Date Filed: November 03, 2026

Witness: Rima Hyder and Matthew P. Fallon
Request from: Public Utilities Regulatory Authority

Question:

(FINANCIAL) Describe the Company's financial position for the years ended December 31, 2023, December 31, 2024, and December 31, 2025.

Response:

The Company's financial position over the years ended December 31, 2023, 2024 and 2025 remained viable, although weakening over time due to the need for substantial and continuing capital resources to fund base levels of investment, pay for storm response and withstand large differences in the timing of recovery through the respective reconciling rate mechanisms. Annual results improved in 2025 from a cash-flow perspective due to PURA's decision to allow recovery of the RAM deferrals, but the three years are economically connected. Over these three years, significant cash requirements and regulatory under-recoveries in 2023 and 2024 required financing before a meaningful portion of those amounts could be recovered through cash flow in 2025.

2023: As of December 31, 2023, CL&P reported approximately $15.850 billion of total assets, $4.814 billion of long-term debt and $6.091 billion of common stockholder's equity. CL&P earned approximately $518.7 million of net income in 2023. CL&P's cash-flow position, however, weakened materially in 2023. Cash flow provided by operating activities was approximately $449.6 million, compared with approximately $869.6 million in 2022. The decline was driven primarily by regulatory under-recoveries and the timing of collections, including the reduction of the non-bypassable FMCC retail rate, which decreased CL&P's regulatory over-recovery balance and created an under-recovery balance. CL&P also continued to make necessary system investments and issued $800 million of long-term debt during 2023, while retiring $400 million. Thus, although the Company remained profitable and maintained substantial equity capitalization, its year-end financial position reflected significant cash pressures necessitated by system investment, storm restoration and regulatory timing differences.

2024: During 2024, CL&P's net income remained relatively flat at approximately $512.6 million, compared with $518.7 million in 2023; operating income increased from approximately $821.4 million to $860.5 million, while interest expense increased from approximately $193.4 million to $231.0 million. Long-term debt increased from approximately $4.814 billion on December 31, 2023 to approximately $5.108 billion on December 31, 2024. CL&P issued $650 million of first mortgage bonds during the year and retired approximately $139.8 million of debt. Operating cash flow improved to approximately $683.4 million, but investment in property, plant and equipment

was approximately $978.5 million. Together with other cash requirements, this resulted in continued reliance on financing, including long-term debt and a $300 million capital contribution from Eversource Parent. Accordingly, 2024 reflected some improvement from the particularly weak cash-flow conditions experienced in 2023, but system-investment requirements, storm costs and regulatory timing differences continued to place demands on the Company's financial resources.

2025: The Company's annual financial results improved more substantially in 2025. CL&P reported net income of approximately $551.3 million, compared with $518.7 million in 2023 and $512.6 million in 2024, while operating income increased to approximately $870.7 million. Long-term debt remained essentially unchanged at approximately $5.110 billion on December 31, 2025, compared with approximately $5.108 billion on December 31, 2024. During 2025, CL&P issued $400 million of first mortgage bonds and retired its $400 million 2020 Series A bonds. Most significantly, net cash provided by operating activities increased from approximately $683 million in 2024 to approximately $1.675 billion in 2025.

The improvement in net cash provided by operating activities materially strengthened the Company's financial position during 2025, *as compared to the proceeding periods,* without raising the Company to a more suitable level on an ongoing basis. The improvement reflected, among other factors, approximately $321 million of lower cash payments to storm vendors, approximately $113 million of higher collections through the System Benefits Charge mechanism, approximately $108 million of State of Connecticut bond proceeds reimbursing previously incurred hardship and electric-vehicle charging-program costs, and favorable working-capital timing. Thus, significant components of the improvement represented either recovery or reimbursement of costs previously incurred or a reduction in expenditures relative to 2024, rather than an equivalent increase in recurring cash-generating capacity.

Viewed together, the three years show material improvement in the Company's reported cash-flow position, primarily occurring as a result of regulatory decisions that allowed the Company to recoup a portion of the substantial costs it had incurred and deferred for customers in previous years. The Company remained profitable throughout the period and continued to obtain the debt and equity capital necessary to finance its requirements. At the same time, the substantial movement in operating cash flow across the period, from approximately $450 million in 2023 to $683 million in 2024 and $1.675 billion in 2025, demonstrates why the Company's financial position cannot be evaluated solely from a single year's cash flow. The stronger 2025 result was financially meaningful, but considered together with the funding requirements that preceded it, primarily demonstrates the financial importance of timely recovery of the Company's costs and continued access to capital.