Date Filed: October 09, 2026

Witness: Jessica B. Cain
Request from: Office of Education, Outreach, and Enforcement

Question:

(MEDICAL AND FINANCIAL HARDSHIP DOCUMENATION) Provide all Company policies and procedures regarding the length of time (timeline) between a customer or physician submitting their medical protection and financial hardship verification documentation and when the customer's account is coded? If the Company does not have a written policy, please explain why.

Response:

For processing proof of financial hardship, please refer to EOE-330, Attachment 1, for Joint 03_HowItWorks_Financial Hardship filed annually for PURA and key stakeholder input and PURA approval and most recently in Docket No. 26-05-01[1]. Generally, for proof sent directly to the Company, the Company aims to process proof of financial hardship documentation within a few business days. During peak times of year (at the beginning and end of the 6-month annual "Winter Protection" period), volumes of documents received increase significantly and have varied with other changes occurring in recent years, including the introduction of the monthly automated-identification of financial hardship customers through data-matching. During these peak times, if the volume received exceeds the capacity of the resources processing the proof, the Company has and may leverage additional employees to assist in processing.

For medical certifications, a registered physician, advanced practice registered nurse, or physician's assistant (together, "medical professionals") can certify the customer's illness directly and in real-time through the Company's Medical Portal on-line. The vast majority of medical certifications are submitted through the Company's Medical Portal online. Certification via the Medical Portal updates customers' accounts in real-time in the Company's customer information system. Alternatively, medical professionals can choose to submit their certifications by mailing via U.S.P.S mail. Upon receipt, and consistent with the processing goals of proof of financial hardship, the Company also aims to process these within 2 business days.

To help clarify questions related to "policies", please refer to Exhibit CLP-CUSTOMER-1, at 46, which defines a policy[i]. In this, and related questions which seek "policies", the Company interprets the intent of the questions to seek insight into the process and/or goals versus policy.

[1] Refer to the Company's Motion 7 filing on June 1, 2026, in Docket No. 26-05-01, Annual Review of Affordability Programs and Protections.

[i] Exhibit CLP-CUSTOMER-1, page 46 states the following:

What is the definition of a "policy?"

The list below identifies the parameters of a policy:

- Set the goal.
- Show the why.
- Establish a deliberate system of guidelines to guide decisions.
- Broad and general applicability.
- Allow for flexibility.
- Standards that apply across time.

Date Filed: October 09, 2026

Witness: Jessica B. Cain and Timothy W. McGrath
Request from: Office of Education, Outreach, and Enforcement

Question:

(MEDICAL AND FINANCIAL HARDSHIP DOCUMENATION) Does the Company track the length of time between its receipt of a customer's required financial hardship verification and medical protection certification documentation and the placement of the applicable hardship and medical protection designation on the customer's account? Provide these statistics by month for January 2020 through December 2025. If the Company is unable to provide these statistics, please explain why.

Response:

For financial hardship documents submitted[1] directly and solely to Eversource, the Company began tracking the processing time between receipt of customer-submitted documentation and application of the financial hardship designation in 2025. The average processing time by month for 2025 financial hardship documentation is provided in the table below.

Month	Avg. Business Days to Process
Jan	1
Feb	1
Mar	2
Apr	1.5
May	1
Jun	1
Jul	1
Aug	1
Sep	1
Oct	1
Nov	1
Dec	1

[1] Verified financial hardship is also received and processed electronically through a monthly data-matching with the Department of Social Services and in real-time by Community Action Agencies through the Company's Social Agency Portal.

For medical certifications, please refer to the Company's response to EOE-346[i].

Prior Referenced Response:

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[i] EOE-346 Question:
What is the process for same day reconnections when a customer submits medical protection documentation? Is that process different for customers who receive medical protection hold on their account? If yes, please explain how.

EOE-346 Response:
Generally, a "same day reconnect" customer request is treated and responded to differently than a certified or initial claim of a medical life-threatening or serious illness condition. The Company's medical condition responses are treated like an outage response, as described below. The medical condition responses have been long-standing practices that existed well before the Company proposed (and received PURA approval to create) the 'same-day reconnection' option for non-medical customers in the Docket No. 14-05-06, *Application of Connecticut Light and Power Company to Amend Rate Schedules*.

Please refer to the following Customer Service Policies provided in the initial July 14, 2026, filing:

- 360.3 *Serious Illness / Life-Threatening Condition*[i]
- 430.3 *Winter Protection*[i]

When a customer has been disconnected for non-payment and a new medical certification from an authorized medical professional[i] has been provided for a customer that same day, the Company must be *notified*[i] (through a call from the customer) so it can create a reconnection order that same day:

- *Year-round*, for customers with a newly certified *life-threatening* medical condition, the Company will dispatch a technician to restore power as soon as possible and around-the-clock. This process is treated like an outage response versus a standard 'same-day' reconnect request.
- *During* the winter moratorium, for customers who have been newly certified with a *serious illness* medical condition, dispatch a technician to restore power as soon as possible and around-the-clock, like an outage response.
- *Outside* of the winter moratorium, for customers who have been newly certified with a *serious illness* who have been disconnected for non-payment must fulfill the reconnection requirements, which are described in Attachment 1[i], as filed and PURA-approved most recently in Docket No. 25-06-01.

Similarly, when a customer has been disconnected for non-payment and the customer makes an *initial claim* for medical protection, the Company will dispatch a technician to restore power as soon as possible and around-the-clock, like an outage response.

Date Filed: October 09, 2026

Witness: Jessica B. Cain
Request from: Office of Education, Outreach, and Enforcement

Question:

(MEDICAL AND FINANCIAL HARDSHIP DOCUMENTATION) If a customer's account has not received the appropriate designation within the Company's standard timeframe identified in response to EOE-330 after receipt of the required verification documentation, what steps does the Company take to remedy this situation?

a. Does this process differ if a customer is already terminated during that delay caused by the Company? If so, please provide the applicable policy or procedure.

Response:

After the Company receives the required verification documentation, if a customer's account isn't provided with the appropriate financial hardship or medical certification designation within the Company's target processing timeframe, the Company conducts a review of the account to determine whether the delay resulted in any adverse customer impact. If the Company determines that a customer may have been adversely affected due to a delayed designation, it will consider each account to take customer service recovery actions, which may include:

- cancel-rebilling to provide the low-income discount rate retroactively back to the period the required documentation was submitted;
- suspending any ineligible collection activity and/or;
- contacting the customer to explain the situation, discuss options and any necessary next steps.

a. Yes. If the review determines that a customer was disconnected during a period of delayed processing and their service should been protected during that period due to a verified financial hardship or medical certification status, the Company will treat the disconnection as an error. On a case-by-case basis, each situation would be evaluated, and the Company may take the following customer service recovery actions:
   - contact the customer promptly to apologize;
   - reconnect service as soon as possible;
   - reverse any reconnect fees, if charged and/or;
   - provide a goodwill credit.

Date Filed: October 14, 2026

Witness: Jared A. Lawrence
Request from: Office of Education, Outreach, and Enforcement

Question:

(INFORMATION TECHNOLOGY) Does the Company track the number and topic of the IT-related complaints received from customers through its customer service department?

a. If so, provide this the number of complaints received by topic, if able, for each month of the Test Year and how they were reported (i.e., chat, phone call, email, etc.).
b. If not, please explain why.

Response:

The Company does not currently classify or track customer contacts through its customer service department in the manner requested by this interrogatory. Accordingly, for purposes of this response, the Company is providing information regarding IT-related complaints that are readily available through its formal complaint channels, specifically its Executive Complaint and Regulatory Complaint processes.

Through these processes, the Company tracks IT-related complaints received from customers. During the 2025 Test Year, one (1) IT-related complaint was received through the Executive Complaint process. The complaint involved a system issue that prevented an account from being closed. The complaint was received in October 2025 and was submitted via email.

Additionally, during the 2025 Test Year, the Company received two (2) IT-related complaints through the Regulatory Complaint process. The first involved a customer experiencing difficulty accessing the Company's EV Energy application, which prevented the customer from utilizing the tool. This complaint was received in June 2025 and was submitted via email. The second involved an AutoPay issue associated with a system upgrade. This complaint was received in July 2025 and was submitted via email.

Because the Company does not currently classify customer service contacts by "IT-related complaint" category, it cannot readily identify and report all customer service contacts responsive to this interrogatory. The Company is undertaking additional analysis to identify customer service contacts that may be responsive to the request and will provide a supplemental response, including any additional available information regarding volume, topic, and reporting channel, as soon as that analysis is completed.

Date Filed: October 14, 2026

Witness: Jared A. Lawrence
Request from: Office of Education, Outreach, and Enforcement

Question:

(INFORMATION TECHNOLOGY) Does the Company maintain a record of IT-related complaints from one customer over a long span of time and IT-related complaints from multiple customers regarding the same issue?

a. Please provide all policies and procedures regarding the Company's record of these types of complaints.
b. If the Company treats these complaints differently, please explain those differences and explain why the Company's policy is different.
c. If the Company does not maintain a record of long-term and multi-customer IT complaints, please explain why.

Response:

The Company maintains records of complaints received through its Executive Complaint and Regulatory Affairs Complaint processes. For purposes of this response, the Company has reviewed those formal complaint channels, which constitute the Company's complaint records. While the Company also maintains records of customer service contacts, it does not classify or track those contacts based on whether they are IT-related, involve repeat concerns raised by a single customer over an extended period, or involve the same issue reported by multiple customers.

Complaints received through the Executive Complaint and Regulatory Affairs Complaint processes are investigated and resolved through collaboration with the appropriate business partners and stakeholders across the organization, with a target resolution timeframe of five (5) business days.

a. The Company does not maintain policies or procedures specific to IT-related complaints, long-term complaints from a single customer, or complaints involving the same issue reported by multiple customers. Such matters are handled pursuant to the Company's standard Executive Complaint and Regulatory Affairs Complaint processes.

b. The Company does not treat these complaints differently. All complaints received through the Executive Complaint and Regulatory Affairs Complaint processes are subject to the same review, investigation, escalation, and resolution processes, regardless of the subject matter of the complaint or the number of customers involved.

c. Although the Company maintains records of customer service contacts and formal complaints, it does not categorize or track those records according to the classifications requested in this interrogatory. The Company's complaint processes are designed to identify, investigate, escalate, and resolve customer concerns regardless of the subject matter of the complaint. As a result, the Company does not maintain separate records for IT-related complaints from a single customer over an extended period or IT-related complaints involving the same issue reported by multiple customers.

Date Filed: October 14, 2026

Witness: Jared A. Lawrence
Request from: Office of Education, Outreach, and Enforcement

Question:

(INFORMATION TECHNOLOGY) Please explain how the Company escalates IT-related customer complaints to its IT department. Provide all applicable internal protocols and written procedures.

Response:

When the Company becomes aware of an IT related customer complaint, an IT ticket is opened after which it is routed to the appropriate IT team.

Please refer to EOE-335, Attachment 1 CONFIDENTIAL, for a job aid outlining the steps to enter an IT ticket.

Date Filed: October 14, 2026

Witness: Jared A. Lawrence and Christopher Leigh
Request from: Office of Education, Outreach, and Enforcement

Question:

(INFORMATION TECHNOLOGY) How does the Company inform customers about a widespread IT issue that may impact multiple customers?

Response:

Appropriate communications for an IT issue are determined based on situation-specific details and impacts. However, the Company may inform customers about an actively occurring widespread IT issue through messaging via self-service channels, such as an informational banner on eversource.com or an upfront IVR message when there are large scale system impacts. The messages may inform customers that a system or tool is unavailable, advises when they can return to try again, and directs them to channel(s) that remain available.

Date Filed: October 14, 2026

Witness: Jared A. Lawrence
Request from: Office of Education, Outreach, and Enforcement

Question:

(INFORMATION TECHNOLOGY) Is there a certain criterion that an IT issue must meet to be communicated to a large group of customers? If so, provide the criteria.

a. Is there a threshold number of customer reports, contacts, or occurrences after which the Company classifies an issue as a broader IT issue? If so, identify that threshold and explain how it is applied. Please explain the process from identifying an IT issue to customer notification. Provide all related policies and procedures outlining this process and associated metrics.

Response:

Information Technology's Service Management Office (SMO) follows a framework called ITIL (also known as Information Technology Infrastructure Library). ITIL comes with a set of standard industry practices for information technology (IT) activities such as service management and is responsible for governing processes that define internal incident definitions and responses. The ITIL process is intended for internal use and is not intended to be used in the process of determining external communications.

The process of identifying a problem starts with an employee creating a ticket which the IT Help Desk reviews. If the analyst at the IT Help Desk cannot resolve the issue, it is routed to a team who has the skills to resolve it.

The Service Desk will raise the criticality level of an incident when multiple reports of the same issue are being opened by employees. Broad criteria have been established for incident categorization which also drive incident response using a combination of the urgency of an incident (how quickly the business needs a resolution) and the level of impact it is causing.

A range of criticality levels from the highest P1 (large scale system outages affecting a business area) to the lowest P5 (ex: how-tos, employee password resets) require different responses. Incidents with the highest urgency and impact are considered P1s and are considered critical incidents. In those cases, once declared critical, within 15 mins, a Major Incident Manager is assigned to lead the activities required to address the incident and communicating the status to IT Leadership who will then engage with their business partners to lead any customer related communications necessary until the issue is resolved.

Generally, an incident qualifies for a Major Incident in the following cases:

a. Severe functionality loss;
b. Enterprise-wide incident or an incident affecting a group of users, an entire department or an area work center unable to perform their job function;
c. Large workgroup unable to perform critical job functions (ex. Customer Service);
d. Affects an Operationally Critical Application (OCA) or Operation Centers (Refer Appendix) or affects a Critical Infrastructure Protection (CIP) system
e. Storm Critical applications

When a widespread IT issue has been identified in the self-service channels on eversource.com , in the IVR, and/or in the mobile application, the Company communicates with customers through messaging in the impacted channel(s), such as with an informational banner or upfront message. Such messaging informs the customer the application is unavailable, advises when they can return to try again, and directs them to the channel(s) that remain available.

When the issue impacts a system that is used by a customer service representative ("CSR"), CSRs move to business continuity procedures to minimize impacts to customer service. If the issue impacts customer experience, CSRs would acknowledge the issue and advise alternative actions to achieve the customer's desired outcome.

Once the IT issue has been resolved, regardless of whether it impacted self-service or CSRs, the Company will assess the impact of the issue. In the event it is found that there was a negative impact to customers which requires remediation, the Company will communicate directly with the impacted customers via letter, email, or a phone call to advise the customer of the issue and the action and timeline for remediation.

Date Filed: October 14, 2026

Witness: Jared A. Lawrence
Request from: Office of Education, Outreach, and Enforcement

Question:

(INFORMATION TECHNOLOGY) If a customer contacts the Company to report the same IT-related issue on several occasions, how is this handled?

Response:

If a customer contacts the Company through a customer service channel, including the Contact Center, written correspondence, or social media, to report an IT-related issue affecting customer-facing systems (including but not limited to Eversource.com, Speedpay, the IVR system, or other customer-facing technologies) that has been previously reported, the Contact Center Representative ("CSR") will review all available account notes and records and verify any updates related to the issue.

The CSR will also review the status of any existing IT tickets and, if warranted, submit a new IT ticket documenting any additional information provided by the customer. When repeated reports indicate that the issue remains unresolved, the CSR will engage their supervisor to determine the appropriate path forward and ensure the matter receives further review.

Upon notification of the issue, the supervisor will engage the appropriate IT personnel to assess whether the matter is customer-specific or indicative of a larger service disruption. The IT analyst will review the reported issue, conduct the necessary investigation, and take steps to resolve the identified problem.

Date Filed: October 15, 2026

Witness: Jared A. Lawrence
Request from: Office of Education, Outreach, and Enforcement

Question:

(INFORMATION TECHNOLOGY) Who determines if an IT-related customer complaint should be escalated to IT for further review or intervention?

a. Provide the job title and description of the position for the person(s) responsible for this determination.
b. Provide all training materials and internal policies provided to this employee(s) pertaining to this determination.

Response:

The determination of whether a customer-related complaint should be sent to IT for further review may be carried out by a variety of different individuals depending on the level of expertise required:

1. IT Supervisor – Provides day to day production oversight to teams of developers and analysts.

2. IT Manager – Overseas a particular collection of application support teams.

3. Analyst – May serves as a subject matter expert on detailed functionality of a system or act on behalf of the business to prioritize the team's work.

There are no training materials or internal policies for this.

Date Filed: October 14, 2026

Witness: Jared A. Lawrence
Request from: Office of Education, Outreach, and Enforcement

Question:

(INFORMATION TECHNOLOGY) When an issue is flagged by a CSR (or determining employee) regarding a customer who contacted them, what is the process for the handoff to IT?

a. Provide the job title and description of the position for the person(s) responsible for receiving this information.
b. Provide all training materials and internal policies provided to this employee(s) pertaining to this handoff.
c. Identify scenarios in which an issue would be handed off to IT that was previously identified by a customer.

Response:

When an issue is reported to a Customer Service Representative ("CSR"), the CSR contacts a supervisor. The supervisor may reach out to IT to report the finding. In turn, IT will share their knowledge of the report and advise whether an IT ticket is needed.

a. Once a Contact Center Supervisor has reviewed the issue with the CSR to rule out a business process or training issue, the supervisor may reach out to an IT Analyst to confirm the issue has not already been reported. At that time, an IT Analyst may request that an IT ticket be generated to track the item for investigation by IT Developers.

b. Instructions to generate IT tickets are outlined in the Company's knowledgebase under the title, *IT Connect Tickets General Information*. Please refer to EOE-335, Attachment 1 CONFIDENTIAL, for a copy of this job aid.

c. The IT Ticket process is intended for the management of system incidents and requests. Typical issues which would be reported to IT would include, but not be limited to, multiple reports of issues using eversource.com, reporting an outage, or making a payment.

Date Filed: October 09, 2026

Witness: Jared A. Lawrence and Timothy W. McGrath
Request from: Office of Education, Outreach, and Enforcement

Question:

(INFORMATION TECHNOLOGY) When a customer contacts the Company to report an issue regarding their service address, how does the Company resolve this issue? For example, if a customer contacts the Company to report an outage and is unable because their service address is recorded incorrectly. If the customer later contacts the Company about this issue, how does the Company proceed in resolving the discrepancy?

a. Is there an internal process that flags possible incorrect address?

Response:

Contact Center Representatives ("CSRs") will create an Outage or Non-Outage ticket if the exact address is not known by selecting the nearest address based off the information the customer is providing.

When the precise location is unknown, CSRs will search for the address closest to the reported condition and create the appropriate Outage or Non-Outage ticket. All relevant details provided by the customer are documented on the ticket, including the reported address, and **"**Random Address" is selected.

If a customer advises that their address differs from the address reflected in Eversource's Customer Information System, the CSR will verify the address using the local assessor's database. If additional documentation is required to validate the address, the CSR will request that the customer provide supporting information for verification.

Once the necessary information has been received, the CSR will submit a request to the Billing team to review the documentation, verify the address, and update the customer's address in Eversource's Customer Information System, as appropriate.

a. Beyond the above, Eversource does not have an internal process that flags possible incorrect addresses.

Date Filed: October 09, 2026

Witness: Jessica B. Cain and Daniel M. Traynor
Request from: Office of Education, Outreach, and Enforcement

Question:

(CREDIT AND COLLECTIONS) How does the Company determine what accounts are sent to a collection agency?

a. Is there a certain threshold in arrearages that an account must reach before it is sent to collections?
b. Is there a maximum length of time that an account remains past due that would trigger an account to be sent to collections?
c. Does the Company have internal policies that pertain to collections? If so, provide those.

Response:

a. Accounts are referred to a third-party collection agency when a final bill remains unpaid for at least 35 days and the outstanding balance is $5.00 or greater. Once referred, unpaid accounts may remain with the collection agency through the applicable statute of limitations period.

b. Please refer to the Company's response to subpart (a).

c. Yes. Please refer to EOE-342, Attachment 1, for the Company's "Determination of Collection Action", which is Customer Service Policy 210.3.

Date Filed: October 09, 2026

Witness: David S. Coco
Request from: Office of Education, Outreach, and Enforcement

Question:

(CREDIT AND COLLECTIONS) How does the Company's IVR system route calls from customers with outstanding account balances?

a. Does the IVR system automatically flag incoming calls from phone numbers associated with accounts that contain an arrearage and pass them through to Credit and Collections?
b. If the above is correct, if a customer with an arrearage is contacting the Company to report an outage, discuss account changes, or other related issues that do not pertain to Credit and Collections, how are they routed to the proper department within the IVR system?
    i. Is then the customer pushed back into the IVR loop once they get off the phone with the Credit and Collections department?

Response:

The company's IVR system collects essential information, including operating company, dialed number, customer intent, and identification details. This information is used to evaluate the customer's account status, including whether the account has an outstanding balance.

When a customer calls from a phone number associated with an account in arrears, the IVR first attempts to determine the caller's intent and then authenticate the caller. If the intent is to report an outage, the IVR will offer customers a self-service option to report their outage prior to connecting with an agent with the appropriate outage skills to address their outage-related needs. If a customer's intent is to discuss account changes, billing questions or other inquiries related to arrears, the caller will be routed to the Credit and Collections department only when both conditions are met: (1) the caller's intent is identified, and (2) the caller is successfully authenticated.

If the IVR cannot determine the customer's intent or the caller cannot be authenticated, routing is based on the phone number dialed rather than account status including arrears. For example, callers who dial the Credit line will be routed to a Credit skill, while callers who dial the Residential Customer Service line will be routed to the appropriate Residential skill, regardless of any arrearage associated with the calling phone number.

If a customer completes their interaction with Credit and Collections and requires additional assistance with a non-credit inquiry, the customer will be transferred directly to the appropriate

queue using skills-based routing. The customer is not returned to the beginning of the IVR menu.

Date Filed: October 13, 2026

Witness: Jessica B. Cain and Daniel M. Traynor
Request from: Office of Education, Outreach, and Enforcement

Question:

(CREDIT AND COLLECTIONS) Please explain how write-offs, uncollectibles, and sending accounts to collection agencies all interact with each other.

Response:

Uncollectibles represent amounts that Eversource does not expect to collect and are reflected through the Company's monthly uncollectible expense accrual and reserve process. Uncollectible expenses are recorded monthly and are based on several factors, including monthly accruals based on net write-off experience over a 12-month period, a quantitative and qualitative analysis of aged receivables and the uncollectible reserve, and certain collection-related costs.

A write-off occurs when a customer is no longer receiving service, and the final bill remains unpaid for 120 days after issuance. At that point, the unpaid balance is removed from accounts receivable and recorded as a write-off.

Inactive unpaid accounts may be referred to a third-party collection agency for continued recovery efforts. Collection agencies attempt to collect payment on balances that have been written off. Any payments subsequently received on previously written-off accounts reduce, or offset, gross write-offs and are reflected as recoveries in the calculation of net write-offs.

Date Filed: October 09, 2026

Witness: Jessica B. Cain and Timothy W. McGrath
Request from: Office of Education, Outreach, and Enforcement

Question:

(RECONNECTION) Provide all internal policies or procedures that pertain to same day reconnections.

Response:

Please refer to Exhibit CLP-REVREQ-2, Sch. H-2.0(F) at 51, for the Customer Service Policy 330.3, *Reinstatement of Service*, filed with the initial filing dated July 14, 2026.

Please refer to EOE-347, Attachment 1, and EOE-347, Attachment 2, for job aid materials provided to the Company's Customer Service Representatives ("CSRs") for same-day reconnection requests.

Please refer the Company's response to EOE-346[i] for reconnection responses for medical conditions.

Prior Referenced Response:

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[i] EOE-346 Question:
What is the process for same day reconnections when a customer submits medical protection documentation? Is that process different for customers who receive medical protection hold on their account? If yes, please explain how.

EOE-346 Response:
Generally, a "same day reconnect" customer request is treated and responded to differently than a certified or initial claim of a medical life-threatening or serious illness condition. The Company's medical condition responses are treated like an outage response, as described below. The medical condition responses have been long-standing practices that existed well before the Company proposed (and received PURA approval to create) the 'same-day reconnection' option for non-medical customers in the Docket No. 14-05-06, *Application of Connecticut Light and Power Company to Amend Rate Schedules*.

Please refer to the following Customer Service Policies provided in the initial July 14, 2026, filing:

- 360.3 *Serious Illness / Life-Threatening Condition*[i]
- 430.3 *Winter Protection*[i]

When a customer has been disconnected for non-payment and a new medical certification from an authorized medical professional[i] has been provided for a customer that same day, the Company must be *notified*[i] (through a call from the customer) so it can create a reconnection order that same day:

- *Year-round*, for customers with a newly certified *life-threatening* medical condition, the Company will dispatch a technician to restore power as soon as possible and around-the-clock. This process is treated like an outage response versus a standard 'same-day' reconnect request.
- *During* the winter moratorium, for customers who have been newly certified with a *serious illness* medical condition, dispatch a technician to restore power as soon as possible and around-the-clock, like an outage response.
- *Outside* of the winter moratorium, for customers who have been newly certified with a *serious illness* who have been disconnected for non-payment must fulfill the reconnection requirements, which are described in Attachment 1[i], as filed and PURA-approved most recently in Docket No. 25-06-01.

Similarly, when a customer has been disconnected for non-payment and the customer makes an *initial claim* for medical protection, the Company will dispatch a technician to restore power as soon as possible and around-the-clock, like an outage response.

Date Filed: October 09, 2026

Witness: Jessica B. Cain and Timothy W. McGrath
Request from: Office of Education, Outreach, and Enforcement

Question:

(RECONNECTION) What is the process for same day reconnections when a customer submits medical protection documentation? Is that process different for customers who receive medical protection hold on their account? If yes, please explain how.

Response:

Generally, a "same day reconnect" customer request is treated and responded to differently than a certified or initial claim of a medical life-threatening or serious illness condition. The Company's medical condition responses are treated like an outage response, as described below. The medical condition responses have been long-standing practices that existed well before the Company proposed (and received PURA approval to create) the 'same-day reconnection' option for non-medical customers in the Docket No. 14-05-06, *Application of Connecticut Light and Power Company to Amend Rate Schedules*.

Please refer to the following Customer Service Policies provided in the initial July 14, 2026, filing:

- Exhibit CLP-REVREQ-2, Sch. H-2.0(F) at 57, for 360.3 *Serious Illness / Life-Threatening Condition*
- Exhibit CLP-REVREQ-2, Sch. H-2.0(F) at 72, for 430.3 *Winter Protection*

When a customer has been disconnected for non-payment and a new medical certification from an authorized medical professional[1] has been provided for a customer that same day, the Company must be *notified*[2] (through a call from the customer) so it can create a reconnection order that same day:

- *Year-round*, for customers with a newly certified *life-threatening* medical condition, the Company will dispatch a technician to restore power as soon as possible and around-the-clock. This process is treated like an outage response versus a standard 'same-day' reconnect request.

[1] Medical professional refers to a registered physician, advanced practice registered nurse, or physician's assistant.

[2] There is no automated, real-time, reconnect order creation upon designation of a medical condition. Processing does occur automatically in the Company's customer information system nightly batch processing to void pending disconnections or create reconnection orders from those without power the prior day.

- *During* the winter moratorium, for customers who have been newly certified with a *serious illness* medical condition, dispatch a technician to restore power as soon as possible and around-the-clock, like an outage response.
- *Outside* of the winter moratorium, for customers who have been newly certified with a *serious illness* who have been disconnected for non-payment must fulfill the reconnection requirements, which are described in Attachment 1[3], as filed and PURA-approved most recently in Docket No. 25-06-01.

Similarly, when a customer has been disconnected for non-payment and the customer makes an *initial claim* for medical protection, the Company will dispatch a technician to restore power as soon as possible and around-the-clock, like an outage response.

[3] Filed annually in the Arrears Management Dockets as Joint 04_HowItWorks Payment Plan in recent years.

Date Filed: October 09, 2026

Witness: Timothy W. McGrath
Request from: Office of Education, Outreach, and Enforcement

Question:

(RECONNECTION) What is communicated to customers when they reach out to customer service for same day reconnections?

a. Are customers made aware that they pay a same day reconnection fee?
b. Identify the fees and what they are associated with.
c. Are customers made aware of any potential reasons for a delay after a same day reconnection is issued?
d. List reasons the Company may delay a same day reconnection.
e. What restrictions does the Company have in place when it comes to same day?
f. Is there a specific cut-off time for when same day reconnections are no longer available to the customer?
g. Are CSRs taught to offer same day reconnections if available?
h. If yes, provide the applicable scenarios and the training material provided to the CSRs on this topic.

Response:

When interacting with customers regarding the same-day reconnection option, Customer Service Representatives ("CSRs") are trained to provide all pertinent information related to the same-day reconnection order. This includes communicating any applicable fees, explaining when those fees will be applied, and advising customers that a same-day reconnection is not guaranteed.

The Company interprets the question to seek information about non-medical-related reconnection practices. The Company's reconnection response to medical conditions are different from the standard same-day reconnection. For example, the cutoff time does not apply, as described in the Company's response to EOE-346[i] and consistent with the Company's *Serious Illness / Life Threatening Condition*, Customer Service Policy 360.3.

a. Yes. CSRs make the customers aware of the same-day reconnection fee ($107) versus the next-day reconnection fee ($48) so they can make an informed decision.
    i. See item a. above.
b. CSRs advise all customers that same-day reconnection can't be guaranteed.
c. Potential reasons that could cause a delay would include an emergency response event, lack of meter access or an unsafe condition (*for example, back feed or damage to the meter box*).

d. Once customers have agreed to the minimum required payment to reconnect, the only restriction is how late in the day the same-day reconnect service can be offered.

    i. The cutoff time for the same-day reconnect option is noon[1] on business days (Monday through Friday).

e. CSRs are trained to offer reconnections for the next business day. If a customer asks for a same-day reconnection before the cutoff time, then the CSR will offer and share the costs described in item a.

    i. Please refer to EOE-347, Attachment 1, and EOE-347, Attachment 2, for training material provided to CSRs.

Prior Referenced Response:

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[i] EOE-346 Question:

(RECONNECTION) What is the process for same day reconnections when a customer submits medical protection documentation? Is that process different for customers who receive medical protection hold on their account? If yes, please explain how.

EOE-346 Response [foot and end notes omitted]:

Generally, a "same day reconnect" customer request is treated and responded to differently than a certified or initial claim of a medical life-threatening or serious illness condition. The Company's medical condition responses are treated like an outage response, as described below. The medical condition responses have been long-standing practices that existed well before the Company proposed (and received PURA approval to create) the 'same-day reconnection' option for non-medical customers in the Docket No. 14-05-06, *Application of Connecticut Light and Power Company to Amend Rate Schedules*.

Please refer to the following Customer Service Policies provided in the initial July 14, 2026, filing:

- 360.3 *Serious Illness / Life-Threatening Condition*[i]
- 430.3 *Winter Protection*[i]

When a customer has been disconnected for non-payment and a new medical certification from an authorized medical professional[i] has been provided for a customer that same day, the Company must be *notified*[i] (through a call from the customer) so it can create a reconnection order that same day:

- *Year-round*, for customers with a newly certified *life-threatening* medical condition, the Company will dispatch a technician to restore power as soon as possible and around-the-clock. This process is treated like an outage response versus a standard 'same-day' reconnect request.

