted average cost of capital, or cost of equity used by the Company or Eversource Energy since January 1, 2022 in (i) goodwill or long-lived-asset impairment testing under ASC 350 or ASC 360; (ii) the valuation of any acquisition or divestiture, including the sale of offshore wind interests and any water or gas businesses; (iii) internal capital-budgeting or hurdle-rate decisions; (iv) the fair-value measurement of any asset retirement obligation or pension obligation; and (v) any presentation to the Eversource Energy Board of Trustees or its finance committee concerning cost of capital, and for each identify the document, the date, and the person or adviser who prepared it. (b) For each cost of equity or weighted average cost of capital in (a), state the risk-free rate, beta, market risk premium, and cost of debt assumed. (c) Explain each difference between the cost of equity used for the purposes in (a) and the 10.25% requested here.

Response:

Please note the following with respect to the requested information:

- ⇒ There have been no acquisitions in the time period since January 1, 2022.
- ⇒ For divestitures including offshore wind, any discount rates reflected in a valuation analysis would reflect the cost of capital from a buyer's perspective, not Eversource.
- ⇒ The Company does not incorporate discount rates into the capital budgeting process. The capital budgeting process is centered on reliability and required infrastructure expenditures. Any analysis prepared for customer impacts would incorporate the allowed return on equity and capital structure authorized for the respective regulated utility.
- ⇒ For ARO calculations, a discount rate must be utilized to discount forecasted cash outflows. This discount rate is a credit-adjusted risk free interest rate in accordance with Accounting Standards Codification (ASC) 410-20. This has no applicability to utility infrastructure investment.

The funded status for pension is the difference between the fair value of assets and the projected benefit obligation (PBO). The fair value of plan assets simply reflects the market value of

investments held in the pension fund. The PBO reflects the actuarial present value of future benefits attributable to employee service earned to date. Under ASC 715-30-35, the discount rate used to discount these future benefits is designed to reflect an interest rate that could be earned on high-quality debt.

Goodwill

The accounting framework for goodwill requires annual testing for "impairment." A publicly owned company cannot maintain goodwill on the books unless it is supported by the financial integrity of the underlying business – and if it is not, then the asset will be deemed "impaired," and written down. For goodwill testing, the carrying value of goodwill reflected on the Eversource Energy balance sheet represents the fair value of acquired businesses in excess of the fair value of identifiable assets and liabilities as of the acquisition date. Eversource Energy is required to test goodwill balances for impairment at least annually.

The Eversource reporting units for allocating and testing goodwill are electric distribution, electric transmission and gas distribution. Unless necessitated for a sale or divestiture transaction, Eversource Energy does not allocate or test goodwill at the utility or subsidiary level. In assessing goodwill for impairment, a company is permitted to first assess qualitatively whether it is more likely than not that goodwill impairment exists. If the qualitative assessment determines it is more likely than not that a reporting units fair value is less than its carrying value, then a quantitative test is performed to determine if an impairment loss and write down of goodwill is required.

For a quantitative test Eversource Energy would estimate the fair value of the reporting units using commonly used valuation methods, one of which is the discounted cash flow method (DCF). The DCF method would present value the reporting units cash flows using a calculated discount rate. The Company has not performed a quantitative goodwill impairment analysis in the time period since January 1, 2022. Even if Eversource Energy had performed the quantitative analysis, it is focused on determining whether a write-down of the asset is needed, which is not an exercise that is rationally or reasonably applied to utility operations.