Date Filed: October 28, 2026

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

Question:

(PAYROLL EXPENSE) Application, Sch. WP C-3.5; Interrog. Resp. OCC-330, Att. 1, Interrog. Resp. OCC-332, Att. 4, and Interrog. Resp. OCC-336, Att. 1. Regarding the proportion of labor and labor-related cost charged to operating expense rather than to capital:

a. Provide an exhibit that shows the derivation of the Test Year expense ratio of 36.51% applied to CL&P base salaries of $176,313,000 and of the ratio of 71.36% applied to the Eversource Energy Service Company (EESCO) portion of base salaries of $84,078,000, including each step that Attachment 4 of the response to Interrogatory OCC-332 does not show. Identify the source data, the related period and the population of employees.
b. Provide an exhibit that shows the capitalized proportion applied to each category of labor and labor-related cost for the Test Year, the Test Year pro forma and the Rate Year. Show CL&P and EESCO separately. Include base payroll, overtime, premium pay, variable compensation, each employee benefit program, EESCO capital funding, and payroll taxes.
c. The response to OCC-330 states that the Rate Year capital and expense percentages used to develop Schedule C-3.5 are the Test Year percentages.
   (i)Reconcile that treatment to the percentages used in Schedules C-3.6, C-3.11 and C-3.12, including the operating and maintenance rates of 47.64% for CL&P healthcare and 71.93% for EESCO healthcare against the payroll expense ratios of 36.51% and 71.36%.
   (ii)State the basis for each reduction of a capitalized proportion below its Test Year level for the same employee population, including EESCO variable compensation from 57.07% to 28.63% in Schedule WP C-3.6, EESCO capital funding from 19.73% to 13.28% in Schedule WP C-3.11, EESCO pension and post-employment benefits from 41.7% to 28.1% in Attachment 1, of the response to Interrogatory OCC-336, and Attachment 1, of the response to Interrogatory OCC-338, and EESCO 401(k) from 39% to 28% in Attachment 1, of the response to Interrogatory OCC-302.
d. Provide each revision made since January 1, 2021, to Accounting Policy Statement No. 8, Capital Versus Expense Criteria, produced as Attachment 1 of the response to Interrogatory OCC-134, and state the effective date of each.
e. Provide an exhibit that provides separately for Schedules C-3.5, C-3.6, C-3.11 and C-3.12, the Rate Year expense that results from applying the Test Year capitalized proportion to each employee population, and the difference from the amount filed.

Response:

a. Please refer to Table 1 below for the calculation of the Test Year expense ratios. The source data is the Company's General Ledger and is based on the actual expense ratio in the Test Year (2025) that reflects the payroll expense for CL&P Distribution business.

Table 1

Lines		Reference	EESCO	CL&P
1				
2	Straight Labor O&M ($)		$ 46,903,250	$ 49,393,066
3	Straight Labor Capital/Other ($)		18,826,457	85,882,017
4	Total Straight Labor ($)		$ 65,729,708	$ 135,275,083
5				
6			EESCO	CL&P
7	Straight Labor O&M (%)	Line 2 / Line 4	71.36%	36.51%
8	Straight Labor Capital/Other (%)	Line 3 / Line 4	28.64%	63.49%
9	Total Straight Labor (%)	Line 7 + Lin 8	100.00%	100.00%

b. Please refer to RRU-044, Attachment 1, for an exhibit showing the capitalized portion for the selected cost items. For payroll expense, the Service Company employees charge their time to multiple operating companies throughout the year, and therefore the Company takes the total Service Company salaries and allocates those costs to CL&P by each Source Cost Center ("SCC"). The allocated labor by SCC is further split between O&M and capital, where the capital portion is removed from the payroll expense. Please also see the Company's response to OCC-332 for a detailed description of the Company's calculation of payroll expense included in the cost of service and Attachments 2 through 7 of this response for the calculation of the expense portion of each of the requested schedules.

c. The Company's Schedule C-3.5, and Schedule C-3.6, are aligned using the payroll capital and expense percentages; and Schedule C-3.11, and Schedule C-3.12 are aligned using the non-payroll capital and expense percentages. The difference in the calculated expense ratios is a function of the costs categories that are subject to capital and expense percentages.

The schedules listed below are calculated using the same Test Year Pro Forma and Rate Year capitalization percentages. The supporting calculation of 52.36% capitalization (47.64% O&M) for CL&P Direct and 28.07% capitalization (71.93% O&M) for EESCO Allocated charges can be found in the Company's response to RRU-015, Attachment 1, Page 2. Please note, not all costs are subject to capitalization, and therefore the overall capitalization percentage for the schedule may not align.

- Schedule C-3.11, ESC Capital Funding
- Schedule C-3.12 Employee Benefits
- Schedule C-3.19, Insurance
- Schedule C-3.25, Rent Expense
- Schedule C-3.35, ESC Depreciation
- Schedule C-3.38, Payroll Tax

Please refer to RRU-044, Attachments 2, through 7, for the supporting calculation of each of the identified schedules which also confirm the use of the same capitalization rates in the Rate Year for all schedules.

d. Please refer to EOE-060, Attachment 3, for the most recent Accounting Policy Statement No. 8. There have not been any updates since 2021.

e. The Company disagrees with the position described in this interrogatory question. The capitalization portion in the Test Year represents the actual capitalization accrued in 2025, and to account for the actual 2025 capitalization in subsequent periods does not reflect a representative level of expenses in the Rate Year.