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[1] In September 2025, the cutoff time was changed from 2:30pm to noon. The Company made the change to maintain our same-day reconnect commitments to customers while not requiring callouts and overtime at unsustainable levels, after the field resource day shift ends (typically 3:30pm) and extending well outside of normal business hours (ending at 6pm) when the Company's resources are focused on emergencies (including medical condition reconnections) and outage events as the priority.

- *During* the winter moratorium, for customers who have been newly certified with a *serious illness* medical condition, dispatch a technician to restore power as soon as possible and around-the-clock, like an outage response.
- *Outside* of the winter moratorium, for customers who have been newly certified with a *serious illness* who have been disconnected for non-payment must fulfill the reconnection requirements, which are described in Attachment 1[i], as filed and PURA-approved most recently in Docket No. 25-06-01.

Similarly, when a customer has been disconnected for non-payment and the customer makes an *initial claim* for medical protection, the Company will dispatch a technician to restore power as soon as possible and around-the-clock, like an outage response.

Date Filed: October 09, 2026

Witness: Jessica B. Cain and Timothy W. McGrath
Request from: Office of Education, Outreach, and Enforcement

Question:

(RECONNECTION) What is the Company's policy if the CSR offers a same day reconnection and the technician does not make the appointment to reconnect?

Response:

If the customer has been offered a same-day reconnect and the Company doesn't reconnect service same-day, the Company will contact the customer and notify them that they would not be charged the same-day reconnection fee.

Date Filed: October 09, 2026

Witness: Jessica B. Cain and Timothy W. McGrath
Request from: Office of Education, Outreach, and Enforcement

Question:

(RECONNECTION) If the customer pays a same day reconnection fee, are they moved higher up on the priority list for dispatch (i.e., above people who were scheduled prior to the date)?

a. How does the company triage same day reconnections versus reconnections scheduled a day or more prior?
b. Does a same day reconnection fee guarantee the customer will be reconnected that day?
   i. If not, is the customer refunded the same day reconnect fee?
   ii. If not automatically refunded, explain the circumstances under which the fee is retained when same-day reconnection is not completed.
c. Please explain how the Company confirms that a same day reconnection fee should be charged and the customer was reconnected on the same day as their request.

Response:

First, the Company provides PURA's rules on the payment required to be reconnected in EOE-349, Attachment 1, on page 4, which is also the Joint 04_HowitWorks_Payment Plans[1] describes how customers are not required to pay the reconnection fee to being reconnected. They will be charged the fee, and it will reflect on their next bill.

Customers who are offered a same day reconnect are not prioritized above customers who satisfied their reconnection requirements the day prior. The Company works to reconnect service within the next business day of for customers who make the minimum required payment to reconnect service, consistent with the Company's *Billing Rights for Connecticut Residential Customers*[2].

a. The Company first works the reconnections required to complete from customers who satisfied their reconnection requirements the business day prior. Same-day reconnections are worked after the scheduled work is completed and may require resources to work after the end of their regular shift.

b. Please refer to the first paragraph in this response. In addition:

   i. The same-day reconnection fee is *only* charged if the reconnection is completed same-day.

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[1] See the Company's June 1, 2026, Motion No. 7 in Docket No. 26-05-01: Annual Review of Affordability Programs and Offerings.

[2] See https://www.eversource.com/residential/account-billing/manage-bill/about-your-bill/billing-rights.

ii. If the reconnection is *not* completed on the same day, no same-day reconnection fee is charged.

c. The customer is *only* charged the same day reconnect fee when the reconnection has been completed the same day and this activity is recorded in the system.

Date Filed: October 09, 2026

Witness: Jessica B. Cain and Timothy W. McGrath
Request from: Office of Education, Outreach, and Enforcement

Question:

(RECONNECTION) Provide an unlocked Excel spreadsheet containing the following information for the 2025 test year:

a. The total number of same day reconnections offered to customers;
b. The total number of same day reconnections completed;
c. The total number of same day reconnections which were not completed; and
d. For each same day reconnection that was not completed, identify the reason it was not completed.

Response:

The table below provides the reconnection information requested for customer-requested[1], same-day reconnections, including those offered after the Company's 2:30pm daily cutoff time.

2025 Same Day Reconnection Information	Number	Percent
a. The total number offered to customers	7,709	-
b. The total number completed	7,696	99.8%
c. The total number not completed that day	13	0.2%
d. Of the 13 not completed that calendar day: • One (1) was due a human performance error in selecting the next-day versus same-day reconnection. • Twelve (12) were created for customers after the daily cutoff time[2] (with the caveat that the reconnection could not be guaranteed). In these cases, resources were not available in the area to perform the reconnection work that evening, when emergency work, outages and medical restorations takes priority.		

[1] This information doesn't include medical-related reconnections, which are treated differently (higher priority) and follow a different process, as reflected in the Company's response to EOE-346. Medical-related reconnections orders may also be referred to as 'same-day', but it's different from the discretionary option for customers to choose a same-day reconnection.

[2] After a number of the same-day reconnections were not completed that calendar day, the Company modified the daily same-day reconnection cutoff time from 2:30pm to noon to better ensure resource availability.

Date Filed: October 09, 2026

Witness: Jessica Cain
Request from: Office of Education, Outreach, and Enforcement

Question:

(RECONNECTION) Provide an unlocked Excel spreadsheet containing the following information for the 2025 test year:

a. Total number of reconnections completed;
b. Total number of reconnections appointments that were missed because of the Company;
c. Average length of time between reconnection appointment scheduled and reconnection being fulfilled;
d. The shortest length of wait time between reconnection appointment scheduled and reconnection being fulfilled;
e. The longest length of wait time between reconnection appointment scheduled and reconnection being fulfilled; and
i. Provide the rationale behind the wait time.

Response:

Please see the table below for the reconnection information requested.

2025 Reconnection Information Requested	**Number**
a. Total number of reconnections completed	21,875
b. Total number appointments that were missed because of the Company	N/A[1]
c. Average length of time between reconnection appointment scheduled and reconnection being fulfilled	N/A
d. The shortest length of wait time between reconnection appointment scheduled and reconnection being fulfilled	N/A
e. The longest length of wait time between reconnection appointment scheduled and reconnection being fulfilled	N/A
f. Provide the rationale behind the wait time	N/A

[1] To reconnect electric service the Company follows its *Billing Rights for Connecticut Residential Customers*, available at https://www.eversource.com/residential/account-billing/manage-bill/about-your-bill/billing-rights. Appointments are not made to reconnect service. The CL&P Terms and Conditions for Electric Service at Section 6E and Section 15 discuss the reconnection charge process. See CL&P Terms and Conditions for Electric Service available at: https://www.eversource.com/docs/default-source/rates-tariffs/delivery.pdf?sfvrsn=2

Date Filed: October 09, 2026

Witness: Jessica Cain
Request from: Office of Education, Outreach, and Enforcement

Question:

(TERMINATION) Please provide the following information for each month of the 2025 test year:
a. The number of customers whose service was terminated on a Friday;
b. The number of customers whose service was terminated on a holiday (other than a Friday or during the weekend);
c. The number of customers whose service was terminated the day before a holiday (other than a Friday or during the weekend); and
d. The number of customers whose service was terminated on a Saturday or Sunday.

Response:

Based on Regulations of Connecticut State Agencies Section 16-3-100 (b)(3)(N), the Company is prohibited in disconnecting service for non-payment on a Friday, holiday, day before a holiday or on a Saturday or Sunday.

a. There were no customers disconnected for non-payment on a Friday.
b. There were no customers disconnected for non-payment on a holiday.
c. There were no customers disconnected for non-payment on the day before a holiday.
d. There were no customers disconnected for non-payment on a Saturday or Sunday.

Date Filed: October 09, 2026

Witness: Jessica Cain
Request from: Office of Education, Outreach, and Enforcement

Question:

(TERMINATION) If a customer is terminated on Friday, the day before a holiday, or a holiday, how does the Company remedy the situation?

a. Does the Company have any internal policies or procedures to prevent this? If so, please provide them.
b. Is the customer expected to pay the reconnection fee when the Company incorrectly terminated their service?
c. If the Company terminates service, is there a process that may mark a reconnection as urgent and expedite the reconnection process?
d. Please provide any policies or procedures regarding this process.

Response:

If the Company performs a disconnection for non-payment in error, the Company would dispatch a reconnect as soon as possible (without a reconnection fee), attempt to contact the customer and provide the customer a goodwill credit.

a. The Company's customer information systems completely prevent disconnections for non-payment orders from being generated on dates that are not permitted. The systems are built to use schedule restrictions (i.e., avoiding Fridays, Saturdays, and Sundays), holidays restrictions and calendar dates to prevent disconnections for non-payment orders from being generated on days, dates and holidays that are not allowed.

b. No. The customer is not expected to pay a reconnection fee when the Company disconnected them in error.

c. If a customer is disconnected in error, the Company escalates the reconnection process through a live call to dispatch, who will treat as urgently as an outage event and dispatch the closest available resource as soon as possible to reconnect service.

    i. Please refer to Exhibit CLP-REVREQ-2, Sch. H-2.0(F) at 22, for the Company's Customer Service Policy 190.3, *Days on which Termination is Prohibited*, which was filed in the initial filing in July 2026. The procedure that avoids disconnections for non-payment from being generated on dates when it is not permitted is within the IT software code that prevents it from occurring.

Date Filed: October 09, 2026

Witness: Timothy W. McGrath
Request from: Office of Education, Outreach, and Enforcement

Question:

(CUSTOMER CALLS) Refer to the call labeled CL&P_8_12_25_Hour 7_Call 2 submitted in response to EOE-1.

a. The customer mentions a previous call with the Company. Provide a copy of this call.
b. Provide all notes taken by the CSR on the account associated with the previous call and the call referenced above.

Response:

The Company provides below details:

a. Please refer to EOE-354, Attachment 1 CONFIDENTIAL, for a recording of the previous call with the customer, dated July 15, 2025.

b. Please refer to EOE-354, Attachment 2 CONFIDENTIAL, for the notes on the aforementioned accounts.

Date Filed: October 09, 2026

Witness: Jared A. Lawrence
Request from: Office of Education, Outreach, and Enforcement

Question:

(OUTAGE REPORTS) How long from the time a customer reports an outage over the phone does it take for the reported outage to be included on the Company's outage map?

a. Does this differ if the customer reports the outage directly on the Company's website?

Response:

When a customer speaks with a Customer Service Representative ("CSR") over the phone to report a power outage, the information will appear on the outage map approximately 15 to 30 minutes later depending on the number of power outages the Company is experiencing at the time.

a. The time it takes for outages reported through the Company's website to appear on the outage map does differ from outages reported through a CSR. This also applies to outages reported through the other self-service channels; IVR, mobile app, and two-way text.

   When a customer reports an outage through the self-service channels, the outage will appear on the outage map approximately 25 to 40 minutes later.

   This difference in processing time is a result of the architecture of the self-service channels. The self-service reporting channels are designed to reduce impacts on system performance and maintain the reliability of outage-reporting functionality. These timeframes are approximate and may vary based on outage volume and system processing demands.

Date Filed: October 09, 2026

Witness: Jared A. Lawrence
Request from: Office of Education, Outreach, and Enforcement

Question:

(OUTAGE REPORTS) If a customer, using their established service address, is unable to report an outage because the map says their address does not exist how can the customer report their outage? Furthermore, please explain how the Company's outage map may not recognize an established service address.

Response:

The ability for a customer to be able to report their outage is not reliant on the address appearing in the map. The addresses that appear in the map are driven by Google Maps, while our outage reporting is driven by the information we have in our customers databases. If a customer's established service address is not recognized on the outage map, the customer can report the outage through any of our outage reporting channels.

Customers can navigate to the online outage reporting experience through the link at the top of the map. The customers can be logged in or not. When not logged in, the customer could search their account with the outage with their phone number. If logged in, the customer can report their outage through the associated account. They can also use the mobile app, two-way text messaging, or by calling the Company and reporting the outage through the IVR or a customer service representative. The ability to report an outage through these channels does not depend on the outage map recognizing the customer's address.

Google Maps determines the addresses to display in the map by combining official government geographic data, automated machine learning, aerial/street imagery, and user submissions. An established service address may not appear or be recognized on the outage map because Google Maps may not yet have incorporated that address due to new construction, recent address assignments, data-update timing, or other mapping-data limitations. Therefore, a service address may be valid in the Company's records but not recognized by the outage map.

Date Filed: October 13, 2026

Witness: Jessica B. Cain and Daniel M. Traynor
Request from: Office of Education, Outreach, and Enforcement

Question:

(PAYMENT ARRANGEMENTS) For the 2025 test year, provide an unlocked Excel spreadsheet containing the following statistics for residential customers:

a. Total number of residential customers enrolled in an 18-month payment arrangement;
b. The total arrearage for all the accounts enrolled;
c. The average monthly payment required for all enrolled;
d. The number of customers successfully completing the 18-month arrangement;
e. The number of customers completing the 18-month arrangement with additional arrearages accrued; and
f. The average additional arrearage accrued upon successful completion of the 18-month arrangement.

Response:

Please refer to EOE-357, Attachment 1, for the payment arrangement data requested for residential customers in 2025 test year.

Date Filed: October 14, 2026

Witness: Jessica B. Cain and Daniel M. Traynor
Request from: Office of Education, Outreach, and Enforcement

Question:

(PAYMENT ARRANGEMENTS) For each residential customer enrolled in an 18-month payment arrangement during the test year of 2025, provide an unlocked Excel spreadsheet containing the following statistics:

a. The month and year that arrangement began;
b. Whether the customer completed or failed off the arrangement;
c. The month and year the arrangement was completed or failed;
d. The monthly payment required;
e. The customer's total arrearage at the start of enrollment;
f. The customer's total arrearage at the time of completion or failure of the arrangement;
g. The total dollar amount paid by the customer during their enrollment in the arrangement; and
h. The customer's average monthly bill during their enrollment in the arrangement.

Response:

Please refer to EOE-358, Attachment 1, for the detailed payment arrangement data as requested for residential customers in 2025 test year.

Date Filed: October 15, 2026

Witness: Jessica B. Cain and Daniel M. Traynor
Request from: Office of Education, Outreach, and Enforcement

Question:

(ARREARAGES) Provide an unlocked Excel spreadsheet, without using customer-identifying information, with the following information for all non-residential customers who currently have an arrearage:

a. The account's service start date;
b. From 2023 through the Test Year of 2025, the delinquent balance (if any) associated with the account as of the December bill of each year;
c. Identify the account's current status (active or terminated);
d. From 2023 through the Test Year of 2025, the customer's average monthly bill for each respective year;
e. From 2023 through the Test Year of 2025, the total amount the customer was billed for each respective year;
f. From 2023 through the Test Year of 2025, the total amount the customer paid for each respective year;
g. If the account was ever eligible for termination, provide the rationale as to why the account remained active.
h. If the account was terminated, provide the length of the termination before the customer was reconnected.

Response:

Please refer to EOE-359, Attachment 1, for active non-residential customers who currently have an arrearage greater than or equal to $1,000 as of September 2026.

Date Filed: October 09, 2026

Witness: Jared A. Lawrence and Timothy W. McGrath
Request from: Office of Education, Outreach, and Enforcement

Question:

(NON-EXCLUSIVE USE) What is the process when a customer reports potential non-exclusive use to the Company?

Response:

If the customer of record calls to report potential non-exclusive use at their address, the Contact Center Representative ("CSR") will investigate the claim, asking the customer probing questions to assess whether the customer can reasonably demonstrate that they may be paying for electrical usage that is not exclusive to their unit. For example, the customer mentions the hallway, cellar, or porch lights went out when they checked their breaker.

Once the CSR confirms there is a potential non-exclusive use matter at the address, an investigation order is entered for a field technician to visit the location. The customer is advised that access to the main breaker will be required upon a visit to the location. The order is sent to the field to investigate the non-exclusive use.

The Company adheres to the following written documentation:

a. Customer Service Policy 280.3, *Landlord Responsibility for Utility Service* As provided in Exhibit CLP-REVREQ-2, Sch. H-2.0(F) at 41, of the Company's initial filing on July 14, 2026.
b. *Identifying Mixed Metering or Non-Exclusive Use C2*, please refer to EOE-360 Attachment 1.
c. *Create a Non-Exclusive Use Investigation CTE*, please refer to EOE-360 Attachment 2.

Date Filed: October 09, 2026

Witness: Jared A. Lawrence and Timothy W. McGrath
Request from: Office of Education, Outreach, and Enforcement

Question:

(NON-EXCLUSIVE USE) If a property owner receives a letter regarding non-exclusive use and remedies the situation, how does the company verify this?

Response:

If non-exclusive use is discovered, the owner has 10 days to correct the condition. If not corrected, service goes into the owner's name until corrected and verified by a licensed E1 Electrician.

Once the licensed E1 Electrician fixes the non-exclusive use, the Company requires an electrician certified letter to be sent to the Company indicating the issue has been rectified and the usage is now for the exclusive use of the tenant address.

Date Filed: October 09, 2026

Witness: Jared A. Lawrence and Timothy W. McGrath
Request from: Office of Education, Outreach, and Enforcement

Question:

(NON-EXCLUSIVE USE) Once a property owner remedies the non-exclusive use and the Company verifies the necessary work has been completed, what is the Company's policy if that same customer reports non-exclusive use again?

a. If this occurs more than twice, what is the Company's policy on next steps?
b. Provide all relevant Company policies and procedures, including any documentation provided to CSRs regarding how they should respond if a customer indicates that non-exclusive use is at issue.

Response:

Once the licensed E1 Electrician has corrected the non-exclusive use condition and provided a signed statement confirming that the issue has been resolved and that the electric service is for the exclusive use of the tenant, Eversource will consider the matter closed and will not investigate future non-exclusive use claims for the same tenant at the same service address.

At that point, any additional concerns regarding non-exclusive use should be addressed between the tenant and landlord, as it would be considered a tenant-landlord dispute.

If a new customer of record establishes service at the same address and subsequently reports a potential non-exclusive use issue, Eversource will investigate the claim, provided the customer can reasonably demonstrate that they may be paying for electrical usage that is not exclusive to their unit.

a. Customer Service Representatives are trained to follow the process outlined above.
b. The Company and CSRs adhere to the following written documentation:
    - Customer Service Policy 280.3, *Landlord Responsibility for Utility Service (non-exclusive use)*, provided in Exhibit CLP-REVREQ-2, Sch. H-2.0(F) at 41, of the initial filing dated July 14, 2026
    - *Identifying Mixed Metering or Non-Exclusive Use C2*, please refer to EOE-360, Attachment 1.
    - *Create a Non-Exclusive Use Investigation CTE*, please refer to EOE-360, Attachment 2.

Date Filed: October 09, 2026

Witness: Craig Dikeman and Matthew J. Correia
Request from: Office of Education, Outreach, and Enforcement

Question:

(COMPETITIVE BID ASSESSMENTS) Refer to Responses to EOE-162 and EOE-167. The Company's response to EOE-162 identified controls that monitor adherence to the Company's Delegation of Authority (DOA) policy. Additionally, the Company's response to EOE-167 referenced a 2025 RFP that was issued. Respond to the following:

a. Provide documentation demonstrating the contemporaneous review of the 2024 spend aggregation both detailing the aggregate Hartford Elevator LLC spending and the conclusions reached. If contemporaneous documentation doesn't exist, explain why.
b. Provide a copy of the referenced RFP and the corresponding results.
c. Explain why the Company did not pursue an RFP until 2025 when the vendor was used since at least 2021.

Response:

a. The Company engaged Hartford Elevator and other non-contracted suppliers on an as-needed because the incumbent supplier could not meet Company requirements, necessitating support for the safe and continued operation of its facilities. Through ongoing monitoring, Procurement identified that the spend was occurring through separate engagements and initiated the 2025 Request for Proposals process to consolidate the requirements. Personnel are not required to document and retain details on situations where they have identified these types of sourcing opportunities, because implementation of the RFP is the proper remedial action. The sourcing agent recalls the circumstances and has provided this explanation.

b. Please refer to EOE-363, Attachment 1 CONFIDENTIAL, for a copy of the RFP and corresponding results.

c. The Company utilized Hartford Elevator LLC only on an as-needed basis, when the incumbent supplier could not meet Company requirements. The purchase orders supported distinct facilities and facility supervisors, requiring separate accounting and invoice approvers. These engagements addressed immediate operational requirements and supported the safe and continued operation of the Company's facilities over several years.

Based on the sourcing agent's oversight and monitoring of these purchasing activities, the sourcing agent identified an opportunity to consolidate the requirements, which then occurred. The sourcing agent therefore initiated the 2025 competitive solicitation.

Date Filed: October 09, 2026

Witness: Lavelle A. Freeman and Elli Ntakou
Request from: Office of Education, Outreach, and Enforcement

Question:

(VEGETATION MANAGEMENT PROGRAM) Refer to Response to EOE-151. The interrogatory requested the Company to "provide the cost benefit analyses the Company performed for determining reliability projects for the 2025 Test Year"; however, no such BCA was provided.

a. Provide the 2024 Reliability Budget Optimization Tool (ReBOT) referenced in the response, along with the 2023 BCA.
b. Explain how the BCA was incorporated into the ReBOT and, if necessary, provide an exhibit demonstrating how the BCA inputs were used.

Response:

Please refer to EOE-364, Attachment 1, for details regarding the 2023 Benefit-Cost Analysis ("BCA") and an overview of the 2024 Reliability Budget Optimization Tool ("ReBOT") referenced in the Company's response to EOE-151[i].

The BCA was developed to evaluate the historical effectiveness of several reliability improvement strategies by analyzing the relationship between investment costs and observed reliability benefits. Specifically, the analysis examined more than $250 million of reliability investments completed between 2010 and 2020 and measured the resulting reliability impacts, including reductions in Customer Minutes Interrupted ("CMI") and Customers Interrupted ("CI"), by work type. The study produced estimates of the average reliability improvement and cost-effectiveness associated with each mitigation strategy.

The results of the BCA were subsequently incorporated into the ReBOT investment optimization model. ReBOT evaluates active outage zones, determines which mitigation strategies are applicable based on system configuration and operating characteristics, and applies the BCA-derived reliability improvement factors and cost assumptions to estimate the expected reliability benefits and cost-effectiveness of potential investments. For each outage zone, ReBOT calculates the anticipated reliability benefit associated with each applicable mitigation strategy and identifies the most cost-effective alternative. Recommended investments are then ranked across all programs based on estimated reliability benefit relative to cost and may be selected subject to budgetary constraints and reliability performance objectives.

Slides 16 through 23 illustrate how the BCA outputs are incorporated into ReBOT. As shown, historical outage and work management data were used in the BCA to develop cost and performance relationships by work type. These relationships, including estimated percentage reliability improvements and unit cost assumptions, serve as inputs to ReBOT and are applied to current outage zone performance data to estimate expected CMI reductions, project costs, and cost-effectiveness metrics. ReBOT then uses these calculations to prioritize investments and develop an optimized portfolio of reliability projects.

ReBOT is not a standalone application but rather a collection of SQL Server database tables, business rules, analytical calculations, and ETL (Extract, Transform, and Load) processes used to integrate and analyze outage, asset, and work management data. As such, the tool itself cannot reasonably be produced in response to this interrogatory. EOE-364, Attachment 2, provides a representative example of the most recent ReBOT output generated using the latest available system data.

The history of the BCA/ReBOT development Process is as follows:

- **December 2023**: Completion of the Benefit-Cost Analysis evaluating the historical effectiveness and cost-effectiveness of various reliability mitigation strategies.
- **January 2024 - October 2024**: Development of the ReBOT framework, including creation of database structures, analytical methodologies, and ETL processes necessary to address data quality, integration, and modeling challenges.
- **October 2024**: Preliminary recommendations were provided to Engineering for review and feasibility assessment, including evaluation of the top twenty device-level recommendations. Engineering feedback was subsequently incorporated into the model and prioritization logic.
- **2025 - June 2026**: Calibration and refinement period. Engineering feedback was continually incorporated to improve recommendation quality, increase the percentage of actionable recommendations, and enhance model performance. Additional analysis of the original BCA results was performed to normalize observed reliability impacts relative to overall Company reliability performance. ReBOT recommendations generated for the 2025 TripSaver program were used to support investment prioritization decisions.
- **June 2026**: First production-ready ReBOT output was used to develop proposed 2027 reliability work plans, including reconductoring projects, TripSaver installations, backbone sectionalizing projects, and radial recloser installations.

The Company has not included ReBOT outputs generated during 2024 because those results were produced during the initial development and testing phase of the tool and do not reflect subsequent model enhancements, calibration efforts, data quality improvements, and engineering feedback that were incorporated between 2025 and June 2026. During this period, the Company refined the underlying benefit assumptions, improved data integration processes, normalized historical

reliability results relative to overall Company performance, and incorporated engineering review of recommended investments to improve the quality and applicability of model outputs. Accordingly, the Company believes that the most recent 2026 ReBOT output, provided as EOE-364, Attachment 2, is the most representative and informative example of the tool's current functionality and investment prioritization methodology. Providing earlier developmental outputs could be misleading because they do not reflect the current model logic and capabilities used to support reliability investment planning.

Prior Referenced Response:

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[i] EOE-151 Question:

(VEGETATION MANAGEMENT PROGRAM) Refer to Exhibit CLP-ELP-1, p. 67. Please provide the cost benefit analyses the Company performed for determining reliability projects for the 2025 Test Year.

EOE-151 Response:

As part of compliance with Docket No. 17-12-03RE08, the Company performed the referenced Benefit-Cost Analysis ("BCA") in 2023 using historical reliability projects, their associated costs, and their observed impact on SAIDI and SAIFI.

In 2024, the BCA results were incorporated into the Reliability Budget Optimization Tool ("ReBOT"). ReBOT uses the BCA results as a baseline to determine the cost-optimal reliability mitigation measure for each zone. It first creates a list of zones eligible for reliability mitigation by evaluating historical outage performance at the individual-zone level. The tool then estimates the potential reduction in customer interruptions and customer minutes of interruption associated with various eligible remediation alternatives. The estimated reliability benefit of each alternative is then evaluated relative to its estimated project cost using $/SAIDI or SAIFI per unit reduction as the metric to determine the most cost-effective mitigation measure. This process identifies and prioritizes potential device deployments and other remediation alternatives that are expected to provide the greatest reliability improvement in a cost-effective manner.

The initial ReBOT recommendations were produced in late 2024. Due to the timing of the Company's project-planning cycle, the recommendations were used to support project selection for the 2025 and 2026 TripSaver Program. ReBOT's use was subsequently expanded to support both the TripSaver, Smart Switch and reconductoring Programs in 2027.

ReBOT is an evolving analytical tool, and the Company continues to refine its methodology and expand its application as additional experience and data become available.

The BCA and ReBOT are used as project-screening and prioritization tools and are not intended to predict the precise impact of future projects or programs. Final project selection also considers engineering judgment, constructability, local system conditions, operational requirements, and other project-specific factors. As such, benefits and costs of each project may differ from the tool's results for a multitude of reasons.

Date Filed: October 09, 2026

Witness: John P. DiPaola-Tromba, Sean D. Redding and Jenna Turner
Request from: Office of Education, Outreach, and Enforcement

Question:

(VEGETATION MANAGEMENT PROGRAM) Refer to Response EOE-140.The Company's response identified that "operating under the current approved budget has more recently resulted in a reduction of local tree crews needed to complete the annual VMP workplan, which impacts the availability of local tree crews for storm response activities and the need to secure non local tree crews for Level 5 events." Explain what specific actions the Company has performed to secure local tree crews in advance of storm activity. For example, has the Company attempted to solicit services from local tree crews who are not contracted for the Company's blue-sky Vegetation Management Program. As part of the response, identify when the Company has performed any specific actions.

Response:

The Company secures Line Clearance Qualified ("LCQ") tree contractor crews per OSHA 29 CFR 1910.269 that are available and can travel in time to assist with storm restoration. The Company most recently secured LCQ tree crews on September 24-25, 2026, for storm MS26AD. The locally available LCQ tree crews that were secured already work for the Company in Connecticut primarily performing tree removals. The other LCQ tree crews secured for this restoration event came from outside the state, including Pennsylvania, Maine, Maryland, and New York.

Date Filed: October 15, 2026

Witness: Douglas P. Horton
Request from: Office of Education, Outreach, and Enforcement

Question:

(PBMRP CAPITAL SUPPORT MECHANISM-CALCULATIONS) Refer to Response to EOE-156, Att.1-Att.2. Respond to the following:

a. Please identify the specific tabs that were responsive to the F-Factor calculation request versus those that provided additional analysis.
b. Confirm that the PBR-7 Going-In Capital RR tab was used to derive the weighted cost of capital (WACC) and that adjustments to this tab (i.e., notably cell G81) would dynamically change the F-Factor allowance within the PBR-3 F-Factor Summary tab. If not confirmed, explain how to input adjustments to account for changes to the WACC to allow for analysis of the results.
c. Please modify the F-Factor Excel spreadsheet to calculate the F-Factor as of Day 1 of Rate Year 1 where capital additions within the revenue requirements are cut-off as of an estimated end of the evidentiary record date and the corresponding F-Factor capital additions commence as of the next month.

Response:

a. The Company's model filed in response to interrogatory EOE-156 provided the worksheets necessary to understand both the operation of the F-Factor and its relationship to the broader PBMRP framework. The worksheets titled "PBR-3 F-Factor Summary" (PDF Page 4), "PBR-4 F-Factor" (PDF Pages 5-8), "PBR-5 F-Factor Property Tax" (PDF Page 9), "PBR-6 Capital Forecast" (PDF Page 10), and "PBR-7 Going-In Capital RR" (PDF Pages 11-12) contain the calculations and supporting inputs associated with the F-Factor mechanism itself. The application of those calculations within the overall revenue requirement framework is reflected in "PBR-1 Total PBRA" (PDF Page 2).

   These worksheets contain the specific calculations necessary to determine the F-Factor and to provide context and information regarding the development of inputs, forecast investment levels, rate base impacts, property tax effects, and the interaction between the F-Factor and the broader revenue requirement structure.

   In particular, "PBR-1 Total PBRA" serves as a summary of the annual revenue requirement adjustments that directly affect the decoupled revenue target, including the F-Factor, and demonstrates how the F-Factor functions alongside the proposal's other ratemaking elements.

Importantly, intended to resemble the form and function of the annual PBR adjustment filings submitted by the Company's affiliate utilities under their established performance-based regulatory plans and, as such, the worksheet reflects how the various components of the PBMRP would be consolidated and applied in practice to determine annual revenue requirement adjustments under the proposed framework.

b. Correct. Specifically, adjustments to Excel cells C70 (equity ratio), E70 (return on equity), C72 (debt ratio), and E72 (cost of debt) flow through to cell G81, which calculates the pretax cost of capital utilized in the F-Factor calculations. As noted, the WACC calculated at the referenced tab is based on the currently-authorized capital structure of 53 percent equity ratio and return on equity of 9.25 percent.

The Company notes that the model was developed to illustrate the operation of the proposed PBMRP framework, including the F-Factor and I-X mechanisms, and to facilitate evaluation of assumptions within those mechanisms. The model was not designed to automatically re-establish or restate Going-In Revenue Requirements in response to hypothetical modifications to authorized capital structure or cost of capital parameters. Therefore, while changes to the referenced inputs appropriately flow through the F-Factor calculation, any corresponding adjustment to Going-In Revenue Requirements would need to be separately evaluated and calculated.

The Company's responses to EOE-156[i] and OCC-423[ii] further demonstrate that the sufficiency of the Going-In Revenue Requirement is a critical prerequisite to the operation of the overall framework. The F-Factor is not intended to independently address all capital-related cost pressures, nor is it designed to function as a substitute for appropriate base rates. Instead, it operates as one component of a comprehensive ratemaking structure intended to support continued system investment while preserving the broader customer protections and performance incentives incorporated throughout the PBMRP. Consequently, modifications to cost of capital assumptions within the illustrative model may appropriately inform sensitivity analyses of the F-Factor itself, but they should not be interpreted as re-establishing the overall revenue requirement or evaluating the reasonableness of the PBMRP outside the context of the complete proposal.

c. Please refer to EOE-366, Attachment 1. As presently configured, the model reflects the Company's currently authorized equity capitalization (53%) and return on equity (9.25%), as well as investment through a period near the anticipated close of the evidentiary record. For simplicity of discussion and analysis, the Company assumed that investment through December 31, 2026, would be reflected in base distribution rates effective July 1, 2027. Accordingly, the model's F-Factor calculations of plant-related activity begin January 1, 2027.

For purposes of this response, the Company estimated the impacts to rate base and associated revenue requirement components using a simplified methodology designed to reasonably

approximate the results that would be produced by updating the Company's filed cost of service model (Exhibit CLP-REVREQ-2) to reflect investment through December 31, 2026. This approach was intended to isolate and evaluate the timing assumption specified in the interrogatory without undertaking a comprehensive reforecast or re-establishment of Going-In Revenue Requirements.

Most importantly, the results demonstrate that changing the investment cut-off date does not change the overall level of revenue support contemplated under the Company's proposal. Rather, it changes whether the revenue requirement associated with a given investment period is reflected through Going-In Revenue Requirements or through the F-Factor. Investment included in Going-In Revenue Requirements is excluded from the F-Factor, and investment excluded from Going-In Revenue Requirements is reflected through the F-Factor. As a result, the full revenue requirement associated with a given investment period resides in one mechanism or the other, but not both.

Crucially, the results of this analysis should be considered in the context of the overall cost of service underlying the PBMRP. The Company has taken care to propose a comprehensive regulatory framework, leveraging and incorporating elements from the Proposed decision in PURA's PBR proceedings as applicable that works cohesively regarding the establishment of Going-In Revenue Requirements, the F-Factor, the I-X mechanism, and each other component of the PBMRP.

Prior Referenced Responses:

[i] EOE-156 Question:

(PBMRP CAPITAL SUPPORT MECHANISM) Refer to Exhibit CLP-ELP-1, pp. 101-103.
Provide a working, unlocked Excel spreadsheet that would serve as a representative tool used to calculate the Company's incremental revenue requirements resulting from the proposed capital support mechanism (F-Factor) for each year of the MRP. As part of the submission, discuss the calculations and separately identify and explain all critical assumptions, using cited information from the Company's rate case submission where relevant (e.g., depreciation rate from the Company's depreciation study). In support of the request, please use the Company's proposed 5-Year Targeted System Performance (TSP) Plan within the spreadsheet's initial inputs and apply an initial assumption that the Company incurred actual plant-in-service additions of 5% more than the proposed annual TSP funding. Additionally, please configure the spreadsheet to allow for the weighted average carrying costs (WACC) to be individually adjusted for both ROE and Cost of Debt.

EOE-156 Response:

The Company appreciates the opportunity to respond to EOE's thoughtful question regarding the operation of the PBMRP proposed in this proceeding, which the Company views as key to reaching a long-term reliability and resiliency plan for Connecticut, while meeting affordability needs for customers.

The Company's response to this request is organized as follows:

A. Overview and Results
B. F-Factor Discussion
C. Impact of 5% Additional Capital Investment
D. Model overview

Attachments referenced in this response:

EOE-156, Attachment 1, provides the Company's working model, with projected capital investment as filed in this proceeding. See, e.g., Exhibit CLP-ELP-1, Figure 7.

EOE-156, Attachment 2, provides a second model that is identical in every respect to Attachment 1 except that capital investments are 5% greater than the forecast submitted to this proceeding in Exhibit CLP-ELP-1, Figure 7, as stipulated by EOE's data request.

A. Overview and Results

Ultimately, the Company's goal in this proceeding is to establish a sustainable, cohesive ratemaking framework that supports electric utility service in the State of Connecticut in an affordable manner for customers, over a long term. This is the Company's goal because the CL&P system needs investment for reliability, resiliency and modernization. For this infrastructure investment to be affordable for customers, a coherent ratemaking plan needs to be instituted that will consider the interests of customers over a longer term than just the next rate case. That framework needs to balance: (1) the reliability and performance requirements of the Company's customers and the broader State of Connecticut; (2) customer rate stability and affordability; (3) incentives for cost efficiency in utility operations; and (4) implementation of a revenue support mechanism sufficient to cover the cost of delivering these objectives to customers, including the cost of capital.

The Company's PBMRP is designed to address these objectives in a holistic, balanced way. To do this, the Company started with the ratemaking framework under discussion in PURA's PBR docket (Docket No. 21-05-15RE01), while also introducing certain new elements to remediate the flaws that would ultimately hinder PURA's (draft) PBR model from supporting the necessary stay-out terms. As discussed below, the stay-out term is the critical element of the PBMRP that creates the cost-efficiency incentive inherent in a performance based ratemaking plan.

This context is vital to understand both the design and mechanics of the Company's proposed PBMRP, including both the F-Factor and "I-X" components. To augment understanding of how the plan would work over the stay-out period, the Company has incorporated the projected costs of service set forth in EOE-156, Attachment 1, Worksheet, entitled "COS-1 Total," which is the Company's cost of service, as filed. The Company does not intend to imply that these dollar amounts are certain for the future and there will undoubtedly be changes in a litigated result. However, these figures serve as a reasonable basis for presenting this analysis to reflect the Company's PBMRP proposal. Moreover, assuming that there will be changes to the underlying cost of service that serves as the "going in revenue requirement," all of the projections made herein become highly optimistic, as discussed below.

Increasing capital investment on the Connecticut distribution system is a given for the reasons described in the testimony of the Company's Leadership Panel and Targeted System Plan ("TSP") Panel – the Connecticut distribution system needs additional investment to maintain service reliability to customers and even more investment to achieve a level of modernization. The Company will need to make this investment to meet the interests of customers, with or without a multi-year plan. However, without a multi-year rate plan, whether in the form of the Company's proposed PBMRP or another reasonable model, the Company's only viable course of action to support this level of needed investment will be to file traditional cost-of-service rate cases, as closely to annually as possible. Effectively, these

sequential cases will "roll in" unrecovered capital investment into base rates to maintain a nexus between what the Company needs to invest in the system and what rates are reflecting for recovery of costs.

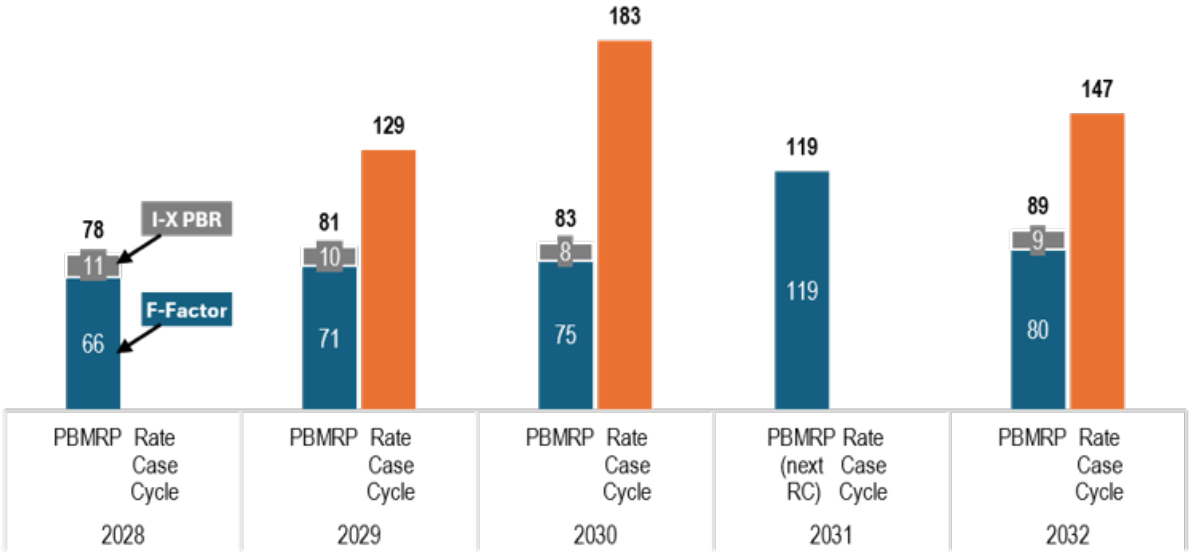
In a world in which system investment needs are relatively flat, economy-wide inflation is modest and predictable at 2% annually, and rates are fully coupled with growing sales revenues (and no revenue decoupling mechanism), it is conceivable that a utility could offset the cost increases it incurs with organic sales growth, as electric utilities could do in past decades. However, that is not the reality of today's operating environment. The distribution system investment needs are extensive and growing and the financial consequences of these circumstances are factors that need to be considered in determining a reasonable and workable regulatory plan. Establishment of a reasonable multi-year, performance-based ratemaking plan is the mechanism that can support the system needs in a manner that is wholly transparent and stable for customers, allowing for a smoother trajectory of rate changes than would otherwise occur.

Results of F-Factor Implementation Assuming Capped Forecast Investment

EOE-156, Chart 1, below, provides illustrative rate increases comparing circumstances where the Company is pursuing a traditional rate-case cycle with filings as close to annually as possible under Connecticut law, as compared to the proposed PBMRP. These amounts assume the Company's revenue requirement proposed in this docket is authorized without modification, except that the Company has used its existing weighted average cost of capital to perform the analysis, in order to isolate the functioning of the F-Factor operation - apart from changes in the cost of capital (i.e., the analysis uses a 9.25% return on equity and 47%/53% debt to equity capital structure). As noted above, the cost-of-service projections are shown in EOE-156, Attachment 1, Worksheet "COS-1 Total," Line 35.

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. Chart 1, below, also spans the time period covering one year beyond the Company's proposed four-year plan. 2032 is shown for illustrative purposes.

EOE-156, Chart 1
Annual Incremental Revenue Increase, $ Millions



Note: Chart 1 assumes base-rate amendments effective 1/1/2029, 7/1/2030 and 1/1/2032.

In Chart 1, a rolling rate-case cycle is depicted as the orange series, with the Company estimating new rates effective January 1, 2029 (18 months after the present docket concludes), with additional revenues of $129 million; followed by another $183 million rate change effective July 1, 2030, and a further $147 million effective January 1, 2032. These rate adjustments arise primarily as a result of capital investment rather than O&M changes, which means that the associated rate changes are reasonably foreseeable and ultimately predictable.

In contrast, the Company's proposed PBMRP would yield revenue increases of $77.6 million for rates effect July 1, 2028, $81.1 million July 1, 2029, and $83 million July 1, 2030 (EOE-156, Attachment 1, worksheet "PBR-1 Total PBRA", Line 41). For purposes of discussion, the Company estimates that the subsequent rate case taking effect after the proposed PBMRP would be $119 million in 2031, followed by $89 million in 2032 assuming continuation of the proposed framework. Uncertainty grows as the timeframe of projections extends, as the Company will inevitably experience cost increases in relation to both operating expenses and capital investment, as time passes. Therefore, the later years (particularly 2031 and 2032) should be interpreted as illustrative for purposes of discussing the principles and conceptual impacts of the PBMRP and traditional rate case frameworks.

As Chart 1 illustrates, whether through a multi-year rate plan or sequential rate cases, ongoing revenue support is essential to the electric system. Revenue increases for the Company are rate increases for customers, so that a smoother and more predictable customer impact occurs through the Company's PBMRP, which is the fundamental purpose of the PBMRP.

The Company's proposal results in rate increases amounting to approximately 1.5-2.1% on a total bill basis, annually (Line 3). In contrast, a rolling rate-case cycle yields rate increases nearly double at 3.4% (Line 4). Essential to this discussion is that both frameworks are designed to roughly track with the cost of service, although the stay-out feature of the PBMRP forces the Company to absorb the risk of deviation from the cost of service given the likelihood that

operating and investment costs will increase over the period. The difference is the gradualism of the Company's PBMRP, which results in smoother, more predictable bill changes for customers.

EOE-156, Table 1

Line	Description	2028	2029	2030	2031	2032
	Incremental Revenues ($ Millions)					
1	Company Proposal	77.6	81.1	83.0	118.6	89.0
2	Rate Case Cycle	0.0	129.0	183.0	0.0	147.0
	Annual Increase, % Total Bill					
3	Company Proposal	1.5%	1.5%	1.5%	2.1%	1.6%
4	Rate Case Cycle	0.0%	2.4%	3.4%	0.0%	2.6%

The rolling rate-case cycle is characterized by larger changes that are more disruptive to customers, in addition to being administratively burdensome for all Connecticut stakeholders. Importantly, the Company's PBMRP does not undermine the applicability or efficacy of prudence reviews in terms of establishing a strong incentive for cost control. Under the Company's proposal, prudence reviews can occur annually, preserving accountability and cost-control incentives with increased transparency, as well.

B. F-Factor Operation

At its core, the Company's proposed F-Factor mechanism is designed to provide a revenue allowance sufficient to support the level of capital investment needed by the system, including the cost of capital. Several essential characteristics of the F-Factor mechanism mutually contribute to its viability and potential longevity:

1. Like the CT-Bar1 the Company's F-Factor would take effect the first day of the first Rate Year coming out of the rate case, which eliminates the need for Rate Year capital to be embedded in base rates, subject to later downward-only reconciliation. To the extent capital investment currently factored into the Company's proposed revenue requirement for Rate Year 1 is "rolled back" to an earlier date (for example, to a capital investment cutoff date of February 28, 2027, for inclusion in base rates), the F-Factor revenue-requirement calculation would inherently adjust to reflect capital investment as of that cutoff date.

2. Like the CT-Bar, the Company's F-Factor does not pre-emptively or categorically exclude any type of capital investment. The Company regularly makes capital investments that do not directly affect the performance of the electric grid the way utility poles, transformers, lines, substations, etc. clearly do, but are nonetheless essential capital investments in the provision of service to customers. Capital investments for facilities safeguarding equipment, information technology enabling self-service customer portals, and vehicles needed for transporting materials to work sites are but a few examples of core capital investments that are necessary and, therefore, inform the F-Factor allowance.

3. Like the CT-Bar, the Company's F-Factor aligns the capital investment necessary for the target performance of the electric grid outlined in the Company's Targeted System Plan, with the revenues required to support those investments. In developing the F-Factor the Company sought to establish a means of tying the F-Factor revenue allowances to the capital investment forecast that would be

discussed extensively in this docket. This allows the focus of the TSP to remain on the system needs and plan objectives while simultaneously acknowledging that those needs and objectives, whatever they may be, require some measure of revenue support. The F-Factor serves as a necessary link between the system needs evaluated in this docket and necessary revenues.

4. The Company's F-Factor properly includes the cost of capital. If CT-bar is evaluated separately from going-in revenue requirements, no single design factor would guarantee its failure more so than the absence of the cost of capital from its revenue requirement calculations. Though the cost of capital is not visible the way other costs of service are, such as the maintenance cost that keeps an older piece of equipment online or the cost of gasoline in a line truck, it is just as real a cost of service.[1]

   The Company regularly operates with a cash deficit. That is, the cash necessary to support ongoing operations exceeds the cash received from customers through bills. The direct result is the Company must secure funds through some other means. Those other means are debt and equity investors: the individuals, banks, corporations and other institutions supplying funds to capital markets. Those entities have choice in terms of the entities to whom they provide their funds, choices that weigh other utility companies, industries, countries and continents, type of security, duration, expected return, the presence (or absence) of dividends, environmental, social, and governance characteristics, and countless other variables against the investor's tolerance for risk. Not surprisingly, the Company cannot expect that investors, facing the choice between the Company and essentially all other investment opportunities, would or should accept zero return in exchange for their funds. Thus, the cost to acquire the funds necessary to perform the ongoing capital investments required of the system is real, fundamentally non-zero, and more specifically the Company's cost of capital filed in this proceeding.

5. The Company's F-Factor captures all elements of the Company's capital investment base, including plant additions, plant retirements, accumulated depreciation, cost of removal, and accumulated deferred income taxes. The Company's F-Factor calculation fundamentally 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 inherently 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.

6. Like the CT-Bar, annual reconciliation of the revenue requirement ensures customers ultimately pay only for prudent capital investment while balancing the utility's need to cover the ongoing costs of providing ongoing service. Critically, the Company's F-Factor proposal does not circumvent prudence reviews – essential pillars of properly-functioning regulatory frameworks – nor undermine the value that effective prudence reviews bring customers. Ultimately, the Company is acutely aware that any capital investment must successfully withstand the scrutiny of a prudence review. Whether that review happens next year, three years from now, or at any other interval, the Company knows the decisions made today must withstand a prudence examination. Any eventual findings of imprudence regarding capital investments made today have significant, negative financial implications, regardless of when those findings are made. Thus, the very expectation of future prudence reviews reinforces the prudence ingrained in decision-making today. Further, the risk of a future finding of imprudence and the negative financial implications thereof eliminates any perceived financial benefit for the Company to "over invest" today.

[1] All references to the CT-Bar in this response are meant to refer to the Proposed Final Decision issued in Docket No. 21-05-15RE01 on July 14, 2025.

Annual reconciliation, including the prudence reviews involved, is a critical element of the Company's PBMRP proposal. As part of each annual PBMRP adjustment effective July 1 each year of the PBMRP2, the Company's actual capital additions for the Prior Year are allowed for inclusion in the calculation of the F factor to the extent that the actual capital additions do not exceed the Forecasted Budget (referred to as the F-factor allowance). To the extent that the cumulative actual capital costs in-service through the Prior Year, in aggregate, exceeds the Forecasted Budget through the Prior Year, then the F Factor allowance is capped at the cumulative Forecasted Budget. This downward-only reconciliation will ensure that, in the end upon reconciliation, customer bills reflect the costs associated only with projects that are in service to customers and no more, and that if the Company invests more than the Forecasted Budget, customer bills will not reflect amounts above the Forecasted Budget, until such time as those capital investments are allowed into rates at the time of the Company's next rate case. The prior-period reconciliation will be reflected in the F-Factor, in addition to the revenue requirement associated with the Forecasted Budget for the upcoming Rate Year, effective July 1 annually. The F Factor allowance will be calculated to determine the revenue requirement (inclusive of depreciation expense, property tax expense, return on rate base, and income tax) on actual plant additions (including plant additions, cost of removal, plant retirements, accumulated depreciation, and plant-related accumulated deferred income taxes ("ADIT")) up to the Forecasted Budget amount, and to reflect the revenue requirement for the Prior Year and through the Rate Year on in service capital additions placed in service in the Prior Year, provided that those in service capital additions are not reflected in base rates or in another rate mechanism. In addition, the F Factor allowance will reflect the revenue requirement for Rate Year capital, established at the Forecasted Budget, subject to downward-only reconciliation in the subsequent F-Factor filing.

As noted above, annual reconciliation will consider plant-related ADIT on the Company's books through the end of the calendar year, prior to a given annual filing. To the extent the Company has recorded cumulative plant additions in[2] excess of the capital expenditure forecast provided in this docket or supported by a mechanism other than the F-Factor, the plant-related ADIT will be adjusted in the Company's annual reconciliation to avoid overstating the ADIT relevant to the F-Factor.

In total, the Company's proposed F-Factor will provide revenue support for, and ultimately reconcile, the capital investment placed into service from the cutoff date for inclusion in base rates through the effective date of the Company's subsequent rate case at the conclusion of the proposed PBMRP term. Per the Company's proposal, and as depicted in the illustrative attachments for this response, the F-Factor would ultimately reconcile capital investments made up to July 1, 2031 (the effective date of the subsequent rate case). Should the subsequent rate case be effective later than the July 1, 2031, illustrative date, the F-Factor would continue to reconcile capital investments placed into service until such time as that rate case does take effect.

C. <u>Impact of 5% additional capital investment</u>

EOE-156, Attachment 2, is the same working model as Attachment 1, except that the Company's actual capital investments are assumed to be 5% greater than the current forecast. These increases are reflected on the worksheet "COS-2 Capital," at Lines 19 and 26.

[2] In this proceeding the Company is proposing that the first F-Factor take effect commensurate with new base rates authorized in this proceeding, for effect July 1, 2027, and annually thereafter for the duration of the PBMRP. However, the Company has reflected Rate Year capital in the revenue requirement proposed in this proceeding, such that the Rate Year 1 F-Factor is set to 0, since Rate Year capital that would otherwise be reflected in the F-Factor on

a forecasted basis is reflected in base rates. If PURA declines to include Rate Year capital in base rates, the F-Factor would be calculated to reflect the revenue requirement on capital through the Rate Year, subject to later reconciliation.

As shown in EOE-156, Table 2, below, in the event that the Company's actual capital investments over the period 2027-2031 were 5% greater than current projections, which is a realistic scenario, the Company's proposed F-Factor revenue would not increase, highlighting two crucial design characteristics.

First, the core capital investment forecast provided in this docket is proposed to be a hard cap on the capital plant additions eligible for recovery through the F-Factor. That means the Company, PURA and stakeholders will be adequately informed of the maximum future revenues as calculated today.

Second, where core plant additions greater than forecast will not be supported through the F-Factor mechanism, there is pressure on the Company to stretch to find efficiencies to maintain a viable rate of return. As Table 1 demonstrates, investing beyond the current forecast provides no benefit in the form of greater revenue during the PBMRP, while putting downward pressure on the Company's earned rate of return. Consequently, over the term of the PBMRP, the Company's financial interest is to operate within its budgets and with a high rate of efficiency in order to achieve a viable rate of return.

EOE-156, Table 2

(As Filed, Docket No. 26-05-10)				
Annual Incremental F-Factor Revenue ($ millions)		$66.2	$71.4	$74.5
Return on Equity	9.10%	8.98%	8.87%	8.75%
Savings required to earn allowed ROE ($ millions)	**$7.6**	**$14.3**	**$21.2**	**$29.0**
Annual Incremental F-Factor Revenue ($ millions)		$66.2	$71.4	$74.5
Return on Equity	9.01%	8.80%	8.61%	8.42%
Savings required to earn allowed ROE ($ millions)	**$11.9**	**$23.8**	**$36.1**	**$49.3**

As shown in Chart 1 and discussed previously the sequential rate cases have a larger impact for customers and are more disruptive, while also creating administrative burden for all Connecticut regulatory stakeholders. Conversely, the Company's PBMRP produces smoother changes in revenues/rates without undermining the importance or efficacy of prudence reviews that would occur in the traditional cost-of-service ratemaking context. Under the Company's proposal, prudence reviews would happen annually. Thus, accountability and cost-control incentives are preserved in the Company's proposal, with an improvement in ratemaking transparency.

<u>However, the larger point illustrated in Table 2 is the powerful impact of the stay-out term.</u>

Under PBR, a benefit for the Company is the line of sight it has on a predictable revenue stream that will replace the loss of sales growth associated with the revenue decoupling mechanism, while providing a level of support for the ongoing operation of the system, including needed investment. However, a significant risk for the Company is that its costs will deviate from the "going in revenue requirement" from the minute rates are set through the end of the stay-out term. These cost changes will impact operating expenses, as well as the drivers of investment costs.

The power of the stay-out term, therefore, arises in relation to the Company's impetus to offset the earnings attrition it will inevitably experience as a result of these cost changes, through efficiency initiatives that will reduce costs on a going forward basis, to the benefit of customers. That is, to maintain a viable rate of return, the Company will be pressed to seek out and achieve cost efficiencies somewhere in the business. Those efficiencies achieved during the

stay-out period unavoidably inure to the benefit of customers when base-rates are next set on a cost-of-service basis. This is the fundamental power of a PBR framework, which the Company is experiencing in its Massachusetts companies.

In this case, Table 2 (above) and the working model included as part of this response, each show that it would be necessary for the Company to realize cost savings of approximately $29 million annually, by the end of the PBR term, in order to be able to offset the downward pressures on the (currently) authorized return on equity ("ROE") of 9.25%, all else equal. (See, EOE-156, Attachment 1, worksheet "Financial Summary", Line 24). "Downward pressures" mean increased costs, whether operating expense or the cost of carrying unrecovered capital investment.

For context, the Company's O&M reflected in this docket (per Exhibit CLP-REVREQ-2, Schedule C-3.0), excluding vegetation management, storm restoration and uncollectible expense, is $352 million, annually. Cost efficiency gains of $29 million therefore equate to a reduction on total O&M of approximately 8 percent, which is a significant reduction in the normal course of business.

At the same time, Table 2 further highlights that this $29 million annual gap is almost doubled to a gap of $49.3 million with only a five percent increase in capital investment as compared to the capped F-Factor. This computation highlights the extreme sensitivity that exists within the cost-of-service ratemaking model when operating expenses and investment costs are increasing and the point at which base rates will be reset and realigned with actual costs is extended to a future point in time.

For example, recall that this analysis is founded on a "going in revenue requirement" that is equal to the Company's filed, proposed revenue requirement – and assumes only one change in the modelling over the entire PBR term, which is the 5% increase in capital investment. However, in reality, there is a virtual certainty of operating cost increases and investment additions that well exceed the 5% shown here, which would only further suppress the rate of return. Accordingly, this analysis highlights the inherent power of the stay-out term associated with a multi-year rate plan that provides revenue support, but without any guarantee of aligning with the actual cost of service along the way. The growing gap is the pressure that is created for efficiency gains that will then be passed on to customers at the next rate-setting interval.

D. <u>Model Overview</u>

Please refer to EOE-156, Attachment 1, for the Company's illustrative PBR model. The model incorporates the Company's proposal with respect to inflation measurement, revenue increases related to operating expenses, F-Factor, and combined effect on the financial results of the Company.

Key assumptions include:

i. The base rate increase, PBMRP, and catastrophic storm cost recovery authorized in this docket are all assumed at the level filed by the Company in this proceeding, with the only exception being the Company used the return on equity and equity capitalization as currently allowed, which is 9.25% and 53.0%, respectively.

ii. The sum of plant additions and cost of removal each year are equal to the capital investment forecast provided in this proceeding, as shown in Exhibit CLP-ELP-1, Figure 7.

iii. Capital and O&M costs related to AMI are excluded from the projected cost of service and illustrative F-Factor revenue requirement calculations. Should the F-Factor be approved as the mechanism enabling

revenue support for AMI, the cap on capital investment would need to be increased to accommodate the costs for that program.

iv. Catastrophic storm costs, both the recovery of existing deferred costs as well as the costs related to future events, have no bearing on the model. Importantly, this implies the catastrophic storm and pre-staging costs in base rates perfectly match future costs (i.e. future revenue equals future cost for each and every year).

v. O&M cost pressure is assumed to be 1% greater than inflation, annually.

The model is organized into three primary sections:

1) Financial Summary, which presents illustrative results of the combined effect of the Company's proposed rate increase, PBR framework, and cost projections

2) PBR model, which covers "I – X – CD" and F-Factor
   a. Worksheet "PBR-1 Total PBRA"
   b. Worksheet "PBR-2 Inflation"
   c. Worksheet "PBR-3 F-Factor Summary"
   d. Worksheet "PBR-4 F-Factor"
   e. Worksheet "PBR-5 F-Factor Property Tax"
   f. Worksheet "PBR-6 Capital Forecast"
   g. Worksheet "PBR-7 Going-In Capital RR"
   h. Worksheet "PBR-8 GDP"
   i. Worksheet "PBR-9 ECI"

3) Cost of service, which consists of three worksheets, provides a forecast of the actual cost of providing electric service

1) <u>Financial Summary</u>

The "Financial Summary" provides the combined results of going-in revenues along with the rate increases determined through the Company's PBR proposal, the operating costs of service projected over the same timeframe, and the investment base that enables the Company's essential service to customers.

Lines 15-27 show the calculation of the Company's actual, earned return on equity over the four years of the Company's PBMRP term. Specifically, Line 22 provides the annual earned return on equity; Line 23 provides the cumulative average annual ROE; and Line 24 provides the revenue requirement (excluding GET and uncollectible) or cost savings necessary to achieve the allowed ROE.

Lines 28-44 provide a simplified Income Statement for the four years of the Company's PBMRP, including revenue projections as well as the operating costs of service. These costs represent the projected costs of doing business whether or not those costs are supported with rates.

Lines 46-61 provide a summary of the revenue increases calculated in the PBR model and the corresponding impacts on uncollectible expense and gross earnings tax.

2) PBR

The PBR worksheets are the working calculations that drive the illustrative distribution rate increases discussed above. Each one of which is discussed separately below:

a. Worksheet "PBR-1 Total PBRA"

This worksheet summarizes the results (i.e. rate increases) of the model's other "PBR" worksheets and is organized into four sections: (1) Going-In Revenue Requirements; (2) PBR-O Adjustment; (3) F-Factor Adjustment; and (4) Total Performance Base Revenue Adjustment. "Going-In Revenue Requirements" reflects the eventual revenues authorized as a result of this proceeding. For purposes of this response, this reflects revenues as proposed in this docket and adjusted, as discussed above. The purpose of this section is to orient the reader to the authorized levels of operating revenue (Line 17) and O&M (Line 21) established in this proceeding and, second, to perform calculations necessary to establish Rate Year 1 baselines for use with subsequent Rate Year revenue calculations. Line 19 is the resulting base distribution revenue requirement that represents the overall starting point for distribution revenues to which any and all PBMRP rate adjustments for Rate Year 2 would be added or subtracted as appropriate. Line 23 is the level of O&M to which the PBR-O percentage increase for Rate Year 2 would apply.

The PBR-O adjustment section (Lines 25-30) provides the calculations for inflation-driven rate increases, which are initially applied to line 23 discussed above. Line 27 is the combined percentage increase resulting from the Company's proposed composite inflation measure, -0.03% productivity ("x") factor, and consumer dividend. For this analysis, the Company has assumed a 30-basis point consumer dividend for all years. Line 28 provides the resulting annual incremental revenues.

The F-Factor adjustment section on this worksheet references the results determined on other worksheets of the model (discussed below). Here, Line 33 provides the resulting annual incremental revenues, while Line 34 provides the cumulative F-Factor revenue requirement.

Line 37 provides the total annual revenue increase, which is the sum of Lines 28 and 33.

Line 43 is the final resulting base distribution revenue requirement that begins with Rate Year 1 amounts and adjusts annually thereafter by the amounts described above.

For purposes of this analysis, there are no exogenous cost recovery assumptions reflected in the accompanying working model. If PURA were to authorize the Company's proposal, including mechanics related to exogenous cost provisions and the consumer dividend, the PBR model would need to be adapted from the attached to include additional worksheets as appropriate.

b. Worksheet "PBR-2 Inflation"

This worksheet first aggregates the relevant indices' data points from worksheets 10 and 11 (discussed below), which are shown on Lines 13-16 for GDP-PI and Lines 21-24 for ECI. Each index is then averaged for a given calendar year (Lines 17and 25), which then form the basis for the annual growth calculations on Lines 18 and 26. As discussed in the Company's pre-filed testimony, the Company is proposing to weight the indices 66.9% for GDP-PI and 33.1% for ECI. The composite resulting inflation is shown on Line 32.

Line 33 provides the -0.03% productivity factor, while Line 34 shows the consumer dividend, which assumes 30 basis points for simplicity of this analysis. The combined result of inflation, productivity factor and consumer dividend is

shown on Line 35, which is before the imposition of a 5% cap. To the extent line 35 exceeds the proposed 5% cap, Line 36 would provide the adjustment such that Line 37, the final result, is the lesser of the 5% cap and Line 35.

Note that projections of inflation are used for analytical purposes in this response and to assist with discussion pertaining to future rate increase implications. Actual calculations of PBR adjustments in future annual PBR filings would rely exclusively on published data available at the time of a given year's annual PBR filing.

c. Worksheet "PBR-3 F-Factor Summary"

Like the CT-Bar, the Company's proposed F-Factor is calculated on a monthly basis. The "F-Factor Summary" worksheet aggregates the results of those calculations on Lines 17-29 and presents in 6-month increments to enable both calendar-year and rate-year views of the same information. Property taxes (Line 19) are not calculated monthly, but rather on a fiscal year basis. Line 28 provides the resulting cumulative F-Factor revenue requirement, while Line 29 is the annual incremental amount shown on the worksheet "PBR-1 Total PBRA," line 33.

d. Worksheet "PBR-4 F-Factor"

This worksheet provides the monthly calculation of the F-Factor revenue allowance summarized on the previous worksheet and is the "engine" of the overall F-Factor model. Broadly, it aggregates the necessary inputs, including rate base activity assumptions (Lines 18-25) and relevant rates resulting from this proceeding, including depreciation expense as a function of gross plant (Line 49) and pre-tax return on rate base (Line 51).

Note also that this worksheet includes a "switch" (Line 16) that enables this model to adapt to the cutoff date of capital investment for inclusion in base rates. However, due to the large number of possibilities for a potential cut-off date and similarly large variation of resulting Going-In revenue requirements, the model is currently configured to use this line as an adjustment for Rate Year 1 only. That is, the model is not currently built such that the user can specify a cutoff date for capital investment inclusion in base rates and have that date adjust the going-in capital revenues, as well as the F-Factor. Conceptually, this switch is intended to affix the start of the F-Factor calculations to the last date capital investment is reflected in base rates.

As presently configured, the F-Factor revenue requirement assumes the capital investment reflected in base rates is per the Company's proposal, which is through June 30, 2028. However, the capital-driven Rate Year revenue requirement calculations reflected in the Company's filed cost of service are based on Rate Year averages. For example, the rate base referenced in the return on rate base calculations found on Exhibit CLP-REVREQ-2, Schedule A-1.0, Line 16 is average rate base, while Rate Year 1 depreciation expense is based on rate-year average plant in-service, as denoted on WP C-3.34, line 13 of the same exhibit. Consequently, the F-Factor calculation is currently configured to rely on 50% of Rate Year 1 capital investment to effectively build the proper ending balances as of 6/30/2028 upon which subsequent Rate Year calculations can grow. Note that the interaction between the F-Factor and the cut-off date for capital investment inclusion in base rates is a critical component to the longevity of the Company's proposal as it assures that the F-Factor starting point aligns with the endpoint for base rates, leaving no gap over the duration of the rate plan.

For purposes of this written response, the Company does not detail the calculations of this worksheet here. Instead, the Company refers to the line references provided on the last page of this worksheet (Model PDF, page 8) for both Attachments 1 and 2, which detail the calculations performed. For emphasis, note that Line 33 captures the accumulation of depreciation recovered in base rates. By design, the F-Factor intentionally reflects this to properly estimate a reasonably true capital-driven revenue requirement.

The resulting F-Factor revenue requirement, excluding property tax, which is referenced by the preceding worksheet, is shown on line 53.

e. Worksheet "PBR-5 F-Factor Property Tax"

This worksheet provides the fiscal year calculations for incremental property tax expense based on capital investments made since 2024 and forecast through 2031. Line 12 references capital investment assumptions discussed elsewhere, while Lines 13-24 perform the calculations of depreciation expense pursuant to Conn. Gen. Stat. §12-63(b)(6), net book value, assessed value pursuant to Conn. Gen. Stat. §12-63(a), and the eventual property tax expense by applying the composite mill rate calculated in Exhibit CLP-REVREQ-2, Schedule WP C-3.37 p17 to 21, Page 20, Line 73. The result is shown on line 24.

Lines 28-32 then summarize that result by calendar year, while Lines 38-40 summarize by Rate Year. After adjusting for the extent to which base rates recover the property tax related to these same investments on Line 41, as discussed in previous sections, the final property tax amount reflected in the F-Factor allowance is shown on Line 42.

f. Worksheet "PBR-6 Capital Expense Forecast"

This worksheet is provided to create the necessary link between the F-Factor revenue allowance calculations and the capital investment forecast discussed in this docket. The capital investment forecast included aligns with the Company's filed capital investment forecast, as can be seen in Exhibit CLP-ELP-1, Figure 7. The F-Factor capital investment assumptions reflected in the revenue allowance calculations of "PBR-4 F-Factor" necessarily agree with this worksheet.

g. Worksheet "PBR-7 Going-In Capital RR"

This worksheet is a collection of select data points as approved in the Company's "Going-In" rates (or, in this case, as proposed in the Company's filed cost of service schedules, Exhibit CLP-REVREQ-2-A, B, C, D Schedules, adjusted to reflect the currently authorized return on equity (9.25%) and equity capitalization (53.0%), as stated previously:

- Lines 12-16 provide the dollar amounts related to capital-driven costs of services, which are depreciation, property taxes and costs of capital. Amounts shown are currently as proposed in this illustrative model (except where noted), but ultimately will reflect the amounts as approved in this docket.

- Lines 21-28 provide a summarized view of the Company's filed rate base for the Test Year, Rate Year beginning, Rate Year ending, and Rate Year average balances. These balances serve as the basis (denominators) for establishing the capital-driven costs above as a percentage of approved balances. Those percentages are used on the other "PBR" worksheets, as well as the cost of service worksheet to estimate future costs of service based on approved levels (Lines 30-32)

- Lines 47-81 provide rates for uncollectible expense, gross earnings tax, and the costs of capital as well as necessary calculation of gross-ups to those rates for use in the model's calculations.

- Additional details are shown in column (F) of this worksheet.

h. Worksheet "PBR-8 GDP"

This worksheet presents raw Gross Domestic Product-Price Index (GDP-PI) data obtained from the Bureau of Economic Analysis. For illustrative purposes only, this model also includes a projection of GDP-PI obtained from

Moody's September 14, 2026. As noted above, actual calculations of PBR increases, if approved as filed, rely only on historical data available at the time of a given year's annual PBR filing.

i. Worksheet "PBR-9 ECI"

This worksheet contains raw Employment Cost Index (ECI) data obtained from the Bureau of Labor Statistics. Note that projections of inflation are used for analytical purposes and to assist with discussion pertaining to future rate increase implications. Calculations of PBR increases, if approved as filed, rely only on historical data available at the time of a given year's annual PBR filing.

3) Cost of Service

The cost of service included for analytical purposes in the Company's working model consists of three worksheets: "COS-1 Total," "COS-2 Capital," and "COS-3 Property Tax."

a. Worksheet "COS-1 Total"

This worksheet provides projections of the Company's actual costs through the end of the PBMRP term as a means of assessing the impact the capital investment forecast and O&M cost pressures have on the overall cost of service as well as the degree to which revenues align with the Company's cost of service (as reflected on the "Financial Summary" worksheet).

Lines 15-37 summarize the results of the cost drivers, including especially O&M (Lines 16-19), depreciation (Line 21), property taxes (Line 22), and costs of capital, including corresponding income taxes (Lines 24-27).

Gross earnings taxes and uncollectible expense are calculated on Lines 33 and 34 as if the full cost of service (Line 28) is in rates.

Non-storm O&M is shown on Lines 38-44, while storm O&M is shown on Lines 45-50, where non-catastrophic costs are identified separately from catastrophic storm / pre-staging funding.

Non-storm rate base is shown on Lines 52-59, which reflect the capital investment forecast (exclusive of AMI) filed in this docket.

Lastly, capital-driven costs of service are shown on Lines 61-67. Depreciation, property tax, uncollectible, gross earnings taxes, and costs of capital are based on the Company's filed cost of service in this docket, specifically Exhibit CLP-REVREQ-2-A, B, C, D Schedules, except that the return on equity (9.25%) and equity capitalization (53%) are shown at currently authorized amounts.

b. Worksheet "COS-2 Capital"

This worksheet functions nearly identically to "PBR-4 F-Factor" except that it relies on actual capital investment projected over the term of the PBMRP. This is essential to understanding actual costs of service, whether or not those costs are supported by revenues. It forms the basis for evaluating the degree to which the F-Factor is sufficient. For additional details pertaining to the mechanics, please see the line references found at the end of this worksheet (or model PDF page 19).

c. Worksheet "COS-3 Property Tax"

Similarly, this worksheet is included to assist with the calculation of actual costs of service. It operates mechanically identically to "PBR-5 F-Factor Property Tax" except that it relies on actual capital investment projections (Line 12).

[ii] OCC-423 Question

Exhibit CLP-ELP-1 Please explain in detail why the Company believes its proposed treatment of capital expenditures under the PBMRP, including the use of forecasted capital expenditures and the F-Factor, is preferable to including capital expenditures within the Revenue Cap Formula framework as proposed in the Docket No. 21-05-15RE01 Proposed Final Decision. In your response,

a. Please explain why the Company believes O&M expenses are appropriately subject to an externally indexed revenue cap, while capital expenditures require separate recovery through an F-Factor based on a fixed annual capital investment forecast.
b. Please explain how the Company's proposed treatment of capital expenditures is expected to produce customer cost savings or otherwise improve customer affordability relative to including capital expenditures within a revenue cap formula.
c. Please explain how the proposed F-Factor mitigates or avoids any incentive to favor capital expenditures over O&M solutions, including in circumstances where either a capital or O&M solution could be used to address the same system need.

OCC-423 Response:

The Company appreciates OCC's thoughtful and analytical questions on the Company's proposed performance based multi-year rate plan ("PBMRP") and looks forward to further discussion on the development of a workable PBR framework for the Company's customers.
To cover the issues raised in the question, the Company's response is organized as follows:

1. Review of relevant aspects of the Company's PBMRP.
2. Considerations on the design of capital-driven revenue support.
3. Specific responses to parts (a), (b) and (c), above.

1. Review of the Relevant Aspects of the Company's PBMRP

Ultimately, the Company's goal in this proceeding is to establish a sustainable, cohesive ratemaking framework that advances electric utility service in the State of Connecticut in an affordable manner for customers, over a long term. This is the Company's goal because the CL&P system needs investment for reliability, resiliency and modernization. For this investment to be affordable for customers, a coherent ratemaking plan needs to be instituted that will consider the interests of customers over a longer term than just the next rate case. That framework needs to balance: (1) the reliability and performance requirements of the Company's customers and the broader State of Connecticut; (2) customer rate stability and affordability; (3) incentives for cost efficiency in utility operations; and (4) implementation of a revenue support mechanism sufficient to cover the cost of delivering these objectives to customers.

The Company's PBMRP is designed to address these objectives in a holistic, balanced way. To do this, the Company started with the ratemaking framework under discussion in PURA's PBR docket (Docket No. 21-05-15RE01), while also introducing certain new elements to remediate the flaws that would ultimately hinder PURA's (draft) PBR model from supporting the necessary stay-out terms.

For any multi-year rate plan to be successful, it needs to be grounded in the reality of the utility's costs, while also incorporating features that innately push the utility to be more efficient. That is not to say every dollar of the utility's costs will be (or should be) recovered. Rather, the allowed revenues need to be sufficient to afford the utility a reasonable opportunity to cover its cost of service to customers, including a reasonable rate of return on equity ("ROE") where the utility is operating prudently and efficiently, as required by state law. A framework in which the utility has *no* reasonable opportunity to earn its ROE, regardless of how hard it strives for efficiency, simply becomes self-defeating because the utility will exercise its statutory rights to a distribution rate proceeding, thereby muting the most powerful efficiency feature of a multi-year rate plan, which is the stay-out term.

A framework that underestimates the actual cost to run the system and/or affords the utility no reasonable chance to earn its allowed ROE, year after year, also results in under-investment and a system that not only lacks innovation, but falls further and further behind at a significant – albeit potentially unseen – cost to customers. As a result, a lasting, productive framework is one that is soundly informed by – not detached from – the drivers of the utility's real cost of service, including its cost of capital.

In this context, the two most critical features of the Company's PBMRP are as follows:

- A going-in revenue requirement that reasonably reflects the Company's actual operating expenses and cost of investment in the Rate Year, so that through effective management and prudent decision making, the Company can achieve the true efficiency gains that will be needed to stretch the approved revenue requirement over the stay-out term. Without a reasonable opportunity to maintain financial integrity over a stay-out period, as measured by the authorized ROE, the utility cannot focus on innovation and efficiency gains – and will instead file for the next rate case to make up ground. To accomplish this goal, the overall paradigm must "hang" together, making the base revenue requirement a pivotal element. The many components of a PBR plan, including going-in rates, as well as the subsequent rate adjustments, must work in concert with performance objectives and the capital investment requirements expected of the Company – for the benefit of customers, i.e., the entire framework must work to the benefit of customers, not only in relation to the price they will pay, but also in relation to supporting the level of service that they need and expect.

Revenue support for incremental capital investment to support long-term system goals. The Company operates in a capital-intensive industry and has a substantial need to acquire cash on a systematic basis to operate its business. As annual capital investments regularly exceed net cash from operations (i.e. cash receipts from customers net of operating cash outflows), the Company must look to other capital sources to fund those investments. Those sources are the debt and equity investors supplying the cash to capital markets. This means the Company must compete with all other entities participating in those markets to attract capital. It is simply not possible for the Company to go to those markets and demand cash for free, or at below-market rates relative to the investor's risk when other entities participating in the same capital markets offer compensation for the use of funds over time.

The Company provided extensive analysis and discussion on the cost of capital throughout Docket No. 21-05-15RE01, including specifically as it relates to CT-Bar. PURA's treatment with respect to going-in revenue requirements as well as any ongoing capital-driven revenue support mechanism, such as CT-Bar, is paramount to whether the Company, with effective management and sound decision-making, can responsibly cede its right to file for a rate amendment, whereas that is otherwise the only tool the utility has to align its revenues and costs and have a reasonable chance at earning its authorized ROE, which, over time, is necessary in order to attract the capital necessary to meet the standards of service expected of the Company's customers.

The lack of a valid revenue requirement component within the CT-Bar that would allow recovery of the cost of capital associated with incremental capital investment over the term of the PBMRP is a non-starter from a policy perspective,

creating an obstacle that would block a utility from giving up its right to file for rate modifications over the multi-year period in question. This is particularly accurate in the present environment in which significant increases in the level of necessary system investments are expected (and planned). Simply put, the CT-Bar, as previously envisioned in PURA's draft PBR decision, fully prevented the Company from having any practical chance at staying out of a rate case, and therefore, would never work to create a reasonable PBR framework.

The Company's proposed PBMRP in this docket is designed to track the design of the CT-Bar as closely as possible, given that this was PURA's developing framework. However, the Company's PBMRP addresses the two primary faults in PURA's RE01 framework that would prevent the implementation of a workable PBR framework, which are (1) the deviations from ratemaking fundamentals that grossly understate the "going in" revenue requirement; and (2) modification of the CT-Bar to reflect the revenue requirement applicable to capital investment, which would include recovery of the cost of capital and the cost of removal over the course of the PBMRP term. The Company's F-Factor also corrects for the mechanical error of deducting depreciation expense from new plant additions, rather than from rate base.

In particular, the Company's proposed F-Factor is designed to recover no more than the revenue necessary to support a discrete amount of ongoing system investment, recognizing that the cost of capital is a lawful and factual cost of service that must be incorporated into the revenue requirement calculation for the Company, as it is for any utility.

2. Considerations on the Design of Capital-Driven Revenue Support

CT-Bar, as defined in PURA's Proposed Final Decision, issued in Docket No. 21-05-15RE01, on July 14, 2025 (the "RE01-PFD"), had several sensible qualities that the Company supported. However, those "sensible" qualities were overcome by certain critically flawed concepts that would need to be modified or eliminated in order for the Company to consider committing to a stay-out. The positive and negative CT-Bar qualities are outlined briefly here and discussed in greater detail below, including with respect to similarities or differences to the Company's proposed F-Factor.

Summary of constructive features of PURA's RE01-PFD:

1) Acknowledgement that current revenue support for *ongoing* investment is essential;
2) No category of capital investment was summarily or preemptively excluded from CT-Bar;
3) CT-Bar takes effect with Rate Year 1; and
4) CT-Bar aligns capital revenue support with the capital investments of the DSP.

Summary of unworkable features of PURA's RE01-PFD:

1) Exclusion of the recognition in the CT-Bar of the cost of capital between rate cases.
2) Exclusion of cost of removal in the CT-Bar.
3) Application of depreciation expense as a reduction to plant additions rather than rate base.

Constructive features of PURA's RE01-PFD:

1) Positive #1: Acknowledgement that current revenue support for *ongoing* investment is essential to the integrity of the PBR framework.

First, that the CT-Bar even existed in PURA's RE01-PFD is genuine acknowledgement that some form of revenue support for Rate Year investment is essential to support a PBR framework. As discussed at length in that docket, the Company anticipates significant system investment over the next five years to advance the state's clean energy and reliability goals. Revenue support for *ongoing* system investment is crucial for any multi-year rate plan, whether in

the form of the Company's proposed PBMRP, step increases, or any other ratemaking framework. CT-Bar's inclusion in RE01-PFD is a clear indication that incremental revenue support for ongoing system investments is a necessity.

2) **Positive #2: No category of capital investment was summarily or preemptively excluded from CT-Bar.**

Second, the RE01-PFD did not exclude particular categories of capital investment. For example, capital investments in facilities, fleet and information technology are viewed as permissible categories for revenue support in the CT-Bar framework. This is consistent with the Company's proposed F-Factor in this proceeding.

3) **Positive #3: CT-Bar takes effect as of Month 1 of Rate Year 1.**

The Company provided extensive discussion and analysis throughout Docket No. 21-05-15RE01 technical sessions and data responses regarding the "going-in" revenue requirement and the detrimental financial consequences of limiting capital investments to a period of time removed from the Rate Year. Ignoring for a moment the CT-Bar's deficiencies, having the mechanism take effect Month 1 of Rate Year 1 minimizes or eliminates those detrimental timing consequences, particularly in light of the fact that PURA has in recent years moved away from its prior practice of implementing future-test years in base rate proceedings, instead favoring a strict historical Test Year practice as it relates to plant additions.

Revenue decoupling is a factor to consider here because the revenue decoupling mechanism ("RDM") subsumes all sales growth to the extent that it is occurring, funneling incremental sales revenues back to customers. RDM is supported by valid policy reasons; however, the fact is that there are capital costs associated with adding new customers. Historically, when consistent and steady levels in the range of ~3$ per year of annual growth in sales and revenues was available to a utility to help offset the cost of incremental capital additions between rate cases, the pressing need for incremental revenue support was mitigated. Without the ability to capture that sales growth, and combined with the absence

of an ongoing revenue support mechanism such as an F Factor taking effect on Month 1 of Rate Year 1, the Company would not be in a position to commit to a stay-out of any duration. This is because the Company would never be in a position to cover its cost of service (inclusive of its authorized cost of capital) because its rates would be set on a historical level of plant additions, despite the fact that its capital expenditures are higher than historical levels of depreciation, and because revenue decoupling ensures that even if load growth exists (and even if such load growth is enabled by the Company's increased level of capital expenditures) the Company is unable to retain additional revenues contributed by new customers, or new load.

4) **Positive #4: CT-Bar was designed to align capital revenue support with the DSP.**

Ignoring its deficiencies, the CT-Bar's connection to the Distribution System Plan ("DSP") constituted an essential link between ongoing system investments necessary to meet the objectives of the DSP with the revenues necessary to support those investments. Throughout Docket No. 21-05-15RE01, the Company advocated strongly for clearly defined linkages across all three tracks (RE01, RE02 and RE03), including proposing what would be the final technical session touching upon revenue requirements, in which those linkages were discussed. The Company's F-Factor is similarly aligned with the capital investment forecast provided in this proceeding for the DSP. The Company's capital investment forecast serves as the basis for a cap on the level of investment for the F-Factor.

Unworkable Features of PURA's RE01-PFD:

1) Negative #1: No recovery of cost of capital in the revenue requirement for capital investment between rate cases.

The single-most problematic feature of the CT-Bar was its intentional exclusion of the cost of capital associated with completing capital plant additions to the benefit of customers. Costs of capital are real costs of providing electric

distribution service to customers in the State of Connecticut (or anywhere) and are recognized in statute. Although the cost of capital may be a more challenging cost to conceptualize, it is nonetheless as real as vegetation management, insurance, customer service, or any other cost of service. Cash is not free, a fact arising from its scarcity. Fundamentally, capital markets are where people, banks, corporations and other institutions provide their surplus of cash -- which is limited, to those entities that have cash needs -- which are generally unlimited. Consequently, and unsurprisingly, those entities providing the cash for some period of time expect to be compensated for providing it, thus establishing real cost to acquire capital.

The Company, operating in the capital-intensive industry of regulated utilities, is one of those entities that needs to acquire cash to operate its business. As annual capital investments regularly exceed its net cash from operations (i.e. cash from customers), the Company must look to other sources to fund those investments. Those sources are the debt and equity investors supplying the cash to capital markets. This means the Company must compete with ALL other entities participating in those markets. It is simply not possible for the Company to go to those markets and demand cash for free (or for below-market rates, relative to market expectations of risk and reward) when other entities participating in those capital markets offer adequate compensation for the use of funds over time. Therefore, there is a real and tangible cost to acquiring that capital. Please refer to the Company's pre-filed cost of capital testimony for in-depth discussion of the cost of capital.

The Company provided extensive analysis and discussion on the cost of capital throughout Docket No. 21-05-15RE01, including specifically as it relates to CT-Bar. PURA's treatment with respect to going-in revenue requirements as well as any ongoing capital revenue support mechanism, such as CT-Bar, is paramount to whether the Company, with effective management and sound decision-making, has the opportunity, but not a guarantee, to cover its cost of service to customers, and to earn its allowed return. The absence of the cost of capital from the CT-Bar, particularly in the present environment where significant increases in the level of necessary system investments are expected, prevents the Company from having any practical opportunity to commit to a stay-out to avoid the next rate case.

As discussed in the Company's response to OCC-435, based on the Company's current assessment of system investment needs in the near future, the revenue requirement associated exclusively with the cost of capital pertaining to future capital additions (excluding GET and Uncollectible) would amount to an incremental $15.6 million for Rate Year 1; an incremental $32.8 million for Rate Year 2; an incremental $36.4 million for Rate Year 3; and an incremental $39.5 million for Rate Year 4, or $124.1 million in total.

This means that -- even if 100% of those future plant additions were only partially supported with CT-Bar revenues (i.e. revenue covering depreciation expense and property taxes only); and even if the Company's future cost of service otherwise was 100% supported with rates; and even with perfect operational decision making -- the Company would still need to find $124.1 million of annual savings by Rate Year 4 in order to offset the loss of revenue associated with carrying costs on incremental investment over the term of the PBMRP, which would be necessary to commit to a stay-out term.

For perspective, the total O&M expense included in the Company's cost of service filed in this proceeding is $547.5 million. Thus, to earn its authorized ROE, all else equal, the Company would have to generate cost savings amounting to $124.1 million, or nearly 23%, of its Rate Year O&M level by Year 4, to offset the impact of the accumulating carrying costs on the incremental capital additions completed on the system after base rates are set in this case. This is nearly 34% of operating expense, excluding vegetation management and storm restoration costs, which is a very substantial proportion of the cost of service.

For example, the amount of $124M is nearly two-thirds of the Company's labor and labor-related operating expense, or 60% more than the entire vegetation management program. It simply is not possible for the Company to cut this level of O&M expense without grossly debilitating the Company's ability to provide service to customers. In fact, it

is not plausible to expect that the Company could generate even 10% in annual incremental O&M savings in the face of 2-3% annual inflation and, as a result, the Company could not agree to a stay out under circumstances where there is no recovery of the cost of capital on incremental investment over the PBMRP term.

Moreover, even if the Company were somehow able to find such remarkable cost savings, the going-in revenue requirement of the subsequent multi-year rate plan would capture those cost savings. Assuming continuation of the same PBR framework and required system investment, the Company would again be in the position of having to find an additional 34% of O&M savings (i.e. more than 60% cumulatively from Rate Year 1) in order to sustain itself over the next PBR term. Clearly, a framework that does not provide revenue supporting the full cost of incremental investment over a four-year period, as well as the next four-year period, is not a plausible or lasting framework. Thus, exclusion of the cost of capital from a capital support mechanism in an environment in which significant increases in capital investments are expected all but ensures the Company has no realistic opportunity to survive the PBR term without a critical need for a rate case to realign costs and rates. Consequently, the overall framework as outlined in the REO1-PFD had no practical chance of sustaining the Company financially for the four-year term, nor would the Company have been able to even agree to a stay-out.

To address this indelible flaw, the Company's proposed PBMRP in this docket is designed to produce the revenue necessary to support ongoing system investment through the F-Factor, which calculates a revenue requirement inclusive of the costs of capital unlike the CT-Bar, while preserving the customer benefits and inherent incentives of a PBR plan.

2) Negative #2: Exclusion of cost of removal from the revenue requirement on capital investment between rate cases.

CT-Bar excluded the cost of removal, which is a real cost for all utilities. As a simple example, to install a new utility pole where there is an existing one that needs replacement, the Company must first remove the existing utility pole. That cost is separate and distinct from the cost of the utility pole itself; yet, similarly recovered (as an estimate) over the life a utility pole. The Company's capital investment forecast in the present docket includes approximately $136 million of cost of removal for January 1, 2026 through June 30, 2028, and approximately $60-70 million per year thereafter. A total of $60-70 million in annual investment equates to pre-tax cost of capital of $6-7 million annual incremental revenue requirement (e.g. $6 million year 1, $12 million year 2, $18 million year 3, etc.). The CT-Bar revenue requirement intentionally excluded this component of the capital investment revenue requirement. The Company's proposed F-Factor calculation properly restores this component to the rate base computation.

3) Negative #3: Depreciation expense is used as a reduction to plant additions rather than to total rate base, consistent with fundamental ratemaking principles.

CT-Bar's calculation treats depreciation expense as a net against plant additions. Although the Company appreciated that PURA found it important to capture ongoing depreciation expense in the annual revenue requirement calculations, the overall execution of the computation was not correct. The Company's F-Factor corrects for this methodological error. Please refer to the example below outlining the mathematical problem:

3		Year 1	Year 2		Year 1	Year 2
4	Plant Additions	$1,000	$1,000			
5	Cumulative Gross Plant	$1,000	$2,000	x 3.6% Depreciation	$36.0	$72.0
6	Accumulated Depreciation	-$300	-$600			
7	Cumulative Rate Base	$700	$1,400	x 9.8% Cost of Capital	$68.6	$137.2
11		Rate Base		RevReq		
12		Year 1	Year 2	Year 1 Year 2		

13	Plant Additions	$1,000	$1,000			
14	Depreciation Expense	-$300	-$300			
15	Net Plant Additions	$700	$700			
16	Cumulative Depreciable Base	$700	$1,400	x 3.6% Depreciation	$25.2	$50.4
17	Cumulative Rate Base	$700	$1,400	x 9.8% Cost of Capital	$68.6	$137.2
18				Total Revenue Requirement	$93.8	$187.6
18				Error	-$10.8	-$21.6

The table above is a simplified example of CT-Bar's improper incorporation of ongoing depreciation in a revenue-requirement calculation. Effectively, the CT-Bar reduces plant additions by depreciation expense, which improperly reduces the total amount of plant to be depreciated, thereby reducing the incremental depreciation expense to be supported by the rate mechanism. The correct approach is to handle the plant additions separately from accumulated depreciation (see lines 4 and 6 in the table above). Note that both methods result in the same return on rate base, demonstrating that both calculations reflect the reduction to return on rate base resulting from ongoing/accumulating depreciation. The error is limited to the resulting new depreciation expense reflected in the revenue requirement, which is understated in the above example by $10.8 million in Year 1 and $21.6 million in Year 2 under the CT-Bar as compared to the Company's proposal in this proceeding, which mirrors in concept to how the Company records depreciation expense on gross plant additions (not on net plant additions, as in the CT-Bar).

Characteristics of the Company's Proposed F-Factor (same as CT-Bar, except for three features).

The Company is proposing a capital support mechanism (the "F" factor in the formula) that tracks as close as possible to PURA's CT-Bar, except that it addresses the three major impairments described above, which would prevent the Company from being able to agree to a stay-out. These three items are the exclusion of the cost of capital in the revenue-requirement computation for incremental plant additions, the cost of removal and the mechanical deduction of depreciation expense from plant additions instead of rate base. In the Company's F-Factor, these first two items are included in the formula and the third mechanical process is addressed.

Beyond that, the F Factor would operate from a fixed annual capital investment level for each year of the PBMRP, with reconciliation through PURA's annual RAM proceedings. The fixed annual investment level would be set at the Company's capital forecast, as approved in this proceeding. As described previously, the Company has presented different investment trajectories in the Company's 5-Year TSP and is proposing to establish the capital support mechanism of the PBR adjustment consistent with the annual capital funding requirements presented in Figure 7 of Exhibit CLP-ELP-1.

Consistent with the structure of the CT-Bar in the RE01-PFD, the F-Factor would commence on July 1, 2027, coincident with new base rates, collecting an allowance developed from the Company's capital forecast presented in Exhibit CLP-TSP-3. In this proceeding, the Company has proposed base rates that include capital additions through the Rate Year. This means that the F-Factor implemented on July 1, 2027 (commensurate with new rates in this proceeding) would be set to zero at that time, since base rates would be set to collect the revenue requirement on capital placed into service in the Rate Year.

However, if PURA declines to incorporate rate-year capital additions into base rates in this proceeding, the F-Factor taking effect on July 1, 2027, would reflect the revenue requirement for the period July 1, 2027 through June 30, 2028 on capital additions placed in service (or estimated to be placed in service) from the point in time where PURA cuts off capital for inclusion in base rates and through June 30, 2028.[1] In the next year, as part of the Company's annual RAM compliance filing, actual plant additions placed in service

[1] The Company is neutral to whether Rate Year capital is included as an adjustment to base rates or is contemplated by operation of the F-Factor, as it was under the CT-Bar construct. However, for evidentiary purposes, the Company needed to include both potential outcomes in its filing. during the applicable plan year would be reconciled against the F-Factor allowance put into rates on July 1, 2027. In that reconciliation, the Company would present its project document for a prudence review and, based on PURA's findings in that prudence review, the cost of actual plant additions for calendar year 2027, less whatever PURA has already included in rates for capital additions in 2027, would be actually incorporated into rate base at that point. Following PURA's determination that the Company's actual plant additions are prudent, used and useful, the Company's rate base would be adjusted and associated revenue requirement allowed for recovery that would be limited to the lesser of:

1. The total revenue requirement for the forecasted capital approved in this proceeding for the first implementation of the F Factor; or

2. The total revenue requirement for the actual plant in service.

If the cost of the Company's actual capital additions were to exceed the forecasted amount approved in this proceeding, the Company would not be permitted to obtain recovery of the incremental investment during the initial four-year PBMRP Term. Instead, any such investment would remain subject to review and consideration in a subsequent base rate proceeding or successor PBMRP Term.

This Company's proposed capital funding mechanism sets a defined cap on capital recovery during the plan term, providing customers with greater rate certainty and placing the risk of excess capital spending requirements on the Company. The annual reconciliation further protects customers by blocking recovery of investments that are delayed, deferred, canceled, or not placed in service, since those costs would not be reflected in the F factor, which is based on plant in service. For these reasons, the proposal aligns cost recovery with prudent investment, promotes accurate capital forecasting, and incentivizes efficient execution of the capital program, all while preventing customer over-collection.

III. Specific Responses to Parts (a), (b) and (c), above.

(a) Why are O&M expenses appropriately subject to an externally indexed revenue cap, while capital expenditures require separate recovery through an F-Factor based on a fixed annual capital investment forecast?

The capital investments the Company must make to provide electric service to customers in the State of Connecticut is a "local" concept. Those investments are driven by the circumstances and objectives of the State of Connecticut and the history and current status of the distribution grid in Connecticut. Those circumstances and objectives, which require long-term system planning and appropriate capital resources, are not encapsulated by a single index. O&M, though it is similarly influenced by local circumstances, does not change at the same rate as capital investment. For example, the Company's annual capital investment is expected to increase nearly 40% from $549 million in 2025 to $758 million by 2028, or more than 11% annually, on average. In contrast, over the same timeframe O&M (excluding storm funding and vegetation management) is projected to increase approximately 3-4% annually. The Company's proposed PBMRP aligns revenues with drivers of cost while maintaining the incentive to control costs.

In addition, under PBR theory, where capital inputs are contemplated in the indexed formula, then the X factor is negative, implying that the annual adjustment is inflation plus an additional factor. The testimony of London Economics in Exhibit CLP-PBR-1 reviews the results of their total factor productivity study producing this result. In this case, the Company elected to adhere as closely as possible to PURA's (draft) CT-Bar in order to remain synched with PURA's policy direction.

(b) How will the Company's proposed treatment of capital expenditures be expected to produce customer cost savings or otherwise improve customer affordability relative to including capital expenditures within a revenue cap formula.

There are three main opportunities for customer benefit in the PBR framework, which are: (1) the opportunity to leverage the stay-out term to drive operational efficiency and cost savings; (2) the opportunity to spread rate changes out over time to smooth impacts for customers and employ the concept of gradualism rather than promoting the cost and inefficiency of a traditional rate-case cycle; and (2) the opportunity to develop a systematic investment plan that promotes operational efficiency and cost-saving procurement strategies, while taking advantage of the smoothing impacts of the PBR framework to mitigate cost impacts.

The Company has submitted substantial testimony and documentation in this proceeding to provide insight into the level of capital investment that is needed on the system to provide adequate service to customers and to support the economic vitality of the State of Connecticut. Customers benefit directly when investment can be undertaken on a planned, systematic and consistent basis over time because

(1) it is consistently more expensive to complete infrastructure projects tomorrow rather than today due to price inflation and other factors; and (2) the Company's process inputs (i.e., primarily labor and materials) cost less when procured on a planned and systematic basis rather than on an emergent basis.

Although difficult to define in terms of the overall cost trends, there are significant benefits for customers in an operating approach that is consistent, systematic, planned and carefully managed, which is an outcome that the Company is hoping to promote with its proposals in this proceeding. Bottomline – the Company is looking to establish a ratemaking framework that will promote efficiency of operations for the benefit of customers and the F-Factor is the optimal mechanism for that purpose.

Assuming that OCC's referenced alternative for a capital-cost mechanism "within a revenue cap formula," means that the PBMRP would rely exclusively on an "I-X" revenue cap formula, with or without X defined with a negative factor, the Company's experience is that it is not adequate to support necessary capital investment, while raising issues for stakeholders. With the negative X factor, there is no direct link between the actual cost of capital plant additions and the revenue collection through customer rates, leaving it to be insufficient to support necessary capital investments and unsatisfactory for stakeholders that want transparency between the costs collected in rates and the rates that customers pay. As a result, achieving the efficiency needed to support a cost-effective capital plan is illusory in this model.

(c) How does the proposed F-Factor mitigate or avoid any incentive to favor capital expenditures over O&M solutions, including in circumstances where either a capital or O&M solution could be used to address the same system need?

In the Company's experience, implementation of the X factor mechanism (with a negative X factor) to cover capital investment was thought to be a mechanism that would promote efficient solutions between capital and O&M because the revenue allowance was not predicated on actual plant additions; rather, was simply formulaic. In 2017, the Massachusetts Department of Public Utilities ("MDPU") approved a negative X factor within a revenue cap for NSTAR Electric Company d/b/a Eversource Energy – and it remained operative for the five-year term of the plan. However, the fact is that – during an extended stay-out period, there is no incentive to incur any greater level of expense than is absolutely necessary to run the business. Therefore, there is no greater impetus than would exist in any event to make the optimal choice between expense and capitalization, where such a choice exists. And again, with the negative X factor, the MDPU felt it had no line of sight as to whether funds allowed to NSTAR Electric through the annual PBR allowance were, indeed, being leveraged for system investment.

Therefore, in 2022, the MDPU instituted the K-Bar providing an allowance for system infrastructure projects, coupled with reporting requirements on investment levels. The MDPU maintained the I-X formula to cover the O&M portion of the approved revenue requirement, which is what the Company is proposing in this case.

In reality, there are very few instances when system needs can be easily transitioned between a capital-work solution or a work solution that can be expense. The prudence review is the primary and most effective tool that regulators possess for evaluating these situations.

Date Filed: October 15, 2026

Witness: Douglas P. Horton
Request from: Office of Education, Outreach, and Enforcement

Question:

(PBMRP CAPITAL SUPPORT MECHANISM) Refer to Response to EOE-156, pp. 10-12. The Company's response argues that the proposal will require O&M savings of $29 million by Rate Year 4 to achieve the authorized rate of return (pp. 10-11) and then details an assumption of "v. O&M cost pressure is assumed to be 1% greater than inflation, annually" (p. 12). All else equal, confirm that the $29 million amount was driven by the O&M assumption within the broader revenue cap formula and was not driven by the F-Factor proposal. If not confirmed, provide the updated analysis excluding the O&M assumption (i.e., assume O&M costs equal inflation) and separately discuss why there would be a shortfall driven by the proposed F-Factor.

Response:

The analysis presented in EOE-156, Attachments 1 and 2, demonstrated that, under the cost projections presented in that response, projected revenues under the proposed framework do not fully recover projected costs in order to produce adequate net income over the course of the PBR term, with assumptions outlined in that response. In addition to the assumption identified in this question, the Company also assumed that going-in rates established in this proceeding *are approved as filed and requested by the Company*, with no adjustments or disallowances.

Having said that, the $29 million gap reflected in EOE-156, Attachment 1, is predominantly attributable to the O&M assumptions rather than the proposed F-Factor, since Attachment 1 assumes that the Company's actual spending is identical to the spending within the TSP, and thus that capital is reflected in the F-Factor revenue support presented in that response. Conversely, EOE 156, Attachment 2, presents analysis assuming spending exceeds the amount allowable in the F-Factor by 5 percent. As a result, the larger gap identified in Attachment 2, relative to Attachment 1, is driven by capital related costs rather than O&M, since O&M assumptions are the same in both attachments.

As discussed in the Company's responses to EOE-372[i] and OCC-857[ii], the F-Factor is subject to a downward-only annual reconciliation based on actual capital investment. As a result, the mechanism cannot produce earnings in excess of those supported by actual plant investment. If actual capital investment is lower than forecast, F-Factor recovery is reduced through the reconciliation process. Conversely, if actual capital investment exceeds forecast levels, the Company will incur the additional capital-related costs without corresponding F-Factor revenue until such investment is reflected prospectively through future ratemaking proceedings.

Accordingly, the F-Factor does not provide a structural opportunity for over-recovery and is not responsible for the earnings shortfall reflected in the EOE-156 analysis.

Further, even if O&M costs were assumed to increase only at the rate of inflation, the proposed PBR-O mechanism would continue to preserve cost-efficiency incentives. Because the mechanism includes a minimum customer dividend of 30 basis points, revenue growth is designed to trail inflation. As a result, achieving the authorized return on equity would remain dependent upon the Company's ability to manage costs effectively and operate efficiently. The proposal therefore does not guarantee earnings recovery and continues to place meaningful performance risk on the Company. Consequently, the analysis demonstrates that the proposal maintains robust incentives for cost containment, operational efficiency, and prudent management while continuing to protect customers through the proposal's sharing and reconciliation mechanisms.

Prior Referenced Responses:

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[i] EOE-372 Question:

(TIMING OF ANNUAL FILINGS; F-FACTOR) Provide both a discussion and a visual representation of the timeline detailing key components of the Company's proposed annual filings for each year of the MRP. As part of the response, identify the cutoff date(s) for capital additions, the annual filing date(s), and rate change date(s). This request attempts to understand the amount of time needed for the Company to close its books and prepare the filing, along with the amount of time for the Authority's approval, and the Company's subsequent processing of the rate increases within its system. Additionally, this request attempts to understand relevant cutoff dates whereby the F-Factor capital additions would be applicable from the end of the evidentiary record through the first annual cutoff date.

EOE-372 Response:

Please refer to the Company's response to OCC-857,[i] which responds to a similar question.

The Company proposes to align the Performance Based Multi-Year Rate Plan (PBMRP) with the Rate Year, with PBMRP adjustments occurring on July 1 each year. For each year that the PBMRP mechanism is in effect, the Company would submit an Annual PBR Plan Compliance Filing to PURA in the annual RAM proceeding. The annual compliance filing would include, among other things: (1) the calculation of the annual revenue-cap adjustment; (2) the new proposed rate using the PBR formula; (3) an earnings-sharing computation; (4) cost documentation for the Company's capital investments; (5) the calculation and reconciliation of the annual capital-cap adjustment; (6) documentation of metric performance and resulting penalties or incentives; (7) bill impacts of the new rate by rate class; and (8) any request for exogenous rate change, if applicable.

With respect to the capital support mechanism or "F" factor in the formula, the Company proposes a mechanism based on a fixed annual capital investment level for each year of the PBMRP, with reconciliation through PURA's annual RAM proceedings. The fixed, annual investment level will be set at the Company's capital forecast, as approved in this proceeding. As described in its Exhibit CLP-ELP-1 testimony, the Company has presented different investment trajectories in the Company's 5-Year targeted system performance (TSP) and is proposing to establish the capital support mechanism of the PBR adjustment consistent with the annual capital funding requirements presented in Figure 7 of the Exhibit CLP-ELP-1 testimony. As part of the Company's annual RAM compliance filing, actual plant additions placed in service during the applicable plan year will be reconciled against the approved forecast. As

described in the response to OCC-857, the fixed annual investment level would initially be set at the Company's capital forecast, as approved in this proceeding, and would be subject to downward-only reconciliation in the event that either i) the Company's actual plant in service is lower than projected and utilized in establishing the initial F-Factor for that Rate Year or ii) PURA ultimately denies as imprudent a level of investment that was initially included in the F Factor allowance. In this way, customers are assured that rates ultimately reflect the costs of system investments that are actually in service, and have been found prudently incurred by PURA. If the Company's actual capital spending exceeds the forecasted amount approved in this proceeding, the Company will not be permitted to seek recovery of the incremental investment during the initial four-year PBMRP Term. Any such investment would instead remain subject to review and consideration in a subsequent base rate proceeding or successor PBMRP Term. The Company's proposed capital funding mechanism sets a defined cap on capital recovery during the plan term, providing customers with greater rate certainty and placing the risk of excess capital spending on the Company. The annual reconciliation further protects customers by blocking recovery of investments that are delayed, deferred, canceled, or not placed in service, since those costs would not be reflected in the "F" factor, since, although the F-factor will initially be established based on the capital expenditure forecast presented in this proceeding, it will ultimately be reconciled based on plant in service, but only to the extent actual plant in service is less than (not more than) contemplated in the original F-Factor. For these reasons, the proposal aligns cost recovery with prudent investment, promotes accurate capital forecasting, and incentivizes efficient execution of the capital program, all while ensuring that customers do not provide revenues that support capital that is not in-service and used and useful to customers, and that is not found prudent by PURA.

Based on the above framework, an exhibit that reconciles actual plant additions placed in service during the applicable plan year against the approved forecast will be filed on or about March 1st of each year consistent with the timing of all other RAM component reconciliations. Further, under the Company's proposed timeline, the revenue requirement resulting from the reconciliation of the prior year's F-factor allowance and the new Rate Year's F-factor allowance will go into effect on July 1, following the March 1st filing. As part of the RAM process, PURA performed prudence reviews of capital documentation filed for the ESI, including discovery, between March 1st and September 1st, the date on which additional RAM rate changes were made. Even though PBMRP rates would go into effect on July 1st, the Company proposes that this timeline continues to be used for capital prudence reviews under the PBMRP. To the extent PURA's prudence review warrants any adjustment to the revenue requirement that went into effect on July 1, the Company will calculate the excess revenue collected from customers over the period of July 1 through August 31 and include this amount, plus carrying costs for those 2 months, in the RDM's allowed revenue target for the July 1 through June 30th Rate Year.

Annual reconciliation, including the prudence reviews involved, is a critical element of the Company's PBMRP proposal. As part of each annual PBMRP adjustment effective July 1 each year of the PBMRP[i], the Company's actual capital additions for the Prior Year are allowed for inclusion in the calculation of the F factor to the extent that the actual capital additions do not exceed the Forecasted Budget (referred to as the F-factor allowance). To the extent that the cumulative actual capital costs in-service through the Prior Year, in aggregate, exceeds the Forecasted Budget through the Prior Year, then the F Factor allowance is capped at the cumulative Forecasted Budget. This downward-only reconciliation will ensure that, in the end upon reconciliation, customer bills reflect the costs associated only with projects that are in service to customers and no more, and that if the Company invests more than the Forecasted Budget, customer bills will not reflect amounts above the Forecasted Budget, until such time as those capital investments are allowed into rates at the time of the Company's next rate case. The prior-period reconciliation will be reflected in the F-Factor, in addition to the revenue requirement associated with the Forecasted Budget for the upcoming Rate Year, effective July 1 annually. The F Factor allowance will be calculated to determine the revenue requirement (inclusive of depreciation expense, property tax expense, return on rate base, and income tax) on actual plant additions (including plant additions, cost of removal, plant retirements, accumulated depreciation, and plant-related accumulated deferred income taxes ("ADIT")) up to the Forecasted Budget amount, and to reflect the revenue requirement for the Prior Year and through the Rate Year on in service capital additions placed in service in the Prior

Year, provided that those in service capital additions are not reflected in base rates or in another rate mechanism. In addition, the F Factor allowance will reflect the revenue requirement for Rate Year capital, established at the Forecasted Budget, subject to downward-only reconciliation in the subsequent F Factor filing.

As noted above, annual reconciliation will consider plant-related ADIT on the Company's books through the end of the calendar year, prior to a given annual filing. To the extent the Company has recorded cumulative plant additions in excess of the capital expenditure forecast provided in this docket or supported by a mechanism other than the F-Factor, the plant-related ADIT will be adjusted in the Company's annual reconciliation to avoid overstating the ADIT relevant to the F-Factor.

In total, the Company's proposed F-Factor will provide revenue support for, and ultimately reconcile, the capital investment placed into service from the cutoff date for inclusion in base rates through the effective date of the Company's subsequent rate case at the conclusion of the proposed PBMRP term. Per the Company's proposal the F-Factor would ultimately reconcile capital investments made up to July 1, 2031 (the effective date of the subsequent rate case). Should the subsequent rate case be effective later than the July 1, 2031, illustrative date, the F-Factor would continue to reconcile capital investments placed into service until such time as that rate case does take effect.

[ii] OCC-857 Question:

(Capital Support Mechanism) On p. 101 of Exhibit CLP-ELP-1, the Company states that, "As part of the Company's annual RAM compliance filing, actual plant additions placed in service during the applicable plan year will be reconciled against the approved forecast." In the Company's response to EOE-156, Witness Horton states that prudence reviews would be included in the annual reconciliation process.

a. Provide a detailed plan for how the Company envisions the annual reconciliation process would proceed and how long the process would take both as a whole, and for each step. Please identify what filings would be made, whether and how discovery would be allowed, and what types of determinations would be required by the Authority.
b. Where in the reconciliation process will the distinction and differences be identified between realized annual plant addition costs and the associated rate base, and the return, taxes, and deprecation on rate base that are included in the going-in revenues?
c. Will the annual PBR reconciliations be assessments of the whole Company's rate base with calculations of commensurate return, tax and depreciation, or will it be an incremental adjustment based on annual plant additions? Please explain.
d. Provide one or more examples, as appropriate, showing how the annual capital recovery process, including reconciliation, would function, including detailed calculations in the form to be used in the annual adjustment filings.
e. Provide a list of all types of costs that will be included in the capital recovery reconciliations.

OCC-857 Response:

a. The Company has given this process a lot of thought based on discussions throughout the PBR dockets. Based on input from those sessions, the Company's proposal is to align the Performance Based Multi-Year Rate Plan (PBMRP) with the Rate Year, and as much as possible, aligns with the existing annual RAM ratemaking process. As such, the Company proposes that PBMRP adjustments occur on each July 1, starting with July 1, 2027, and annually thereafter. For each year that the PBMRP mechanism is in effect, the Company would submit an Annual PBR Plan Compliance Filing to PURA in the annual RAM proceeding. The annual compliance filing would include, among other things:

(1) the calculation of the annual revenue-cap adjustment;
(2) the new proposed rate using the PBR formula;
(3) an earnings-sharing computation;
(4) cost documentation for the Company's capital investments;
(5) the calculation and reconciliation of the annual capital-cap adjustment;
(6) documentation of metric performance and resulting penalties or incentives; and
(7) bill impacts of the new rate by rate class.
(8) as applicable, any request for exogenous cost recovery.

With respect to the capital-support mechanism or "F" factor in the formula, the Company proposes a mechanism based on a fixed annual capital investment level for each year of the PBMRP, with reconciliation through PURA's annual RAM proceedings. The fixed annual investment level would initially be set at the Company's capital forecast, as approved in this proceeding, and would be subject to downward-only reconciliation1 in the event that either i) the Company's actual plant in service is lower than projected and utilized in establishing the initial F-Factor for that Rate Year or ii) PURA ultimately denies as imprudent a level of investment that was initially included in the F Factor allowance. In this way, customers are assured that rates ultimately reflect the costs of system investments that are actually in service, and have been found prudently incurred by PURA.

As described in its Exhibit CLP-ELP-1 testimony, the Company has presented different investment trajectories in the Company's 5-Year targeted system performance (TSP) and is proposing to establish the capital support mechanism of the PBR adjustment consistent with the annual capital funding requirements presented in Figure 7 of the Exhibit CLP-ELP-1 testimony. As part of the Company's annual RAM compliance filing, actual plant additions placed in service during the applicable plan year would be reconciled against the approved forecast that would have been utilized in the prior PBMRP filing to establish the F-Factor initially.

Following PURA's determination that the Company's actual plant additions are prudent, used and useful, the Company's allowed rate base and associated revenue requirement for that year will be limited to the lesser of (1) the total revenue requirement for the forecasted capital approved in this proceeding; or (2) the total revenue requirement for the actual plant in service. As described previously, if the Company's actual capital additions exceeds the forecasted amount approved in this proceeding, the Company would not be permitted to seek recovery of the incremental investment during the initial four-year PBMRP Term. Any such investment would instead remain subject to review and consideration in a subsequent base rate proceeding or successor PBMRP Term.

The Company's proposed capital funding mechanism sets a defined cap on capital recovery during the plan term, providing customers with greater rate certainty and placing the risk (and cost) of increased capital spending on the Company during the course of the PBMRP. The annual reconciliation further protects customers by blocking recovery of investments that are delayed, deferred, canceled, or not placed in service, since those costs would not be reflected in the "F" factor upon reconciliation, which is based on plant in service. For these reasons, the proposal aligns cost recovery with prudent investment and incentivizes efficient execution of the capital program, all while minimizing customer over-collection.

Based on the above framework, an exhibit that demonstrates a revenue requirement consisting of: (1) a reconciliation of actual plant additions placed in service during the previous calendar year against the approved forecast (also referred to as the F-factor allowance) for that calendar year, and (2) the F-factor allowance for the new Rate Year beginning July 1st, would be filed on or about March 1st of each year consistent with the timing of all other RAM component reconciliations. Concurrent with that timing, all plant additions documentation for the previous calendar year included in the above reconciliation will also be filed on or about March 1st as part of the same filing.

Further, under the Company's proposed timeline, the revenue requirement resulting from the reconciliation of the prior year's F-factor allowance and the new Rate Year's F-factor allowance will go into effect on July 1, following the March 1st filing. As part of the RAM process, PURA performed prudence reviews of capital documentation filed for the ESI, including discovery, between March 1st and September 1st, the date on which additional RAM rate changes were made. Even though PBMRP rates would go into effect on July 1st, the Company proposes that this timeline continues to be used for capital prudence reviews under the PBMRP.

To the extent PURA's prudence review warrants any adjustment to the revenue requirement that went into effect on July 1, the Company will calculate the excess revenue collected from customers over the period of July 1 through August 31 and include this amount, plus carrying costs for those 2 months, in the RDM's allowed revenue target for the July 1 through June 30th Rate Year.

b. Please refer to subpart (d) of this question.

c. Please refer to subpart (d) of this question.

d. Please refer to the example shown in EOE-156, Attachment 1, pages 4 through 12, showing how the annual capital recovery process, including reconciliation, would function, including detailed calculations in the form to be used in the annual adjustment filings. Please note that pages 4, through 12, show an illustrative example for all four Rate Years contemplated for the duration of the PBMRP; however, the annual filing would only be for a single year of the PBMRP. As part of this example, please refer to the differences between realized annual plant addition costs and the associated rate base, and the return, taxes, and depreciation on rate base that are included in the going-in revenues found in EOE-156, Attachment 1, worksheet "PBR-7 Going-In Capital RR", Lines 13-16. Additionally, the detailed calculations shown in EOE-156, Attachment 1, pages 4 through 12, demonstrate that the annual PBR reconciliations will be an assessment of the Company's total accumulated depreciation included in base distribution rates (i.e., customers will be receiving credit for the increase in the Company's accumulated depreciation for all capital included in base distribution rates), as opposed to the Company's entire rate base (the Company considers its entire rate base to include other rate base items such as deferred assets and liabilities, etc.).

e. The revenue requirement for capital recovery will include appropriate recovery of net plant in service, accumulated deferred income taxes ("ADIT") and accumulated depreciation for the cumulative additional plant additions and will include a pre-tax return on investment (i.e. return on rate base including income taxes), return of investment (i.e. depreciation), property taxes, gross earnings tax and uncollectible expense.

Date Filed: October 14, 2026

Witness: Douglas P. Horton, Brendan J. O' Brien, Garrett J. Murray, and Timothy J. Griffin
Request from: Office of Education, Outreach, and Enforcement

Question:

(F-FACTOR; PROPERTY TAXES O&M) Confirm that both the Company's proposed F-Factor calculation and the proposed revenue cap formula calculation increase the revenue requirements for property taxes. If confirmed, provide an analysis detailing the estimated property tax increase that would result within the revenue cap formula for each of the four Rate Years. As part of the increase, please account for the impact of the gross earnings tax (GET) and allowance for uncollectible amounts (i.e., the 7.63% and .63% included within the PBR-3 F-Factor Summary tab). If not confirmed, explain how the property tax expense would be excluded from the revenue cap formula to include the corresponding reduction in the property tax basis used after accounting for depreciation.

Response:

The premise of this interrogatory is incorrect. The Company's proposal does ***not*** increase revenue requirements for normal property taxes through both the F-Factor as well as another component of its PBMRP proposal, such as I-X. Unlike the framework outlined in the 2021-05-15RE01 Proposed Final Decision ("PFD"), which would have resulted in overlapping treatment of property-tax-related revenue requirements, the Company's proposal was specifically designed to avoid that outcome by separating capital cost recovery from O&M cost recovery.

As described in the Company's response to EOE-156[i], the I-X-CD adjustment is applied only to O&M expense. This is demonstrated in EOE-156, Attachment 1, Worksheet "PBR-1 Total PBRA," Line 21, which identifies its source as "Exhibit CLP-REVREQ-2, Schedule C-3.0, Column F, Line 51." Property taxes, by contrast, are reflected on Line 61 of that same schedule and are not included in the O&M expense amount to which I-X-CD is applied. Accordingly, the Company's proposal does not apply I-X-CD to a revenue requirement that includes property taxes. Under the Company's proposal, any incremental revenue requirement associated with property taxes arises solely through operation of the F-Factor.

The PFD, however, not only does ***not*** offer that separation, it clearly results in overlap. Specifically, Step 6 of the CT-Bar mechanism expressly incorporated property taxes into the capital-related revenue requirement calculation:

> *Step 6: The Authority will calculate the amount of revenue the EDC may recover through the CT-Bar for CT-Bar Projects by taking the CT-Bar Projects identified in Step 5 and allocating the costs associated with those projects equally to each month of Rate Year 1. The Authority will then multiply each month's CT-Bar Project costs by the depreciation,* ***property tax****, and GET rates approved in the EDC's rate amendment decision and add those costs together to determine an aggregated monthly amount. The Authority will then use the aggregated monthly amount to determine the annual revenue requirement impact. A similar approach will be taken for each respective Rate Year of the MRP, i.e., Rate Years 2 through 4. (*PFD, Appendix Page x, ***emphasis added****).*

Thus, under the PFD, property taxes were expressly embedded within CT-Bar revenue requirements. At the same time, the PFD further discusses application of the I-Factor to *all* variables of the revenue cap formula:

> *"The Authority* ***will apply the I-Factor to all variables*** *within the Revenue Cap Formula, capital funding mechanisms, (i.e.,* ***CT-Bar*** *and any potential Capital Cost Trackers), PIMs, SSMs, and regulatory assets and liabilities."* (PFD, Appendix Page vi, ***emphasis added***).

Accordingly, the PFD not only included property taxes within CT-Bar revenue requirements, but also subjected those CT-Bar amounts to the application of the I-Factor through the broader revenue cap framework. As a result, the PFD's approach would have increased revenues related to property taxes through multiple mechanisms, which, at a minimum, obscures the degree to which property taxes are reasonably accounted for in its framework.

The Company's proposal intentionally avoids that result. Rather than embedding property-tax recovery within a capital mechanism as well as the revenue base to which inflation is applied, the Company separates revenues supporting O&M from those driven by system investment. O&M expense alone is subject to the I-X-CD adjustment, while capital-related revenue requirements, including associated property taxes, are recovered exclusively through the F-Factor. This structure ensures a clear delineation between O&M and capital cost recovery and prevents the overlapping result outlined in the PFD.

Prior Referenced Response:

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[i] EOE-156 Question:

(PBMRP CAPITAL SUPPORT MECHANISM) Refer to Exhibit CLP-ELP-1, pp. 101-103.
Provide a working, unlocked Excel spreadsheet that would serve as a representative tool used to calculate the Company's incremental revenue requirements resulting from the proposed capital support mechanism (F-Factor) for each year of the MRP. As part of the submission, discuss the calculations and separately identify and explain all critical assumptions, using cited information from the Company's rate case submission where relevant (e.g., depreciation rate from the Company's depreciation study). In support of the request, please use the Company's

proposed 5-Year Targeted System Performance (TSP) Plan within the spreadsheet's initial inputs and apply an initial assumption that the Company incurred actual plant-in-service additions of 5% more than the proposed annual TSP funding. Additionally, please configure the spreadsheet to allow for the weighted average carrying costs (WACC) to be individually adjusted for both ROE and Cost of Debt.

EOE-156 Response:

The Company appreciates the opportunity to respond to EOE's thoughtful question regarding the operation of the PBMRP proposed in this proceeding, which the Company views as key to reaching a long-term reliability and resiliency plan for Connecticut, while meeting affordability needs for customers.

The Company's response to this request is organized as follows:

A. Overview and Results
B. F-Factor Discussion
C. Impact of 5% Additional Capital Investment
D. Model overview

Attachments referenced in this response:

EOE-156, Attachment 1, provides the Company's working model, with projected capital investment as filed in this proceeding. See, e.g., Exhibit CLP-ELP-1, Figure 7.

EOE-156, Attachment 2, provides a second model that is identical in every respect to Attachment 1 except that capital investments are 5% greater than the forecast submitted to this proceeding in Exhibit CLP-ELP-1, Figure 7, as stipulated by EOE's data request.

A. Overview and Results

Ultimately, the Company's goal in this proceeding is to establish a sustainable, cohesive ratemaking framework that supports electric utility service in the State of Connecticut in an affordable manner for customers, over a long term. This is the Company's goal because the CL&P system needs investment for reliability, resiliency and modernization. For this infrastructure investment to be affordable for customers, a coherent ratemaking plan needs to be instituted that will consider the interests of customers over a longer term than just the next rate case. That framework needs to balance: (1) the reliability and performance requirements of the Company's customers and the broader State of Connecticut; (2) customer rate stability and affordability; (3) incentives for cost efficiency in utility operations; and (4) implementation of a revenue support mechanism sufficient to cover the cost of delivering these objectives to customers, including the cost of capital.

The Company's PBMRP is designed to address these objectives in a holistic, balanced way. To do this, the Company started with the ratemaking framework under discussion in PURA's PBR docket (Docket No. 21-05-15RE01), while also introducing certain new elements to remediate the flaws that would ultimately hinder PURA's (draft) PBR model from supporting the necessary stay-out terms. As discussed below, the stay-out term is the critical element of the PBMRP that creates the cost-efficiency incentive inherent in a performance based ratemaking plan.

This context is vital to understand both the design and mechanics of the Company's proposed PBMRP, including both the F-Factor and "I-X" components. To augment understanding of how the plan would work over the stay-out period, the Company has incorporated the projected costs of service set forth in EOE-156, Attachment 1, Worksheet, entitled "COS-1 Total," which is the Company's cost of service, as filed. The Company does not intend to imply that these

dollar amounts are certain for the future and there will undoubtedly be changes in a litigated result. However, these figures serve as a reasonable basis for presenting this analysis to reflect the Company's PBMRP proposal. Moreover, assuming that there will be changes to the underlying cost of service that serves as the "going in revenue requirement," all of the projections made herein become highly optimistic, as discussed below.

Increasing capital investment on the Connecticut distribution system is a given for the reasons described in the testimony of the Company's Leadership Panel and Targeted System Plan ("TSP") Panel – the Connecticut distribution system needs additional investment to maintain service reliability to customers and even more investment to achieve a level of modernization. The Company will need to make this investment to meet the interests of customers, with or without a multi-year plan. However, without a multi-year rate plan, whether in the form of the Company's proposed PBMRP or another reasonable model, the Company's only viable course of action to support this level of needed investment will be to file traditional cost-of-service rate cases, as closely to annually as possible. Effectively, these sequential cases will "roll in" unrecovered capital investment into base rates to maintain a nexus between what the Company needs to invest in the system and what rates are reflecting for recovery of costs.

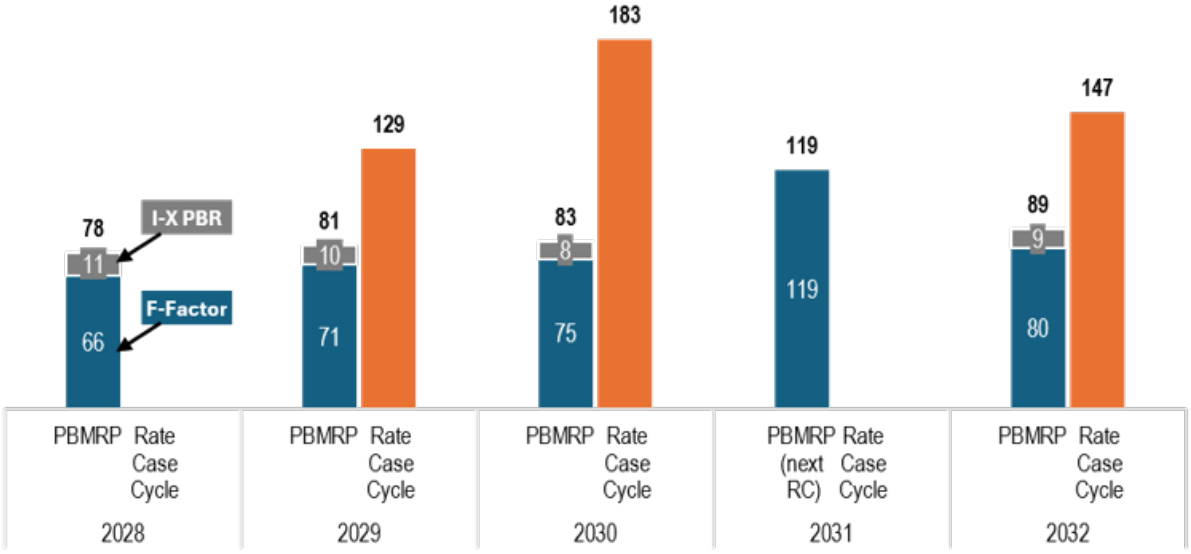
In a world in which system investment needs are relatively flat, economy-wide inflation is modest and predictable at 2% annually, and rates are fully coupled with growing sales revenues (and no revenue decoupling mechanism), it is conceivable that a utility could offset the cost increases it incurs with organic sales growth, as electric utilities could do in past decades. However, that is not the reality of today's operating environment. The distribution system investment needs are extensive and growing and the financial consequences of these circumstances are factors that need to be considered in determining a reasonable and workable regulatory plan. Establishment of a reasonable multi-year, performance-based ratemaking plan is the mechanism that can support the system needs in a manner that is wholly transparent and stable for customers, allowing for a smoother trajectory of rate changes than would otherwise occur.

Results of F-Factor Implementation Assuming Capped Forecast Investment

EOE-156, Chart 1, below, provides illustrative rate increases comparing circumstances where the Company is pursuing a traditional rate-case cycle with filings as close to annually as possible under Connecticut law, as compared to the proposed PBMRP. These amounts assume the Company's revenue requirement proposed in this docket is authorized without modification, except that the Company has used its existing weighted average cost of capital to perform the analysis, in order to isolate the functioning of the F-Factor operation - apart from changes in the cost of capital (i.e., the analysis uses a 9.25% return on equity and 47%/53% debt to equity capital structure). As noted above, the cost-of-service projections are shown in EOE-156, Attachment 1, Worksheet "COS-1 Total," Line 35.

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. Chart 1, below, also spans the time period covering one year beyond the Company's proposed four-year plan. 2032 is shown for illustrative purposes.

EOE-156, Chart 1
Annual Incremental Revenue Increase, $ Millions



Note: Chart 1 assumes base-rate amendments effective 1/1/2029, 7/1/2030 and 1/1/2032.

In Chart 1, a rolling rate-case cycle is depicted as the orange series, with the Company estimating new rates effective January 1, 2029 (18 months after the present docket concludes), with additional revenues of $129 million; followed by another $183 million rate change effective July 1, 2030, and a further $147 million effective January 1, 2032. These rate adjustments arise primarily as a result of capital investment rather than O&M changes, which means that the associated rate changes are reasonably foreseeable and ultimately predictable.

In contrast, the Company's proposed PBMRP would yield revenue increases of $77.6 million for rates effect July 1, 2028, $81.1 million July 1, 2029, and $83 million July 1, 2030 (EOE-156, Attachment 1, worksheet "PBR-1 Total PBRA", Line 41). For purposes of discussion, the Company estimates that the subsequent rate case taking effect after the proposed PBMRP would be $119 million in 2031, followed by $89 million in 2032 assuming continuation of the proposed framework. Uncertainty grows as the timeframe of projections extends, as the Company will inevitably experience cost increases in relation to both operating expenses and capital investment, as time passes. Therefore, the later years (particularly 2031 and 2032) should be interpreted as illustrative for purposes of discussing the principles and conceptual impacts of the PBMRP and traditional rate case frameworks.

As Chart 1 illustrates, whether through a multi-year rate plan or sequential rate cases, ongoing revenue support is essential to the electric system. Revenue increases for the Company are rate increases for customers, so that a smoother and more predictable customer impact occurs through the Company's PBMRP, which is the fundamental purpose of the PBMRP.

The Company's proposal results in rate increases amounting to approximately 1.5-2.1% on a total bill basis, annually (Line 3). In contrast, a rolling rate-case cycle yields rate increases nearly double at 3.4% (Line 4). Essential to this discussion is that both frameworks are designed to roughly track with the cost of service, although the stay-out feature of the PBMRP forces the Company to absorb the risk of deviation from the cost of service given the likelihood that

operating and investment costs will increase over the period. The difference is the gradualism of the Company's PBMRP, which results in smoother, more predictable bill changes for customers.

EOE-156, Table 1

Line	Description	2028	2029	2030	2031	2032
	Incremental Revenues ($ Millions)					
1	Company Proposal	77.6	81.1	83.0	118.6	89.0
2	Rate Case Cycle	0.0	129.0	183.0	0.0	147.0
	Annual Increase, % Total Bill					
3	Company Proposal	1.5%	1.5%	1.5%	2.1%	1.6%
4	Rate Case Cycle	0.0%	2.4%	3.4%	0.0%	2.6%

The rolling rate-case cycle is characterized by larger changes that are more disruptive to customers, in addition to being administratively burdensome for all Connecticut stakeholders. Importantly, the Company's PBMRP does not undermine the applicability or efficacy of prudence reviews in terms of establishing a strong incentive for cost control. Under the Company's proposal, prudence reviews can occur annually, preserving accountability and cost-control incentives with increased transparency, as well.

B. F-Factor Operation

At its core, the Company's proposed F-Factor mechanism is designed to provide a revenue allowance sufficient to support the level of capital investment needed by the system, including the cost of capital. Several essential characteristics of the F-Factor mechanism mutually contribute to its viability and potential longevity:

1. Like the CT-Bar1 the Company's F-Factor would take effect the first day of the first Rate Year coming out of the rate case, which eliminates the need for Rate Year capital to be embedded in base rates, subject to later downward-only reconciliation. To the extent capital investment currently factored into the Company's proposed revenue requirement for Rate Year 1 is "rolled back" to an earlier date (for example, to a capital investment cutoff date of February 28, 2027, for inclusion in base rates), the F-Factor revenue-requirement calculation would inherently adjust to reflect capital investment as of that cutoff date.

2. Like the CT-Bar, the Company's F-Factor does not pre-emptively or categorically exclude any type of capital investment. The Company regularly makes capital investments that do not directly affect the performance of the electric grid the way utility poles, transformers, lines, substations, etc. clearly do, but are nonetheless essential capital investments in the provision of service to customers. Capital investments for facilities safeguarding equipment, information technology enabling self-service customer portals, and vehicles needed for transporting materials to work sites are but a few examples of core capital investments that are necessary and, therefore, inform the F-Factor allowance.

3. Like the CT-Bar, the Company's F-Factor aligns the capital investment necessary for the target performance of the electric grid outlined in the Company's Targeted System Plan, with the revenues required to support those investments. In developing the F-Factor the Company sought to establish a means of tying the F-Factor revenue allowances to the capital investment forecast that would be

discussed extensively in this docket. This allows the focus of the TSP to remain on the system needs and plan objectives while simultaneously acknowledging that those needs and objectives, whatever they may be, require some measure of revenue support. The F-Factor serves as a necessary link between the system needs evaluated in this docket and necessary revenues.

4. The Company's F-Factor properly includes the cost of capital. If CT-bar is evaluated separately from going-in revenue requirements, no single design factor would guarantee its failure more so than the absence of the cost of capital from its revenue requirement calculations. Though the cost of capital is not visible the way other costs of service are, such as the maintenance cost that keeps an older piece of equipment online or the cost of gasoline in a line truck, it is just as real a cost of service.[1]

   The Company regularly operates with a cash deficit. That is, the cash necessary to support ongoing operations exceeds the cash received from customers through bills. The direct result is the Company must secure funds through some other means. Those other means are debt and equity investors: the individuals, banks, corporations and other institutions supplying funds to capital markets. Those entities have choice in terms of the entities to whom they provide their funds, choices that weigh other utility companies, industries, countries and continents, type of security, duration, expected return, the presence (or absence) of dividends, environmental, social, and governance characteristics, and countless other variables against the investor's tolerance for risk. Not surprisingly, the Company cannot expect that investors, facing the choice between the Company and essentially all other investment opportunities, would or should accept zero return in exchange for their funds. Thus, the cost to acquire the funds necessary to perform the ongoing capital investments required of the system is real, fundamentally non-zero, and more specifically the Company's cost of capital filed in this proceeding.

5. The Company's F-Factor captures all elements of the Company's capital investment base, including plant additions, plant retirements, accumulated depreciation, cost of removal, and accumulated deferred income taxes. The Company's F-Factor calculation fundamentally 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 inherently 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.

6. Like the CT-Bar, annual reconciliation of the revenue requirement ensures customers ultimately pay only for prudent capital investment while balancing the utility's need to cover the ongoing costs of providing ongoing service. Critically, the Company's F-Factor proposal does not circumvent prudence reviews – essential pillars of properly-functioning regulatory frameworks – nor undermine the value that effective prudence reviews bring customers. Ultimately, the Company is acutely aware that any capital investment must successfully withstand the scrutiny of a prudence review. Whether that review happens next year, three years from now, or at any other interval, the Company knows the decisions made today must withstand a prudence examination. Any eventual findings of imprudence regarding capital investments made today have significant, negative financial implications, regardless of when those findings are made. Thus, the very expectation of future prudence reviews reinforces the prudence ingrained in decision-making today. Further, the risk of a future finding of imprudence and the negative financial implications thereof eliminates any perceived financial benefit for the Company to "over invest" today.

[1] All references to the CT-Bar in this response are meant to refer to the Proposed Final Decision issued in Docket No. 21-05-15RE01 on July 14, 2025.

Annual reconciliation, including the prudence reviews involved, is a critical element of the Company's PBMRP proposal. As part of each annual PBMRP adjustment effective July 1 each year of the PBMRP2, the Company's actual capital additions for the Prior Year are allowed for inclusion in the calculation of the F factor to the extent that the actual capital additions do not exceed the Forecasted Budget (referred to as the F-factor allowance). To the extent that the cumulative actual capital costs in-service through the Prior Year, in aggregate, exceeds the Forecasted Budget through the Prior Year, then the F Factor allowance is capped at the cumulative Forecasted Budget. This downward-only reconciliation will ensure that, in the end upon reconciliation, customer bills reflect the costs associated only with projects that are in service to customers and no more, and that if the Company invests more than the Forecasted Budget, customer bills will not reflect amounts above the Forecasted Budget, until such time as those capital investments are allowed into rates at the time of the Company's next rate case. The prior-period reconciliation will be reflected in the F-Factor, in addition to the revenue requirement associated with the Forecasted Budget for the upcoming Rate Year, effective July 1 annually. The F Factor allowance will be calculated to determine the revenue requirement (inclusive of depreciation expense, property tax expense, return on rate base, and income tax) on actual plant additions (including plant additions, cost of removal, plant retirements, accumulated depreciation, and plant-related accumulated deferred income taxes ("ADIT")) up to the Forecasted Budget amount, and to reflect the revenue requirement for the Prior Year and through the Rate Year on in service capital additions placed in service in the Prior Year, provided that those in service capital additions are not reflected in base rates or in another rate mechanism. In addition, the F Factor allowance will reflect the revenue requirement for Rate Year capital, established at the Forecasted Budget, subject to downward-only reconciliation in the subsequent F Factor filing.

As noted above, annual reconciliation will consider plant-related ADIT on the Company's books through the end of the calendar year, prior to a given annual filing. To the extent the Company has recorded cumulative plant additions in[2] excess of the capital expenditure forecast provided in this docket or supported by a mechanism other than the F-Factor, the plant-related ADIT will be adjusted in the Company's annual reconciliation to avoid overstating the ADIT relevant to the F-Factor.

In total, the Company's proposed F-Factor will provide revenue support for, and ultimately reconcile, the capital investment placed into service from the cutoff date for inclusion in base rates through the effective date of the Company's subsequent rate case at the conclusion of the proposed PBMRP term. Per the Company's proposal, and as depicted in the illustrative attachments for this response, the F-Factor would ultimately reconcile capital investments made up to July 1, 2031 (the effective date of the subsequent rate case). Should the subsequent rate case be effective later than the July 1, 2031, illustrative date, the F-Factor would continue to reconcile capital investments placed into service until such time as that rate case does take effect.

C. <u>Impact of 5% additional capital investment</u>

EOE-156, Attachment 2, is the same working model as Attachment 1, except that the Company's actual capital investments are assumed to be 5% greater than the current forecast. These increases are reflected on the worksheet "COS-2 Capital," at Lines 19 and 26.

[2] In this proceeding the Company is proposing that the first F-Factor take effect commensurate with new base rates authorized in this proceeding, for effect July 1, 2027, and annually thereafter for the duration of the PBMRP. However, the Company has reflected Rate Year capital in the revenue requirement proposed in this proceeding, such that the Rate Year 1 F-Factor is set to 0, since Rate Year capital that would otherwise be reflected in the F-Factor on

a forecasted basis is reflected in base rates. If PURA declines to include Rate Year capital in base rates, the F-Factor would be calculated to reflect the revenue requirement on capital through the Rate Year, subject to later reconciliation.

As shown in EOE-156, Table 2, below, in the event that the Company's actual capital investments over the period 2027-2031 were 5% greater than current projections, which is a realistic scenario, the Company's proposed F-Factor revenue would not increase, highlighting two crucial design characteristics.

First, the core capital investment forecast provided in this docket is proposed to be a hard cap on the capital plant additions eligible for recovery through the F-Factor. That means the Company, PURA and stakeholders will be adequately informed of the maximum future revenues as calculated today.

Second, where core plant additions greater than forecast will not be supported through the F-Factor mechanism, there is pressure on the Company to stretch to find efficiencies to maintain a viable rate of return. As Table 1 demonstrates, investing beyond the current forecast provides no benefit in the form of greater revenue during the PBMRP, while putting downward pressure on the Company's earned rate of return. Consequently, over the term of the PBMRP, the Company's financial interest is to operate within its budgets and with a high rate of efficiency in order to achieve a viable rate of return.

EOE-156, Table 2

(As Filed, Docket No. 26-05-10)				
Annual Incremental F-Factor Revenue ($ millions)		$66.2	$71.4	$74.5
Return on Equity	9.10%	8.98%	8.87%	8.75%
Savings required to earn allowed ROE ($ millions)	**$7.6**	**$14.3**	**$21.2**	**$29.0**
Annual Incremental F-Factor Revenue ($ millions)		$66.2	$71.4	$74.5
Return on Equity	9.01%	8.80%	8.61%	8.42%
Savings required to earn allowed ROE ($ millions)	**$11.9**	**$23.8**	**$36.1**	**$49.3**

As shown in Chart 1 and discussed previously the sequential rate cases have a larger impact for customers and are more disruptive, while also creating administrative burden for all Connecticut regulatory stakeholders. Conversely, the Company's PBMRP produces smoother changes in revenues/rates without undermining the importance or efficacy of prudence reviews that would occur in the traditional cost-of-service ratemaking context. Under the Company's proposal, prudence reviews would happen annually. Thus, accountability and cost-control incentives are preserved in the Company's proposal, with an improvement in ratemaking transparency.

However, the larger point illustrated in Table 2 is the powerful impact of the stay-out term.

Under PBR, a benefit for the Company is the line of sight it has on a predictable revenue stream that will replace the loss of sales growth associated with the revenue decoupling mechanism, while providing a level of support for the ongoing operation of the system, including needed investment. However, a significant risk for the Company is that its costs will deviate from the "going in revenue requirement" from the minute rates are set through the end of the stay-out term. These cost changes will impact operating expenses, as well as the drivers of investment costs.

The power of the stay-out term, therefore, arises in relation to the Company's impetus to offset the earnings attrition it will inevitably experience as a result of these cost changes, through efficiency initiatives that will reduce costs on a going forward basis, to the benefit of customers. That is, to maintain a viable rate of return, the Company will be pressed to seek out and achieve cost efficiencies somewhere in the business. Those efficiencies achieved during the

stay-out period unavoidably inure to the benefit of customers when base-rates are next set on a cost-of-service basis. This is the fundamental power of a PBR framework, which the Company is experiencing in its Massachusetts companies.

In this case, Table 2 (above) and the working model included as part of this response, each show that it would be necessary for the Company to realize cost savings of approximately $29 million annually, by the end of the PBR term, in order to be able to offset the downward pressures on the (currently) authorized return on equity ("ROE") of 9.25%, all else equal. (See, EOE-156, Attachment 1, worksheet "Financial Summary", Line 24). "Downward pressures" mean increased costs, whether operating expense or the cost of carrying unrecovered capital investment.

For context, the Company's O&M reflected in this docket (per Exhibit CLP-REVREQ-2, Schedule C-3.0), excluding vegetation management, storm restoration and uncollectible expense, is $352 million, annually. Cost efficiency gains of $29 million therefore equate to a reduction on total O&M of approximately 8 percent, which is a significant reduction in the normal course of business.

At the same time, Table 2 further highlights that this $29 million annual gap is almost doubled to a gap of $49.3 million with only a five percent increase in capital investment as compared to the capped F-Factor. This computation highlights the extreme sensitivity that exists within the cost-of-service ratemaking model when operating expenses and investment costs are increasing and the point at which base rates will be reset and realigned with actual costs is extended to a future point in time.

For example, recall that this analysis is founded on a "going in revenue requirement" that is equal to the Company's filed, proposed revenue requirement – and assumes only one change in the modelling over the entire PBR term, which is the 5% increase in capital investment. However, in reality, there is a virtual certainty of operating cost increases and investment additions that well exceed the 5% shown here, which would only further suppress the rate of return. Accordingly, this analysis highlights the inherent power of the stay-out term associated with a multi-year rate plan that provides revenue support, but without any guarantee of aligning with the actual cost of service along the way. The growing gap is the pressure that is created for efficiency gains that will then be passed on to customers at the next rate-setting interval.

D. <u>Model Overview</u>

Please refer to EOE-156, Attachment 1, for the Company's illustrative PBR model. The model incorporates the Company's proposal with respect to inflation measurement, revenue increases related to operating expenses, F-Factor, and combined effect on the financial results of the Company.

Key assumptions include:

i. The base rate increase, PBMRP, and catastrophic storm cost recovery authorized in this docket are all assumed at the level filed by the Company in this proceeding, with the only exception being the Company used the return on equity and equity capitalization as currently allowed, which is 9.25% and 53.0%, respectively.

ii. The sum of plant additions and cost of removal each year are equal to the capital investment forecast provided in this proceeding, as shown in Exhibit CLP-ELP-1, Figure 7.

iii. Capital and O&M costs related to AMI are excluded from the projected cost of service and illustrative F-Factor revenue requirement calculations. Should the F-Factor be approved as the mechanism enabling

revenue support for AMI, the cap on capital investment would need to be increased to accommodate the costs for that program.

iv. Catastrophic storm costs, both the recovery of existing deferred costs as well as the costs related to future events, have no bearing on the model. Importantly, this implies the catastrophic storm and pre-staging costs in base rates perfectly match future costs (i.e. future revenue equals future cost for each and every year).

v. O&M cost pressure is assumed to be 1% greater than inflation, annually.

The model is organized into three primary sections:

1) Financial Summary, which presents illustrative results of the combined effect of the Company's proposed rate increase, PBR framework, and cost projections

2) PBR model, which covers "I – X – CD" and F-Factor
   a. Worksheet "PBR-1 Total PBRA"
   b. Worksheet "PBR-2 Inflation"
   c. Worksheet "PBR-3 F-Factor Summary"
   d. Worksheet "PBR-4 F-Factor"
   e. Worksheet "PBR-5 F-Factor Property Tax"
   f. Worksheet "PBR-6 Capital Forecast"
   g. Worksheet "PBR-7 Going-In Capital RR"
   h. Worksheet "PBR-8 GDP"
   i. Worksheet "PBR-9 ECI"

3) Cost of service, which consists of three worksheets, provides a forecast of the actual cost of providing electric service

1) <u>Financial Summary</u>

The "Financial Summary" provides the combined results of going-in revenues along with the rate increases determined through the Company's PBR proposal, the operating costs of service projected over the same timeframe, and the investment base that enables the Company's essential service to customers.

Lines 15-27 show the calculation of the Company's actual, earned return on equity over the four years of the Company's PBMRP term. Specifically, Line 22 provides the annual earned return on equity; Line 23 provides the cumulative average annual ROE; and Line 24 provides the revenue requirement (excluding GET and uncollectible) or cost savings necessary to achieve the allowed ROE.

Lines 28-44 provide a simplified Income Statement for the four years of the Company's PBMRP, including revenue projections as well as the operating costs of service. These costs represent the projected costs of doing business whether or not those costs are supported with rates.

Lines 46-61 provide a summary of the revenue increases calculated in the PBR model and the corresponding impacts on uncollectible expense and gross earnings tax.

2) PBR

The PBR worksheets are the working calculations that drive the illustrative distribution rate increases discussed above. Each one of which is discussed separately below:

a. Worksheet "PBR-1 Total PBRA"

This worksheet summarizes the results (i.e. rate increases) of the model's other "PBR" worksheets and is organized into four sections: (1) Going-In Revenue Requirements; (2) PBR-O Adjustment; (3) F-Factor Adjustment; and (4) Total Performance Base Revenue Adjustment. "Going-In Revenue Requirements" reflects the eventual revenues authorized as a result of this proceeding. For purposes of this response, this reflects revenues as proposed in this docket and adjusted, as discussed above. The purpose of this section is to orient the reader to the authorized levels of operating revenue (Line 17) and O&M (Line 21) established in this proceeding and, second, to perform calculations necessary to establish Rate Year 1 baselines for use with subsequent Rate Year revenue calculations. Line 19 is the resulting base distribution revenue requirement that represents the overall starting point for distribution revenues to which any and all PBMRP rate adjustments for Rate Year 2 would be added or subtracted as appropriate. Line 23 is the level of O&M to which the PBR-O percentage increase for Rate Year 2 would apply.

The PBR-O adjustment section (Lines 25-30) provides the calculations for inflation-driven rate increases, which are initially applied to line 23 discussed above. Line 27 is the combined percentage increase resulting from the Company's proposed composite inflation measure, -0.03% productivity ("x") factor, and consumer dividend. For this analysis, the Company has assumed a 30-basis point consumer dividend for all years. Line 28 provides the resulting annual incremental revenues.

The F-Factor adjustment section on this worksheet references the results determined on other worksheets of the model (discussed below). Here, Line 33 provides the resulting annual incremental revenues, while Line 34 provides the cumulative F-Factor revenue requirement.

Line 37 provides the total annual revenue increase, which is the sum of Lines 28 and 33.

Line 43 is the final resulting base distribution revenue requirement that begins with Rate Year 1 amounts and adjusts annually thereafter by the amounts described above.

For purposes of this analysis, there are no exogenous cost recovery assumptions reflected in the accompanying working model. If PURA were to authorize the Company's proposal, including mechanics related to exogenous cost provisions and the consumer dividend, the PBR model would need to be adapted from the attached to include additional worksheets as appropriate.

b. Worksheet "PBR-2 Inflation"

This worksheet first aggregates the relevant indices' data points from worksheets 10 and 11 (discussed below), which are shown on Lines 13-16 for GDP-PI and Lines 21-24 for ECI. Each index is then averaged for a given calendar year (Lines 17and 25), which then form the basis for the annual growth calculations on Lines 18 and 26. As discussed in the Company's pre-filed testimony, the Company is proposing to weight the indices 66.9% for GDP-PI and 33.1% for ECI. The composite resulting inflation is shown on Line 32.

Line 33 provides the -0.03% productivity factor, while Line 34 shows the consumer dividend, which assumes 30 basis points for simplicity of this analysis. The combined result of inflation, productivity factor and consumer dividend is

shown on Line 35, which is before the imposition of a 5% cap. To the extent line 35 exceeds the proposed 5% cap, Line 36 would provide the adjustment such that Line 37, the final result, is the lesser of the 5% cap and Line 35.

Note that projections of inflation are used for analytical purposes in this response and to assist with discussion pertaining to future rate increase implications. Actual calculations of PBR adjustments in future annual PBR filings would rely exclusively on published data available at the time of a given year's annual PBR filing.

c. Worksheet "PBR-3 F-Factor Summary"

Like the CT-Bar, the Company's proposed F-Factor is calculated on a monthly basis. The "F-Factor Summary" worksheet aggregates the results of those calculations on Lines 17-29 and presents in 6-month increments to enable both calendar-year and rate-year views of the same information. Property taxes (Line 19) are not calculated monthly, but rather on a fiscal year basis. Line 28 provides the resulting cumulative F-Factor revenue requirement, while Line 29 is the annual incremental amount shown on the worksheet "PBR-1 Total PBRA," line 33.

d. Worksheet "PBR-4 F-Factor"

This worksheet provides the monthly calculation of the F-Factor revenue allowance summarized on the previous worksheet and is the "engine" of the overall F-Factor model. Broadly, it aggregates the necessary inputs, including rate base activity assumptions (Lines 18-25) and relevant rates resulting from this proceeding, including depreciation expense as a function of gross plant (Line 49) and pre-tax return on rate base (Line 51).

Note also that this worksheet includes a "switch" (Line 16) that enables this model to adapt to the cutoff date of capital investment for inclusion in base rates. However, due to the large number of possibilities for a potential cut-off date and similarly large variation of resulting Going-In revenue requirements, the model is currently configured to use this line as an adjustment for Rate Year 1 only. That is, the model is not currently built such that the user can specify a cutoff date for capital investment inclusion in base rates and have that date adjust the going-in capital revenues, as well as the F-Factor. Conceptually, this switch is intended to affix the start of the F-Factor calculations to the last date capital investment is reflected in base rates.

As presently configured, the F-Factor revenue requirement assumes the capital investment reflected in base rates is per the Company's proposal, which is through June 30, 2028. However, the capital-driven Rate Year revenue requirement calculations reflected in the Company's filed cost of service are based on Rate Year averages. For example, the rate base referenced in the return on rate base calculations found on Exhibit CLP-REVREQ-2, Schedule A-1.0, Line 16 is average rate base, while Rate Year 1 depreciation expense is based on rate-year average plant in-service, as denoted on WP C-3.34, line 13 of the same exhibit. Consequently, the F-Factor calculation is currently configured to rely on 50% of Rate Year 1 capital investment to effectively build the proper ending balances as of 6/30/2028 upon which subsequent Rate Year calculations can grow. Note that the interaction between the F-Factor and the cut-off date for capital investment inclusion in base rates is a critical component to the longevity of the Company's proposal as it assures that the F-Factor starting point aligns with the endpoint for base rates, leaving no gap over the duration of the rate plan.

For purposes of this written response, the Company does not detail the calculations of this worksheet here. Instead, the Company refers to the line references provided on the last page of this worksheet (Model PDF, page 8) for both Attachments 1 and 2, which detail the calculations performed. For emphasis, note that Line 33 captures the accumulation of depreciation recovered in base rates. By design, the F-Factor intentionally reflects this to properly estimate a reasonably true capital-driven revenue requirement.

The resulting F-Factor revenue requirement, excluding property tax, which is referenced by the preceding worksheet, is shown on line 53.

e. Worksheet "PBR-5 F-Factor Property Tax"

This worksheet provides the fiscal year calculations for incremental property tax expense based on capital investments made since 2024 and forecast through 2031. Line 12 references capital investment assumptions discussed elsewhere, while Lines 13-24 perform the calculations of depreciation expense pursuant to Conn. Gen. Stat. §12-63(b)(6), net book value, assessed value pursuant to Conn. Gen. Stat. §12-63(a), and the eventual property tax expense by applying the composite mill rate calculated in Exhibit CLP-REVREQ-2, Schedule WP C-3.37 p17 to 21, Page 20, Line 73. The result is shown on line 24.

Lines 28-32 then summarize that result by calendar year, while Lines 38-40 summarize by Rate Year. After adjusting for the extent to which base rates recover the property tax related to these same investments on Line 41, as discussed in previous sections, the final property tax amount reflected in the F-Factor allowance is shown on Line 42.

f. Worksheet "PBR-6 Capital Expense Forecast"

This worksheet is provided to create the necessary link between the F-Factor revenue allowance calculations and the capital investment forecast discussed in this docket. The capital investment forecast included aligns with the Company's filed capital investment forecast, as can be seen in Exhibit CLP-ELP-1, Figure 7. The F-Factor capital investment assumptions reflected in the revenue allowance calculations of "PBR-4 F-Factor" necessarily agree with this worksheet.

g. Worksheet "PBR-7 Going-In Capital RR"

This worksheet is a collection of select data points as approved in the Company's "Going-In" rates (or, in this case, as proposed in the Company's filed cost of service schedules, Exhibit CLP-REVREQ-2-A, B, C, D Schedules, adjusted to reflect the currently authorized return on equity (9.25%) and equity capitalization (53.0%), as stated previously:

- Lines 12-16 provide the dollar amounts related to capital-driven costs of services, which are depreciation, property taxes and costs of capital. Amounts shown are currently as proposed in this illustrative model (except where noted), but ultimately will reflect the amounts as approved in this docket.

- Lines 21-28 provide a summarized view of the Company's filed rate base for the Test Year, Rate Year beginning, Rate Year ending, and Rate Year average balances. These balances serve as the basis (denominators) for establishing the capital-driven costs above as a percentage of approved balances. Those percentages are used on the other "PBR" worksheets, as well as the cost of service worksheet to estimate future costs of service based on approved levels (Lines 30-32)

- Lines 47-81 provide rates for uncollectible expense, gross earnings tax, and the costs of capital as well as necessary calculation of gross-ups to those rates for use in the model's calculations.

- Additional details are shown in column (F) of this worksheet.

h. Worksheet "PBR-8 GDP"

This worksheet presents raw Gross Domestic Product-Price Index (GDP-PI) data obtained from the Bureau of Economic Analysis. For illustrative purposes only, this model also includes a projection of GDP-PI obtained from

Moody's September 14, 2026. As noted above, actual calculations of PBR increases, if approved as filed, rely only on historical data available at the time of a given year's annual PBR filing.

i. Worksheet "PBR-9 ECI"

This worksheet contains raw Employment Cost Index (ECI) data obtained from the Bureau of Labor Statistics. Note that projections of inflation are used for analytical purposes and to assist with discussion pertaining to future rate increase implications. Calculations of PBR increases, if approved as filed, rely only on historical data available at the time of a given year's annual PBR filing.

3) Cost of Service

The cost of service included for analytical purposes in the Company's working model consists of three worksheets: "COS-1 Total," "COS-2 Capital," and "COS-3 Property Tax."

a. Worksheet "COS-1 Total"

This worksheet provides projections of the Company's actual costs through the end of the PBMRP term as a means of assessing the impact the capital investment forecast and O&M cost pressures have on the overall cost of service as well as the degree to which revenues align with the Company's cost of service (as reflected on the "Financial Summary" worksheet).

Lines 15-37 summarize the results of the cost drivers, including especially O&M (Lines 16-19), depreciation (Line 21), property taxes (Line 22), and costs of capital, including corresponding income taxes (Lines 24-27).

Gross earnings taxes and uncollectible expense are calculated on Lines 33 and 34 as if the full cost of service (Line 28) is in rates.

Non-storm O&M is shown on Lines 38-44, while storm O&M is shown on Lines 45-50, where non-catastrophic costs are identified separately from catastrophic storm / pre-staging funding.

Non-storm rate base is shown on Lines 52-59, which reflect the capital investment forecast (exclusive of AMI) filed in this docket.

Lastly, capital-driven costs of service are shown on Lines 61-67. Depreciation, property tax, uncollectible, gross earnings taxes, and costs of capital are based on the Company's filed cost of service in this docket, specifically Exhibit CLP-REVREQ-2-A, B, C, D Schedules, except that the return on equity (9.25%) and equity capitalization (53%) are shown at currently authorized amounts.

b. Worksheet "COS-2 Capital"

This worksheet functions nearly identically to "PBR-4 F-Factor" except that it relies on actual capital investment projected over the term of the PBMRP. This is essential to understanding actual costs of service, whether or not those costs are supported by revenues. It forms the basis for evaluating the degree to which the F-Factor is sufficient. For additional details pertaining to the mechanics, please see the line references found at the end of this worksheet (or model PDF page 19).

c. Worksheet "COS-3 Property Tax"

Similarly, this worksheet is included to assist with the calculation of actual costs of service. It operates mechanically identically to "PBR-5 F-Factor Property Tax" except that it relies on actual capital investment projections (Line 12).

Date Filed: October 14, 2026

Witness: Douglas P. Horton, Brendan J. O' Brien and Garrett J. Murray
Request from: Office of Education, Outreach, and Enforcement

Question:

(F-FACTOR; DEPRECIATION) Refer to Response to EOE-156, Att.1-Att.2, PBR-4 F-Factor tab, cells C48 and C49. Explain what the two depreciation percentages represent (i.e., 2.906% and 3.735%) and identify how either percentage agrees to the Company's depreciation study. If they don't agree to the depreciation study, explain why.

Response:

The depreciation rate found in cell C49 of the above-referenced worksheet does reflect the Company's depreciation study presented in this docket. 3.735% is the result of dividing rate-year depreciation expense reflected in the Company's filed cost of service divided by rate-average plant in-service. Referencing Exhibit CLP-REVREQ-2, Schedule WP C-3.34, Rate Year depreciation expense ($365,917k) is found in Column (E), Line 68, while average plant in-service ($9,797,915k) is found in Column (D), Line 66. $365,917k depreciation expense / $9,797,915k average plant in-service = 3.735%.

The depreciation rate found in cell C48 is used to calculate depreciation expense prior to the depreciation rates resulting from this docket taking effect July 1, 2027. That rate reflects an approximate composite average of depreciation rates currently in effect. Rates and dollars in the illustrative model provided in the Company's response to EOE-156[i], are estimated at this point in time and ultimately will reflect the outcomes of this proceeding, including applicable depreciation rates as well as other critical inputs.

Prior Referenced Response:

[i] EOE-156 Question:

(PBMRP CAPITAL SUPPORT MECHANISM) Refer to Exhibit CLP-ELP-1, pp. 101-103.
Provide a working, unlocked Excel spreadsheet that would serve as a representative tool used to calculate the Company's incremental revenue requirements resulting from the proposed capital support mechanism (F-Factor) for each year of the MRP. As part of the submission, discuss the calculations and separately identify and explain all critical assumptions, using cited information from the Company's rate case submission where relevant (e.g., depreciation rate from the Company's depreciation study). In support of the request, please use the Company's proposed 5-Year Targeted System Performance (TSP) Plan within the spreadsheet's initial inputs and apply an initial assumption that the Company incurred actual plant-in-service additions of 5% more than the proposed annual TSP

funding. Additionally, please configure the spreadsheet to allow for the weighted average carrying costs (WACC) to be individually adjusted for both ROE and Cost of Debt.

EOE-156 Response:

The Company appreciates the opportunity to respond to EOE's thoughtful question regarding the operation of the PBMRP proposed in this proceeding, which the Company views as key to reaching a long-term reliability and resiliency plan for Connecticut, while meeting affordability needs for customers.

The Company's response to this request is organized as follows:

A. Overview and Results
B. F-Factor Discussion
C. Impact of 5% Additional Capital Investment
D. Model overview

Attachments referenced in this response:

EOE-156, Attachment 1, provides the Company's working model, with projected capital investment as filed in this proceeding. See, e.g., Exhibit CLP-ELP-1, Figure 7.

EOE-156, Attachment 2, provides a second model that is identical in every respect to Attachment 1 except that capital investments are 5% greater than the forecast submitted to this proceeding in Exhibit CLP-ELP-1, Figure 7, as stipulated by EOE's data request.

A. Overview and Results

Ultimately, the Company's goal in this proceeding is to establish a sustainable, cohesive ratemaking framework that supports electric utility service in the State of Connecticut in an affordable manner for customers, over a long term. This is the Company's goal because the CL&P system needs investment for reliability, resiliency and modernization. For this infrastructure investment to be affordable for customers, a coherent ratemaking plan needs to be instituted that will consider the interests of customers over a longer term than just the next rate case. That framework needs to balance: (1) the reliability and performance requirements of the Company's customers and the broader State of Connecticut; (2) customer rate stability and affordability; (3) incentives for cost efficiency in utility operations; and (4) implementation of a revenue support mechanism sufficient to cover the cost of delivering these objectives to customers, including the cost of capital.

The Company's PBMRP is designed to address these objectives in a holistic, balanced way. To do this, the Company started with the ratemaking framework under discussion in PURA's PBR docket (Docket No. 21-05-15RE01), while also introducing certain new elements to remediate the flaws that would ultimately hinder PURA's (draft) PBR model from supporting the necessary stay-out terms. As discussed below, the stay-out term is the critical element of the PBMRP that creates the cost-efficiency incentive inherent in a performance based ratemaking plan.

This context is vital to understand both the design and mechanics of the Company's proposed PBMRP, including both the F-Factor and "I-X" components. To augment understanding of how the plan would work over the stay-out period, the Company has incorporated the projected costs of service set forth in EOE-156, Attachment 1, Worksheet, entitled "COS-1 Total," which is the Company's cost of service, as filed. The Company does not intend to imply that these dollar amounts are certain for the future and there will undoubtedly be changes in a litigated result. However, these figures serve as a reasonable basis for presenting this analysis to reflect the Company's PBMRP proposal. Moreover,

assuming that there will be changes to the underlying cost of service that serves as the "going in revenue requirement," all of the projections made herein become highly optimistic, as discussed below.

Increasing capital investment on the Connecticut distribution system is a given for the reasons described in the testimony of the Company's Leadership Panel and Targeted System Plan ("TSP") Panel – the Connecticut distribution system needs additional investment to maintain service reliability to customers and even more investment to achieve a level of modernization. The Company will need to make this investment to meet the interests of customers, with or without a multi-year plan. However, without a multi-year rate plan, whether in the form of the Company's proposed PBMRP or another reasonable model, the Company's only viable course of action to support this level of needed investment will be to file traditional cost-of-service rate cases, as closely to annually as possible. Effectively, these sequential cases will "roll in" unrecovered capital investment into base rates to maintain a nexus between what the Company needs to invest in the system and what rates are reflecting for recovery of costs.

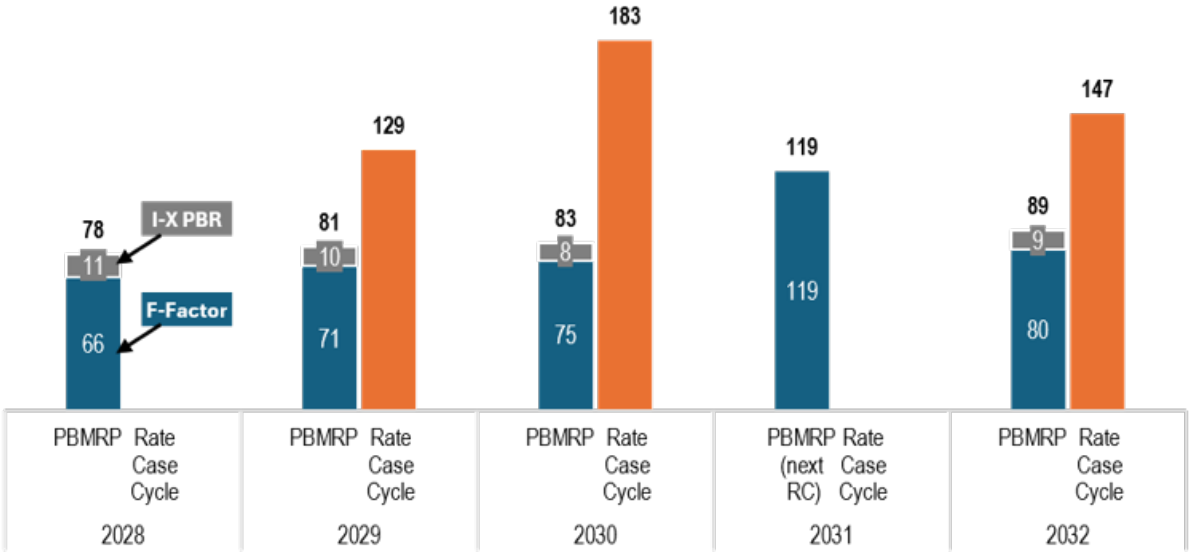
In a world in which system investment needs are relatively flat, economy-wide inflation is modest and predictable at 2% annually, and rates are fully coupled with growing sales revenues (and no revenue decoupling mechanism), it is conceivable that a utility could offset the cost increases it incurs with organic sales growth, as electric utilities could do in past decades. However, that is not the reality of today's operating environment. The distribution system investment needs are extensive and growing and the financial consequences of these circumstances are factors that need to be considered in determining a reasonable and workable regulatory plan. Establishment of a reasonable multi-year, performance-based ratemaking plan is the mechanism that can support the system needs in a manner that is wholly transparent and stable for customers, allowing for a smoother trajectory of rate changes than would otherwise occur.

Results of F-Factor Implementation Assuming Capped Forecast Investment

EOE-156, Chart 1, below, provides illustrative rate increases comparing circumstances where the Company is pursuing a traditional rate-case cycle with filings as close to annually as possible under Connecticut law, as compared to the proposed PBMRP. These amounts assume the Company's revenue requirement proposed in this docket is authorized without modification, except that the Company has used its existing weighted average cost of capital to perform the analysis, in order to isolate the functioning of the F-Factor operation - apart from changes in the cost of capital (i.e., the analysis uses a 9.25% return on equity and 47%/53% debt to equity capital structure). As noted above, the cost-of-service projections are shown in EOE-156, Attachment 1, Worksheet "COS-1 Total," Line 35.

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. Chart 1, below, also spans the time period covering one year beyond the Company's proposed four-year plan. 2032 is shown for illustrative purposes.

EOE-156, Chart 1
Annual Incremental Revenue Increase, $ Millions



Note: Chart 1 assumes base-rate amendments effective 1/1/2029, 7/1/2030 and 1/1/2032.

In Chart 1, a rolling rate-case cycle is depicted as the orange series, with the Company estimating new rates effective January 1, 2029 (18 months after the present docket concludes), with additional revenues of $129 million; followed by another $183 million rate change effective July 1, 2030, and a further $147 million effective January 1, 2032. These rate adjustments arise primarily as a result of capital investment rather than O&M changes, which means that the associated rate changes are reasonably foreseeable and ultimately predictable.

In contrast, the Company's proposed PBMRP would yield revenue increases of $77.6 million for rates effect July 1, 2028, $81.1 million July 1, 2029, and $83 million July 1, 2030 (EOE-156, Attachment 1, worksheet "PBR-1 Total PBRA", Line 41). For purposes of discussion, the Company estimates that the subsequent rate case taking effect after the proposed PBMRP would be $119 million in 2031, followed by $89 million in 2032 assuming continuation of the proposed framework. Uncertainty grows as the timeframe of projections extends, as the Company will inevitably experience cost increases in relation to both operating expenses and capital investment, as time passes. Therefore, the later years (particularly 2031 and 2032) should be interpreted as illustrative for purposes of discussing the principles and conceptual impacts of the PBMRP and traditional rate case frameworks.

As Chart 1 illustrates, whether through a multi-year rate plan or sequential rate cases, ongoing revenue support is essential to the electric system. Revenue increases for the Company are rate increases for customers, so that a smoother and more predictable customer impact occurs through the Company's PBMRP, which is the fundamental purpose of the PBMRP.

The Company's proposal results in rate increases amounting to approximately 1.5-2.1% on a total bill basis, annually (Line 3). In contrast, a rolling rate-case cycle yields rate increases nearly double at 3.4% (Line 4). Essential to this discussion is that both frameworks are designed to roughly track with the cost of service, although the stay-out feature of the PBMRP forces the Company to absorb the risk of deviation from the cost of service given the likelihood that

operating and investment costs will increase over the period. The difference is the gradualism of the Company's PBMRP, which results in smoother, more predictable bill changes for customers.

EOE-156, Table 1

Line	Description	2028	2029	2030	2031	2032
	Incremental Revenues ($ Millions)					
1	Company Proposal	77.6	81.1	83.0	118.6	89.0
2	Rate Case Cycle	0.0	129.0	183.0	0.0	147.0
	Annual Increase, % Total Bill					
3	Company Proposal	1.5%	1.5%	1.5%	2.1%	1.6%
4	Rate Case Cycle	0.0%	2.4%	3.4%	0.0%	2.6%

The rolling rate-case cycle is characterized by larger changes that are more disruptive to customers, in addition to being administratively burdensome for all Connecticut stakeholders. Importantly, the Company's PBMRP does not undermine the applicability or efficacy of prudence reviews in terms of establishing a strong incentive for cost control. Under the Company's proposal, prudence reviews can occur annually, preserving accountability and cost-control incentives with increased transparency, as well.

B. F-Factor Operation

At its core, the Company's proposed F-Factor mechanism is designed to provide a revenue allowance sufficient to support the level of capital investment needed by the system, including the cost of capital. Several essential characteristics of the F-Factor mechanism mutually contribute to its viability and potential longevity:

1. Like the CT-Bar1 the Company's F-Factor would take effect the first day of the first Rate Year coming out of the rate case, which eliminates the need for Rate Year capital to be embedded in base rates, subject to later downward-only reconciliation. To the extent capital investment currently factored into the Company's proposed revenue requirement for Rate Year 1 is "rolled back" to an earlier date (for example, to a capital investment cutoff date of February 28, 2027, for inclusion in base rates), the F-Factor revenue-requirement calculation would inherently adjust to reflect capital investment as of that cutoff date.

2. Like the CT-Bar, the Company's F-Factor does not pre-emptively or categorically exclude any type of capital investment. The Company regularly makes capital investments that do not directly affect the performance of the electric grid the way utility poles, transformers, lines, substations, etc. clearly do, but are nonetheless essential capital investments in the provision of service to customers. Capital investments for facilities safeguarding equipment, information technology enabling self-service customer portals, and vehicles needed for transporting materials to work sites are but a few examples of core capital investments that are necessary and, therefore, inform the F-Factor allowance.

3. Like the CT-Bar, the Company's F-Factor aligns the capital investment necessary for the target performance of the electric grid outlined in the Company's Targeted System Plan, with the revenues required to support those investments. In developing the F-Factor the Company sought to establish a means of tying the F-Factor revenue allowances to the capital investment forecast that would be

discussed extensively in this docket. This allows the focus of the TSP to remain on the system needs and plan objectives while simultaneously acknowledging that those needs and objectives, whatever they may be, require some measure of revenue support. The F-Factor serves as a necessary link between the system needs evaluated in this docket and necessary revenues.

4. The Company's F-Factor properly includes the cost of capital. If CT-bar is evaluated separately from going-in revenue requirements, no single design factor would guarantee its failure more so than the absence of the cost of capital from its revenue requirement calculations. Though the cost of capital is not visible the way other costs of service are, such as the maintenance cost that keeps an older piece of equipment online or the cost of gasoline in a line truck, it is just as real a cost of service.[1]

   The Company regularly operates with a cash deficit. That is, the cash necessary to support ongoing operations exceeds the cash received from customers through bills. The direct result is the Company must secure funds through some other means. Those other means are debt and equity investors: the individuals, banks, corporations and other institutions supplying funds to capital markets. Those entities have choice in terms of the entities to whom they provide their funds, choices that weigh other utility companies, industries, countries and continents, type of security, duration, expected return, the presence (or absence) of dividends, environmental, social, and governance characteristics, and countless other variables against the investor's tolerance for risk. Not surprisingly, the Company cannot expect that investors, facing the choice between the Company and essentially all other investment opportunities, would or should accept zero return in exchange for their funds. Thus, the cost to acquire the funds necessary to perform the ongoing capital investments required of the system is real, fundamentally non-zero, and more specifically the Company's cost of capital filed in this proceeding.

5. The Company's F-Factor captures all elements of the Company's capital investment base, including plant additions, plant retirements, accumulated depreciation, cost of removal, and accumulated deferred income taxes. The Company's F-Factor calculation fundamentally 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 inherently 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.

6. Like the CT-Bar, annual reconciliation of the revenue requirement ensures customers ultimately pay only for prudent capital investment while balancing the utility's need to cover the ongoing costs of providing ongoing service. Critically, the Company's F-Factor proposal does not circumvent prudence reviews – essential pillars of properly-functioning regulatory frameworks – nor undermine the value that effective prudence reviews bring customers. Ultimately, the Company is acutely aware that any capital investment must successfully withstand the scrutiny of a prudence review. Whether that review happens next year, three years from now, or at any other interval, the Company knows the decisions made today must withstand a prudence examination. Any eventual findings of imprudence regarding capital investments made today have significant, negative financial implications, regardless of when those findings are made. Thus, the very expectation of future prudence reviews reinforces the prudence ingrained in decision-making today. Further, the risk of a future finding of imprudence and the negative financial implications thereof eliminates any perceived financial benefit for the Company to "over invest" today.

[1] All references to the CT-Bar in this response are meant to refer to the Proposed Final Decision issued in Docket No. 21-05-15RE01 on July 14, 2025.

Annual reconciliation, including the prudence reviews involved, is a critical element of the Company's PBMRP proposal. As part of each annual PBMRP adjustment effective July 1 each year of the PBMRP2, the Company's actual capital additions for the Prior Year are allowed for inclusion in the calculation of the F factor to the extent that the actual capital additions do not exceed the Forecasted Budget (referred to as the F-factor allowance). To the extent that the cumulative actual capital costs in-service through the Prior Year, in aggregate, exceeds the Forecasted Budget through the Prior Year, then the F Factor allowance is capped at the cumulative Forecasted Budget. This downward-only reconciliation will ensure that, in the end upon reconciliation, customer bills reflect the costs associated only with projects that are in service to customers and no more, and that if the Company invests more than the Forecasted Budget, customer bills will not reflect amounts above the Forecasted Budget, until such time as those capital investments are allowed into rates at the time of the Company's next rate case. The prior-period reconciliation will be reflected in the F-Factor, in addition to the revenue requirement associated with the Forecasted Budget for the upcoming Rate Year, effective July 1 annually. The F Factor allowance will be calculated to determine the revenue requirement (inclusive of depreciation expense, property tax expense, return on rate base, and income tax) on actual plant additions (including plant additions, cost of removal, plant retirements, accumulated depreciation, and plant-related accumulated deferred income taxes ("ADIT")) up to the Forecasted Budget amount, and to reflect the revenue requirement for the Prior Year and through the Rate Year on in service capital additions placed in service in the Prior Year, provided that those in service capital additions are not reflected in base rates or in another rate mechanism. In addition, the F Factor allowance will reflect the revenue requirement for Rate Year capital, established at the Forecasted Budget, subject to downward-only reconciliation in the subsequent F Factor filing.

As noted above, annual reconciliation will consider plant-related ADIT on the Company's books through the end of the calendar year, prior to a given annual filing. To the extent the Company has recorded cumulative plant additions in[2] excess of the capital expenditure forecast provided in this docket or supported by a mechanism other than the F-Factor, the plant-related ADIT will be adjusted in the Company's annual reconciliation to avoid overstating the ADIT relevant to the F-Factor.

In total, the Company's proposed F-Factor will provide revenue support for, and ultimately reconcile, the capital investment placed into service from the cutoff date for inclusion in base rates through the effective date of the Company's subsequent rate case at the conclusion of the proposed PBMRP term. Per the Company's proposal, and as depicted in the illustrative attachments for this response, the F-Factor would ultimately reconcile capital investments made up to July 1, 2031 (the effective date of the subsequent rate case). Should the subsequent rate case be effective later than the July 1, 2031, illustrative date, the F-Factor would continue to reconcile capital investments placed into service until such time as that rate case does take effect.

C. <u>Impact of 5% additional capital investment</u>

EOE-156, Attachment 2, is the same working model as Attachment 1, except that the Company's actual capital investments are assumed to be 5% greater than the current forecast. These increases are reflected on the worksheet "COS-2 Capital," at Lines 19 and 26.

[2] In this proceeding the Company is proposing that the first F-Factor take effect commensurate with new base rates authorized in this proceeding, for effect July 1, 2027, and annually thereafter for the duration of the PBMRP. However, the Company has reflected Rate Year capital in the revenue requirement proposed in this proceeding, such that the Rate Year 1 F-Factor is set to 0, since Rate Year capital that would otherwise be reflected in the F-Factor on

a forecasted basis is reflected in base rates. If PURA declines to include Rate Year capital in base rates, the F-Factor would be calculated to reflect the revenue requirement on capital through the Rate Year, subject to later reconciliation.

As shown in EOE-156, Table 2, below, in the event that the Company's actual capital investments over the period 2027-2031 were 5% greater than current projections, which is a realistic scenario, the Company's proposed F-Factor revenue would not increase, highlighting two crucial design characteristics.

First, the core capital investment forecast provided in this docket is proposed to be a hard cap on the capital plant additions eligible for recovery through the F-Factor. That means the Company, PURA and stakeholders will be adequately informed of the maximum future revenues as calculated today.

Second, where core plant additions greater than forecast will not be supported through the F-Factor mechanism, there is pressure on the Company to stretch to find efficiencies to maintain a viable rate of return. As Table 1 demonstrates, investing beyond the current forecast provides no benefit in the form of greater revenue during the PBMRP, while putting downward pressure on the Company's earned rate of return. Consequently, over the term of the PBMRP, the Company's financial interest is to operate within its budgets and with a high rate of efficiency in order to achieve a viable rate of return.

EOE-156, Table 2

(As Filed, Docket No. 26-05-10)				
Annual Incremental F-Factor Revenue ($ millions)		$66.2	$71.4	$74.5
Return on Equity	9.10%	8.98%	8.87%	8.75%
Savings required to earn allowed ROE ($ millions)	**$7.6**	**$14.3**	**$21.2**	**$29.0**
Annual Incremental F-Factor Revenue ($ millions)		$66.2	$71.4	$74.5
Return on Equity	9.01%	8.80%	8.61%	8.42%
Savings required to earn allowed ROE ($ millions)	**$11.9**	**$23.8**	**$36.1**	**$49.3**

As shown in Chart 1 and discussed previously the sequential rate cases have a larger impact for customers and are more disruptive, while also creating administrative burden for all Connecticut regulatory stakeholders. Conversely, the Company's PBMRP produces smoother changes in revenues/rates without undermining the importance or efficacy of prudence reviews that would occur in the traditional cost-of-service ratemaking context. Under the Company's proposal, prudence reviews would happen annually. Thus, accountability and cost-control incentives are preserved in the Company's proposal, with an improvement in ratemaking transparency.

However, the larger point illustrated in Table 2 is the powerful impact of the stay-out term.

Under PBR, a benefit for the Company is the line of sight it has on a predictable revenue stream that will replace the loss of sales growth associated with the revenue decoupling mechanism, while providing a level of support for the ongoing operation of the system, including needed investment. However, a significant risk for the Company is that its costs will deviate from the "going in revenue requirement" from the minute rates are set through the end of the stay-out term. These cost changes will impact operating expenses, as well as the drivers of investment costs.

The power of the stay-out term, therefore, arises in relation to the Company's impetus to offset the earnings attrition it will inevitably experience as a result of these cost changes, through efficiency initiatives that will reduce costs on a going forward basis, to the benefit of customers. That is, to maintain a viable rate of return, the Company will be pressed to seek out and achieve cost efficiencies somewhere in the business. Those efficiencies achieved during the

stay-out period unavoidably inure to the benefit of customers when base-rates are next set on a cost-of-service basis. This is the fundamental power of a PBR framework, which the Company is experiencing in its Massachusetts companies.

In this case, Table 2 (above) and the working model included as part of this response, each show that it would be necessary for the Company to realize cost savings of approximately $29 million annually, by the end of the PBR term, in order to be able to offset the downward pressures on the (currently) authorized return on equity ("ROE") of 9.25%, all else equal. (See, EOE-156, Attachment 1, worksheet "Financial Summary", Line 24). "Downward pressures" mean increased costs, whether operating expense or the cost of carrying unrecovered capital investment.

For context, the Company's O&M reflected in this docket (per Exhibit CLP-REVREQ-2, Schedule C-3.0), excluding vegetation management, storm restoration and uncollectible expense, is $352 million, annually. Cost efficiency gains of $29 million therefore equate to a reduction on total O&M of approximately 8 percent, which is a significant reduction in the normal course of business.

At the same time, Table 2 further highlights that this $29 million annual gap is almost doubled to a gap of $49.3 million with only a five percent increase in capital investment as compared to the capped F-Factor. This computation highlights the extreme sensitivity that exists within the cost-of-service ratemaking model when operating expenses and investment costs are increasing and the point at which base rates will be reset and realigned with actual costs is extended to a future point in time.

For example, recall that this analysis is founded on a "going in revenue requirement" that is equal to the Company's filed, proposed revenue requirement – and assumes only one change in the modelling over the entire PBR term, which is the 5% increase in capital investment. However, in reality, there is a virtual certainty of operating cost increases and investment additions that well exceed the 5% shown here, which would only further suppress the rate of return. Accordingly, this analysis highlights the inherent power of the stay-out term associated with a multi-year rate plan that provides revenue support, but without any guarantee of aligning with the actual cost of service along the way. The growing gap is the pressure that is created for efficiency gains that will then be passed on to customers at the next rate-setting interval.

D. <u>Model Overview</u>

Please refer to EOE-156, Attachment 1, for the Company's illustrative PBR model. The model incorporates the Company's proposal with respect to inflation measurement, revenue increases related to operating expenses, F-Factor, and combined effect on the financial results of the Company.

Key assumptions include:

i. The base rate increase, PBMRP, and catastrophic storm cost recovery authorized in this docket are all assumed at the level filed by the Company in this proceeding, with the only exception being the Company used the return on equity and equity capitalization as currently allowed, which is 9.25% and 53.0%, respectively.

ii. The sum of plant additions and cost of removal each year are equal to the capital investment forecast provided in this proceeding, as shown in Exhibit CLP-ELP-1, Figure 7.

iii. Capital and O&M costs related to AMI are excluded from the projected cost of service and illustrative F-Factor revenue requirement calculations. Should the F-Factor be approved as the mechanism enabling

revenue support for AMI, the cap on capital investment would need to be increased to accommodate the costs for that program.

iv. Catastrophic storm costs, both the recovery of existing deferred costs as well as the costs related to future events, have no bearing on the model. Importantly, this implies the catastrophic storm and pre-staging costs in base rates perfectly match future costs (i.e. future revenue equals future cost for each and every year).

v. O&M cost pressure is assumed to be 1% greater than inflation, annually.

The model is organized into three primary sections:

1) Financial Summary, which presents illustrative results of the combined effect of the Company's proposed rate increase, PBR framework, and cost projections

2) PBR model, which covers "I – X – CD" and F-Factor
   a. Worksheet "PBR-1 Total PBRA"
   b. Worksheet "PBR-2 Inflation"
   c. Worksheet "PBR-3 F-Factor Summary"
   d. Worksheet "PBR-4 F-Factor"
   e. Worksheet "PBR-5 F-Factor Property Tax"
   f. Worksheet "PBR-6 Capital Forecast"
   g. Worksheet "PBR-7 Going-In Capital RR"
   h. Worksheet "PBR-8 GDP"
   i. Worksheet "PBR-9 ECI"

3) Cost of service, which consists of three worksheets, provides a forecast of the actual cost of providing electric service

1) <u>Financial Summary</u>

The "Financial Summary" provides the combined results of going-in revenues along with the rate increases determined through the Company's PBR proposal, the operating costs of service projected over the same timeframe, and the investment base that enables the Company's essential service to customers.

Lines 15-27 show the calculation of the Company's actual, earned return on equity over the four years of the Company's PBMRP term. Specifically, Line 22 provides the annual earned return on equity; Line 23 provides the cumulative average annual ROE; and Line 24 provides the revenue requirement (excluding GET and uncollectible) or cost savings necessary to achieve the allowed ROE.

Lines 28-44 provide a simplified Income Statement for the four years of the Company's PBMRP, including revenue projections as well as the operating costs of service. These costs represent the projected costs of doing business whether or not those costs are supported with rates.

Lines 46-61 provide a summary of the revenue increases calculated in the PBR model and the corresponding impacts on uncollectible expense and gross earnings tax.

2) PBR

The PBR worksheets are the working calculations that drive the illustrative distribution rate increases discussed above. Each one of which is discussed separately below:

a. Worksheet "PBR-1 Total PBRA"

This worksheet summarizes the results (i.e. rate increases) of the model's other "PBR" worksheets and is organized into four sections: (1) Going-In Revenue Requirements; (2) PBR-O Adjustment; (3) F-Factor Adjustment; and (4) Total Performance Base Revenue Adjustment. "Going-In Revenue Requirements" reflects the eventual revenues authorized as a result of this proceeding. For purposes of this response, this reflects revenues as proposed in this docket and adjusted, as discussed above. The purpose of this section is to orient the reader to the authorized levels of operating revenue (Line 17) and O&M (Line 21) established in this proceeding and, second, to perform calculations necessary to establish Rate Year 1 baselines for use with subsequent Rate Year revenue calculations. Line 19 is the resulting base distribution revenue requirement that represents the overall starting point for distribution revenues to which any and all PBMRP rate adjustments for Rate Year 2 would be added or subtracted as appropriate. Line 23 is the level of O&M to which the PBR-O percentage increase for Rate Year 2 would apply.

The PBR-O adjustment section (Lines 25-30) provides the calculations for inflation-driven rate increases, which are initially applied to line 23 discussed above. Line 27 is the combined percentage increase resulting from the Company's proposed composite inflation measure, -0.03% productivity ("x") factor, and consumer dividend. For this analysis, the Company has assumed a 30-basis point consumer dividend for all years. Line 28 provides the resulting annual incremental revenues.

The F-Factor adjustment section on this worksheet references the results determined on other worksheets of the model (discussed below). Here, Line 33 provides the resulting annual incremental revenues, while Line 34 provides the cumulative F-Factor revenue requirement.

Line 37 provides the total annual revenue increase, which is the sum of Lines 28 and 33.

Line 43 is the final resulting base distribution revenue requirement that begins with Rate Year 1 amounts and adjusts annually thereafter by the amounts described above.

For purposes of this analysis, there are no exogenous cost recovery assumptions reflected in the accompanying working model. If PURA were to authorize the Company's proposal, including mechanics related to exogenous cost provisions and the consumer dividend, the PBR model would need to be adapted from the attached to include additional worksheets as appropriate.

b. Worksheet "PBR-2 Inflation"

This worksheet first aggregates the relevant indices' data points from worksheets 10 and 11 (discussed below), which are shown on Lines 13-16 for GDP-PI and Lines 21-24 for ECI. Each index is then averaged for a given calendar year (Lines 17and 25), which then form the basis for the annual growth calculations on Lines 18 and 26. As discussed in the Company's pre-filed testimony, the Company is proposing to weight the indices 66.9% for GDP-PI and 33.1% for ECI. The composite resulting inflation is shown on Line 32.

Line 33 provides the -0.03% productivity factor, while Line 34 shows the consumer dividend, which assumes 30 basis points for simplicity of this analysis. The combined result of inflation, productivity factor and consumer dividend is

shown on Line 35, which is before the imposition of a 5% cap. To the extent line 35 exceeds the proposed 5% cap, Line 36 would provide the adjustment such that Line 37, the final result, is the lesser of the 5% cap and Line 35.

Note that projections of inflation are used for analytical purposes in this response and to assist with discussion pertaining to future rate increase implications. Actual calculations of PBR adjustments in future annual PBR filings would rely exclusively on published data available at the time of a given year's annual PBR filing.

c. Worksheet "PBR-3 F-Factor Summary"

Like the CT-Bar, the Company's proposed F-Factor is calculated on a monthly basis. The "F-Factor Summary" worksheet aggregates the results of those calculations on Lines 17-29 and presents in 6-month increments to enable both calendar-year and rate-year views of the same information. Property taxes (Line 19) are not calculated monthly, but rather on a fiscal year basis. Line 28 provides the resulting cumulative F-Factor revenue requirement, while Line 29 is the annual incremental amount shown on the worksheet "PBR-1 Total PBRA," line 33.

d. Worksheet "PBR-4 F-Factor"

This worksheet provides the monthly calculation of the F-Factor revenue allowance summarized on the previous worksheet and is the "engine" of the overall F-Factor model. Broadly, it aggregates the necessary inputs, including rate base activity assumptions (Lines 18-25) and relevant rates resulting from this proceeding, including depreciation expense as a function of gross plant (Line 49) and pre-tax return on rate base (Line 51).

Note also that this worksheet includes a "switch" (Line 16) that enables this model to adapt to the cutoff date of capital investment for inclusion in base rates. However, due to the large number of possibilities for a potential cut-off date and similarly large variation of resulting Going-In revenue requirements, the model is currently configured to use this line as an adjustment for Rate Year 1 only. That is, the model is not currently built such that the user can specify a cutoff date for capital investment inclusion in base rates and have that date adjust the going-in capital revenues, as well as the F-Factor. Conceptually, this switch is intended to affix the start of the F-Factor calculations to the last date capital investment is reflected in base rates.

As presently configured, the F-Factor revenue requirement assumes the capital investment reflected in base rates is per the Company's proposal, which is through June 30, 2028. However, the capital-driven Rate Year revenue requirement calculations reflected in the Company's filed cost of service are based on Rate Year averages. For example, the rate base referenced in the return on rate base calculations found on Exhibit CLP-REVREQ-2, Schedule A-1.0, Line 16 is average rate base, while Rate Year 1 depreciation expense is based on rate-year average plant in-service, as denoted on WP C-3.34, line 13 of the same exhibit. Consequently, the F-Factor calculation is currently configured to rely on 50% of Rate Year 1 capital investment to effectively build the proper ending balances as of 6/30/2028 upon which subsequent Rate Year calculations can grow. Note that the interaction between the F-Factor and the cut-off date for capital investment inclusion in base rates is a critical component to the longevity of the Company's proposal as it assures that the F-Factor starting point aligns with the endpoint for base rates, leaving no gap over the duration of the rate plan.

For purposes of this written response, the Company does not detail the calculations of this worksheet here. Instead, the Company refers to the line references provided on the last page of this worksheet (Model PDF, page 8) for both Attachments 1 and 2, which detail the calculations performed. For emphasis, note that Line 33 captures the accumulation of depreciation recovered in base rates. By design, the F-Factor intentionally reflects this to properly estimate a reasonably true capital-driven revenue requirement.

The resulting F-Factor revenue requirement, excluding property tax, which is referenced by the preceding worksheet, is shown on line 53.

e. Worksheet "PBR-5 F-Factor Property Tax"

This worksheet provides the fiscal year calculations for incremental property tax expense based on capital investments made since 2024 and forecast through 2031. Line 12 references capital investment assumptions discussed elsewhere, while Lines 13-24 perform the calculations of depreciation expense pursuant to Conn. Gen. Stat. §12-63(b)(6), net book value, assessed value pursuant to Conn. Gen. Stat. §12-63(a), and the eventual property tax expense by applying the composite mill rate calculated in Exhibit CLP-REVREQ-2, Schedule WP C-3.37 p17 to 21, Page 20, Line 73. The result is shown on line 24.

Lines 28-32 then summarize that result by calendar year, while Lines 38-40 summarize by Rate Year. After adjusting for the extent to which base rates recover the property tax related to these same investments on Line 41, as discussed in previous sections, the final property tax amount reflected in the F-Factor allowance is shown on Line 42.

f. Worksheet "PBR-6 Capital Expense Forecast"

This worksheet is provided to create the necessary link between the F-Factor revenue allowance calculations and the capital investment forecast discussed in this docket. The capital investment forecast included aligns with the Company's filed capital investment forecast, as can be seen in Exhibit CLP-ELP-1, Figure 7. The F-Factor capital investment assumptions reflected in the revenue allowance calculations of "PBR-4 F-Factor" necessarily agree with this worksheet.

g. Worksheet "PBR-7 Going-In Capital RR"

This worksheet is a collection of select data points as approved in the Company's "Going-In" rates (or, in this case, as proposed in the Company's filed cost of service schedules, Exhibit CLP-REVREQ-2-A, B, C, D Schedules, adjusted to reflect the currently authorized return on equity (9.25%) and equity capitalization (53.0%), as stated previously:

- Lines 12-16 provide the dollar amounts related to capital-driven costs of services, which are depreciation, property taxes and costs of capital. Amounts shown are currently as proposed in this illustrative model (except where noted), but ultimately will reflect the amounts as approved in this docket.

- Lines 21-28 provide a summarized view of the Company's filed rate base for the Test Year, Rate Year beginning, Rate Year ending, and Rate Year average balances. These balances serve as the basis (denominators) for establishing the capital-driven costs above as a percentage of approved balances. Those percentages are used on the other "PBR" worksheets, as well as the cost of service worksheet to estimate future costs of service based on approved levels (Lines 30-32)

- Lines 47-81 provide rates for uncollectible expense, gross earnings tax, and the costs of capital as well as necessary calculation of gross-ups to those rates for use in the model's calculations.

- Additional details are shown in column (F) of this worksheet.

h. Worksheet "PBR-8 GDP"

This worksheet presents raw Gross Domestic Product-Price Index (GDP-PI) data obtained from the Bureau of Economic Analysis. For illustrative purposes only, this model also includes a projection of GDP-PI obtained from

Moody's September 14, 2026. As noted above, actual calculations of PBR increases, if approved as filed, rely only on historical data available at the time of a given year's annual PBR filing.

i. Worksheet "PBR-9 ECI"

This worksheet contains raw Employment Cost Index (ECI) data obtained from the Bureau of Labor Statistics. Note that projections of inflation are used for analytical purposes and to assist with discussion pertaining to future rate increase implications. Calculations of PBR increases, if approved as filed, rely only on historical data available at the time of a given year's annual PBR filing.

3) Cost of Service

The cost of service included for analytical purposes in the Company's working model consists of three worksheets: "COS-1 Total," "COS-2 Capital," and "COS-3 Property Tax."

a. Worksheet "COS-1 Total"

This worksheet provides projections of the Company's actual costs through the end of the PBMRP term as a means of assessing the impact the capital investment forecast and O&M cost pressures have on the overall cost of service as well as the degree to which revenues align with the Company's cost of service (as reflected on the "Financial Summary" worksheet).

Lines 15-37 summarize the results of the cost drivers, including especially O&M (Lines 16-19), depreciation (Line 21), property taxes (Line 22), and costs of capital, including corresponding income taxes (Lines 24-27).

Gross earnings taxes and uncollectible expense are calculated on Lines 33 and 34 as if the full cost of service (Line 28) is in rates.

Non-storm O&M is shown on Lines 38-44, while storm O&M is shown on Lines 45-50, where non-catastrophic costs are identified separately from catastrophic storm / pre-staging funding.

Non-storm rate base is shown on Lines 52-59, which reflect the capital investment forecast (exclusive of AMI) filed in this docket.

Lastly, capital-driven costs of service are shown on Lines 61-67. Depreciation, property tax, uncollectible, gross earnings taxes, and costs of capital are based on the Company's filed cost of service in this docket, specifically Exhibit CLP-REVREQ-2-A, B, C, D Schedules, except that the return on equity (9.25%) and equity capitalization (53%) are shown at currently authorized amounts.

b. Worksheet "COS-2 Capital"

This worksheet functions nearly identically to "PBR-4 F-Factor" except that it relies on actual capital investment projected over the term of the PBMRP. This is essential to understanding actual costs of service, whether or not those costs are supported by revenues. It forms the basis for evaluating the degree to which the F-Factor is sufficient. For additional details pertaining to the mechanics, please see the line references found at the end of this worksheet (or model PDF page 19).

c. Worksheet "COS-3 Property Tax"

Similarly, this worksheet is included to assist with the calculation of actual costs of service. It operates mechanically identically to "PBR-5 F-Factor Property Tax" except that it relies on actual capital investment projections (Line 12).

Date Filed: October 14, 2026

Witness: Douglas P. Horton
Request from: Office of Education, Outreach, and Enforcement

Question:

(F-FACTOR; PRUDENCE TIMING) Refer to Response to EOE-156, pp. 7-9. The Company's discussion in subsection B.6 references that "the Company's F-Factor proposal does not circumvent prudence reviews." Discuss when the Company's proposal accounts for the prudence reviews to occur. For example, would the determination of prudence be required prior to the annual rate increase or does the proposal include a claw-back for the revenue impact on capital additions that are determined to be imprudent at a later date (e.g., during the next rate case). Additionally, identify when the Company would provide supporting documentation to demonstrate prudence.

Response:

Please refer to the Company's responses to interrogatories OCC-857[i] and EOE-372[ii]. As described therein, the Company's proposal includes annual, downward-only reconciliation of the F-Factor allowance and associated revenue requirement during the PBMRP term arising from prudence determinations. Specifically, under the Company's proposed timeline, the revenue requirement resulting from the reconciliation of the prior year's F-factor allowance and the new Rate Year's F-factor allowance will go into effect on July 1, following the March 1st filing. As part of the RAM process, PURA performed prudence reviews of capital documentation filed for the ESI, including discovery, between March 1st and September 1st, the date on which additional RAM rate changes were made. Even though PBMRP rates would go into effect on July 1st, the Company proposes that this timeline continues to be used for capital prudence reviews under the PBMRP. To the extent PURA's prudence review warrants any adjustment to the revenue requirement that went into effect on July 1, the Company will determine any amount of over-collected revenue received from customers over the period of July 1 of the prior year through August 31 of the current year and include this amount, plus carrying costs for those 14 months, in the RDM's allowed revenue target for the July 1 through June 30th Rate Year.

Prior Referenced Responses;

[i] OCC-857 Question

(Capital Support Mechanism) On p. 101 of Exhibit CLP-ELP-1, the Company states that, "As part of the Company's annual RAM compliance filing, actual plant additions placed in service during the applicable plan year will be reconciled against the approved forecast." In the Company's response to EOE-156, Witness Horton states that prudence reviews would be included in the annual reconciliation process.

a. Provide a detailed plan for how the Company envisions the annual reconciliation process would proceed and how long the process would take both as a whole, and for each step. Please identify what filings would be made, whether and how discovery would be allowed, and what types of determinations would be required by the Authority.
b. Where in the reconciliation process will the distinction and differences be identified between realized annual plant addition costs and the associated rate base, and the return, taxes, and deprecation on rate base that are included in the going-in revenues?
c. Will the annual PBR reconciliations be assessments of the whole Company's rate base with calculations of commensurate return, tax and depreciation, or will it be an incremental adjustment based on annual plant additions? Please explain.
d. Provide one or more examples, as appropriate, showing how the annual capital recovery process, including reconciliation, would function, including detailed calculations in the form to be used in the annual adjustment filings.
e. Provide a list of all types of costs that will be included in the capital recovery reconciliations.

OCC-857 Response

a. The Company has given this process a lot of thought based on discussions throughout the PBR dockets. Based on input from those sessions, the Company's proposal is to align the Performance Based Multi-Year Rate Plan (PBMRP) with the Rate Year, and as much as possible, aligns with the existing annual RAM ratemaking process. As such, the Company proposes that PBMRP adjustments occur on each July 1, starting with July 1, 2027, and annually thereafter. For each year that the PBMRP mechanism is in effect, the Company would submit an Annual PBR Plan Compliance Filing to PURA in the annual RAM proceeding. The annual compliance filing would include, among other things:

(1) the calculation of the annual revenue-cap adjustment;

(2) the new proposed rate using the PBR formula;

(3) an earnings-sharing computation;

(4) cost documentation for the Company's capital investments;

(5) the calculation and reconciliation of the annual capital-cap adjustment;

(6) documentation of metric performance and resulting penalties or incentives; and

(7) bill impacts of the new rate by rate class.

(8) as applicable, any request for exogenous cost recovery.

With respect to the capital-support mechanism or "F" factor in the formula, the Company proposes a mechanism based on a fixed annual capital investment level for each year of the PBMRP, with reconciliation through PURA's annual RAM proceedings. The fixed annual investment level would initially be set at the Company's capital forecast, as approved in this proceeding, and would be subject to downward-only reconciliation[1] in the event that either i) the Company's actual plant in service is lower than projected and utilized in establishing the initial F-Factor for that Rate

Year or ii) PURA ultimately denies as imprudent a level of investment that was initially included in the F Factor allowance. In this way, customers are assured that rates ultimately reflect the costs of system investments that are actually in service, and have been found prudently incurred by PURA.

As described in its Exhibit CLP-ELP-1 testimony, the Company has presented different investment trajectories in the Company's 5-Year targeted system performance (TSP) and is proposing to establish the capital support mechanism of the PBR adjustment consistent with the annual capital funding requirements presented in Figure 7 of the Exhibit CLP-ELP-1 testimony. As part of the Company's annual RAM compliance filing, actual plant additions placed in service during the applicable plan year would be reconciled against the approved forecast that would have been utilized in the prior PBMRP filing to establish the F-Factor initially.

Following PURA's determination that the Company's actual plant additions are prudent, used and useful, the Company's allowed rate base and associated revenue requirement for that year will be limited to the lesser of (1) the total revenue requirement for the forecasted capital approved in this proceeding; or (2) the total revenue requirement for the actual plant in service. As described previously, if the Company's actual capital additions exceeds the forecasted amount approved in this proceeding, the Company would not be permitted to seek recovery of the incremental investment during the initial four-year PBMRP Term. Any such investment would instead remain subject to review and consideration in a subsequent base rate proceeding or successor PBMRP Term.

The Company's proposed capital funding mechanism sets a defined cap on capital recovery during the plan term, providing customers with greater rate certainty and placing the risk (and cost) of increased capital spending on the Company during the course of the PBMRP. The annual reconciliation further protects customers by blocking recovery of investments that are delayed, deferred, canceled, or not placed in service, since those costs would not be reflected in the "F" factor upon reconciliation, which is based on plant in service. For these reasons, the proposal aligns cost recovery with prudent investment and incentivizes efficient execution of the capital program, all while minimizing customer over-collection.

Based on the above framework, an exhibit that demonstrates a revenue requirement consisting of: (1) a reconciliation of actual plant additions placed in service during the previous calendar year against the approved forecast (also referred to as the F-factor allowance) for that calendar year, and (2) the F-factor allowance for the new Rate Year beginning July 1st, would be filed on or about March 1st of each year consistent with the timing of all other RAM component reconciliations. Concurrent with that timing, all plant additions documentation for the previous calendar year included in the above reconciliation will also be filed on or about March 1st as part of the same filing.

Further, under the Company's proposed timeline, the revenue requirement resulting from the reconciliation of the prior year's F-factor allowance and the new Rate Year's F-factor allowance will go into effect on July 1, following the March 1st filing. As part of the RAM process, PURA performed prudence reviews of capital documentation filed for the ESI, including discovery, between March 1st and September 1st, the date on which additional RAM rate changes were made. Even though PBMRP rates would go into effect on July 1st, the Company proposes that this timeline continues to be used for capital prudence reviews under the PBMRP.

[1] The Company notes that the revenue decoupling mechanism (RDM) will continue to operate and reconcile actual revenues to the target revenues, as adjusted by the PBMRP. The Company's reference to a 'downward only' reconciliation is meant to reflect that the revenue target utilized in the RDM will not be adjusted upward in the event actual plant additions exceed the level originally reflected in the F-Factor allowance. In that circumstance, the F-Factor allowance is capped at the fixed level projected in this proceeding. Capital that is placed in service above the cap would not be included in rates until a future rate case proceeding, and only then on a prospective basis.

To the extent PURA's prudence review warrants any adjustment to the revenue requirement that went into effect on July 1, the Company will calculate the excess revenue collected from customers over the period of July 1 through August 31 and include this amount, plus carrying costs for those 2 months, in the RDM's allowed revenue target for the July 1 through June 30th Rate Year.

b. Please refer to subpart (d) of this question.

c. Please refer to subpart (d) of this question.

d. Please refer to the example shown in EOE-156, Attachment 1, pages 4 through 12, showing how the annual capital recovery process, including reconciliation, would function, including detailed calculations in the form to be used in the annual adjustment filings. Please note that pages 4, through 12, show an illustrative example for all four Rate Years contemplated for the duration of the PBMRP; however, the annual filing would only be for a single year of the PBMRP. As part of this example, please refer to the differences between realized annual plant addition costs and the associated rate base, and the return, taxes, and depreciation on rate base that are included in the going-in revenues found in EOE-156, Attachment 1, worksheet "PBR-7 Going-In Capital RR", Lines 13-16. Additionally, the detailed calculations shown in EOE-156, Attachment 1, pages 4 through 12, demonstrate that the annual PBR reconciliations will be an assessment of the Company's total accumulated depreciation included in base distribution rates (i.e., customers will be receiving credit for the increase in the Company's accumulated depreciation for all capital included in base distribution rates), as opposed to the Company's entire rate base (the Company considers its entire rate base to include other rate base items such as deferred assets and liabilities, etc.).

e. The revenue requirement for capital recovery will include appropriate recovery of net plant in service, accumulated deferred income taxes ("ADIT") and accumulated depreciation for the cumulative additional plant additions and will include a pre-tax return on investment (i.e. return on rate base including income taxes), return of investment (i.e. depreciation), property taxes, gross earnings tax and uncollectible expense.

[ii] EOE-372 Question:

(TIMING OF ANNUAL FILINGS; F-FACTOR) Provide both a discussion and a visual representation of the timeline detailing key components of the Company's proposed annual filings for each year of the MRP. As part of the response, identify the cutoff date(s) for capital additions, the annual filing date(s), and rate change date(s). This request attempts to understand the amount of time needed for the Company to close its books and prepare the filing, along with the amount of time for the Authority's approval, and the Company's subsequent processing of the rate increases within its system. Additionally, this request attempts to understand relevant cutoff dates whereby the F-Factor capital additions would be applicable from the end of the evidentiary record through the first annual cutoff date.

EOE-372 Response:

Please refer to the Company's response to OCC-857,[ii] which responds to a similar question.

The Company proposes to align the Performance Based Multi-Year Rate Plan (PBMRP) with the Rate Year, with PBMRP adjustments occurring on July 1 each year. For each year that the PBMRP mechanism is in effect, the Company would submit an Annual PBR Plan Compliance Filing to PURA in the annual RAM proceeding. The annual compliance filing would include, among other things: (1) the calculation of the annual revenue-cap adjustment; (2) the new proposed rate using the PBR formula; (3) an earnings-sharing computation; (4) cost documentation for the

Company's capital investments; (5) the calculation and reconciliation of the annual capital-cap adjustment; (6) documentation of metric performance and resulting penalties or incentives; (7) bill impacts of the new rate by rate class; and (8) any request for exogenous rate change, if applicable.

With respect to the capital support mechanism or "F" factor in the formula, the Company proposes a mechanism based on a fixed annual capital investment level for each year of the PBMRP, with reconciliation through PURA's annual RAM proceedings. The fixed, annual investment level will be set at the Company's capital forecast, as approved in this proceeding. As described in its Exhibit CLP-ELP-1 testimony, the Company has presented different investment trajectories in the Company's 5-Year targeted system performance (TSP) and is proposing to establish the capital support mechanism of the PBR adjustment consistent with the annual capital funding requirements presented in Figure 7 of the Exhibit CLP-ELP-1 testimony. As part of the Company's annual RAM compliance filing, actual plant additions placed in service during the applicable plan year will be reconciled against the approved forecast. As described in the response to OCC-857, the fixed annual investment level would initially be set at the Company's capital forecast, as approved in this proceeding, and would be subject to downward-only reconciliation in the event that either i) the Company's actual plant in service is lower than projected and utilized in establishing the initial F-Factor for that Rate Year or ii) PURA ultimately denies as imprudent a level of investment that was initially included in the F Factor allowance. In this way, customers are assured that rates ultimately reflect the costs of system investments that are actually in service, and have been found prudently incurred by PURA. If the Company's actual capital spending exceeds the forecasted amount approved in this proceeding, the Company will not be permitted to seek recovery of the incremental investment during the initial four-year PBMRP Term. Any such investment would instead remain subject to review and consideration in a subsequent base rate proceeding or successor PBMRP Term. The Company's proposed capital funding mechanism sets a defined cap on capital recovery during the plan term, providing customers with greater rate certainty and placing the risk of excess capital spending on the Company. The annual reconciliation further protects customers by blocking recovery of investments that are delayed, deferred, canceled, or not placed in service, since those costs would not be reflected in the "F" factor, since, although the F-factor will initially be established based on the capital expenditure forecast presented in this proceeding, it will ultimately be reconciled based on plant in service, but only to the extent actual plant in service is less than (not more than) contemplated in the original F-Factor. For these reasons, the proposal aligns cost recovery with prudent investment, promotes accurate capital forecasting, and incentivizes efficient execution of the capital program, all while ensuring that customers do not provide revenues that support capital that is not in-service and used and useful to customers, and that is not found prudent by PURA.

Based on the above framework, an exhibit that reconciles actual plant additions placed in service during the applicable plan year against the approved forecast will be filed on or about March 1st of each year consistent with the timing of all other RAM component reconciliations. Further, under the Company's proposed timeline, the revenue requirement resulting from the reconciliation of the prior year's F-factor allowance and the new Rate Year's F-factor allowance will go into effect on July 1, following the March 1st filing. As part of the RAM process, PURA performed prudence reviews of capital documentation filed for the ESI, including discovery, between March 1st and September 1st, the date on which additional RAM rate changes were made. Even though PBMRP rates would go into effect on July 1st, the Company proposes that this timeline continues to be used for capital prudence reviews under the PBMRP. To the extent PURA's prudence review warrants any adjustment to the revenue requirement that went into effect on July 1, the Company will calculate the excess revenue collected from customers over the period of July 1 through August 31 and include this amount, plus carrying costs for those 2 months, in the RDM's allowed revenue target for the July 1 through June 30th Rate Year.

Annual reconciliation, including the prudence reviews involved, is a critical element of the Company's PBMRP proposal. As part of each annual PBMRP adjustment effective July 1 each year of the PBMRP[ii], the Company's actual capital additions for the Prior Year are allowed for inclusion in the calculation of the F factor to the extent that the actual capital additions do not exceed the Forecasted Budget (referred to as the F-factor allowance). To the extent

that the cumulative actual capital costs in-service through the Prior Year, in aggregate, exceeds the Forecasted Budget through the Prior Year, then the F Factor allowance is capped at the cumulative Forecasted Budget. This downward-only reconciliation will ensure that, in the end upon reconciliation, customer bills reflect the costs associated only with projects that are in service to customers and no more, and that if the Company invests more than the Forecasted Budget, customer bills will not reflect amounts above the Forecasted Budget, until such time as those capital investments are allowed into rates at the time of the Company's next rate case. The prior-period reconciliation will be reflected in the F-Factor, in addition to the revenue requirement associated with the Forecasted Budget for the upcoming Rate Year, effective July 1 annually. The F Factor allowance will be calculated to determine the revenue requirement (inclusive of depreciation expense, property tax expense, return on rate base, and income tax) on actual plant additions (including plant additions, cost of removal, plant retirements, accumulated depreciation, and plant-related accumulated deferred income taxes ("ADIT")) up to the Forecasted Budget amount, and to reflect the revenue requirement for the Prior Year and through the Rate Year on in service capital additions placed in service in the Prior Year, provided that those in service capital additions are not reflected in base rates or in another rate mechanism. In addition, the F Factor allowance will reflect the revenue requirement for Rate Year capital, established at the Forecasted Budget, subject to downward-only reconciliation in the subsequent F Factor filing.

As noted above, annual reconciliation will consider plant-related ADIT on the Company's books through the end of the calendar year, prior to a given annual filing. To the extent the Company has recorded cumulative plant additions in excess of the capital expenditure forecast provided in this docket or supported by a mechanism other than the F-Factor, the plant-related ADIT will be adjusted in the Company's annual reconciliation to avoid overstating the ADIT relevant to the F-Factor.

In total, the Company's proposed F-Factor will provide revenue support for, and ultimately reconcile, the capital investment placed into service from the cutoff date for inclusion in base rates through the effective date of the Company's subsequent rate case at the conclusion of the proposed PBMRP term. Per the Company's proposal the F-Factor would ultimately reconcile capital investments made up to July 1, 2031 (the effective date of the subsequent rate case). Should the subsequent rate case be effective later than the July 1, 2031, illustrative date, the F-Factor would continue to reconcile capital investments placed into service until such time as that rate case does take effect.

Date Filed: October 15, 2026

Witness: Douglas P. Horton, David L. Gladey, John P. Dipaola-Tromba, Leanne M. Landry and Jeffrey D. Turano
Request from: Office of Education, Outreach, and Enforcement

Question:

(F-FACTOR; TARGETED SYSTEM PERFORMANCE PLAN) Refer to Response to EOE-156, Att.1-Att.2. The Company's F-Factor Excel spreadsheet (PBR-4 F-Factor tab) details monthly Plant Additions, Retirements, and Cost of Removal and cites "Exhibit CLP-ELP-1, Figure 7, annual figure divided by 12 less COR" and "Per Company Financial Forecast". Additionally, the PBR-6 Capital Expense Forecast tab details similar annual information by category. Please provide the underlying information used to derive the cited Figure 7 and the Financial Forecast. As part of the response, provide a detailed listing of all planned capital additions, the anticipated in-service date, the total amount per addition, the category, and any additional details available to assist in understanding the nature and timing of the planned capital additions. This request also attempts to understand the level of information available for parties to assess if the planned capital additions within the TSP are adequately substantiated for both necessity and anticipated cost.

Response:

Please refer to the Company's response to interrogatory OCC-858[i], which describes the capital expenditure forecast as well as plant placed into service. Additionally, OCC-858, Attachment 1, provides additional details of the investments comprising the amounts shown in Figure 7.

For additional discussion of the Company's TSP and proposed F-Factor, please refer to the Company's responses to interrogatories OCC-857[ii], EOE-372[iii], and EOE-374[iv]. As explained therein, the capital forecast presented in this proceeding serves as the foundation of the Company's proposed F-Factor framework.

As the Company explained in response to EOE-374:

> "[…] the Company is proposing a hard cap on core capital investment eligible for the F-Factor based on the capital forecast presented in this proceeding. By doing so, the Company can provide upfront, during this proceeding, indicative revenue increases necessary to support those investments while committing to cap resulting revenue increases during the PBMRP even if actual capital investment exceeds the forecast. Additionally, the downward-only reconciliation of the Company's proposed F-Factor protects customers from theoretically-excessive investment, including even investments unforeseen today."

The information underlying Figure 7 of Exhibit CLP-ELP-1 and the F-Factor calculations reflects the Company's current assessment of the investments necessary to maintain and improve the system over the PBMRP term, based on the operating conditions, planning assumptions, and system objectives known today. Accordingly, the forecast serves two critical purposes in this proceeding: it establishes the maximum level of capital investment eligible for recovery through the F-Factor (excluding AMI and other legislatively mandated capital programs not contemplated today) and provides the basis for the illustrative revenues necessary to support those investments.

Consistent with the structure of the proposed PBMRP, the Company's proposal does not require a determination, in this proceeding, of the prudence of individual capital projects that may ultimately be undertaken during the plan term. Rather, the focus at this stage is appropriately placed on the Company's TSP, including the system needs, operating conditions, and policy objectives currently facing the Company, and the revenues necessary to support the investments intended to address those needs and achieve the objectives of the PBMRP, based on the information available today.

The proposed annual reconciliation and prudence review is the mechanism through which the necessity, reasonableness, execution, and support for specific investments can be evaluated based on actual facts rather than forecasts. By the time of prudence review, stakeholders will have access to the completed investment, project-specific documentation, actual costs, rationale, and the circumstances that existed when the investment decision was made. Accordingly, the annual review process places parties in a substantially better position to evaluate prudence than would be possible in this proceeding, which necessarily relies on forward-looking forecasts and planning assumptions and precedes the investments themselves. This distinction is important because it aligns the review with the information available at each stage of the process. This proceeding necessarily relies on forecasts and planning assumptions to establish prospective investment levels and associated revenue requirements, while the annual reconciliation permits review of actual investment decisions based on a complete factual record available at that time.

This structure also provides important customer protections. Customer rates ultimately reflect only prudent investments, not merely the projected investments and associated revenue requirements presented today. Recovery remains subject to review through the annual reconciliation process, and only investments found prudent are eligible for recovery through the F-Factor. At the same time, the Company's proposed hard cap ensures that recoverable capital investment cannot exceed the forecasted level of investment presented and approved in this proceeding. Taken together, these features protect customers from recovery of imprudent investments, recovery of capital investment above the level forecast and approved in this proceeding, and the rate shock commonly experienced with traditional ratemaking.

Prior Referenced Responses:

[i] OCC-858 Question:

Refer to Exhibit CLP-ELP-1, figure 7. Please explain whether the amounts shown in Figure 7 are capital expenditures versus plant additions. Please explain any differences in the nature, or timing of the amounts shown in Figure 7 and the amounts of plant addition that would be used in comparing [i.e., determining "lessor of"] annual plant addition costs in the annual reconciliation filings.

a. Please identify, in disaggregated table form, all of the component costs included in each category of the amounts shown in Figure 7.

[i] OCC-858 Response:

Plant additions and capital expenditures represent two different ways of viewing the same underlying investment. Capital expenditures are generally organized and managed around specific business objectives, programs, projects, or asset installation efforts, such as substation expansions, feeder rebuilds, pole replacement programs, or other distribution system investments. Capital expenditures are incurred over the course of project execution and may span multiple months or years depending on project scope, complexity, and construction schedules.

Plant additions, by contrast, are recognized when utility assets are placed in service and meet the applicable accounting criteria for recording as utility plant. Accordingly, a plant addition is generally recorded at a specific point in time, whereas the associated capital expenditures may have been incurred over an extended period.

The Company develops its forecast of plant additions using its capital investment plans, project schedules, anticipated in-service dates when possible, and historical experience. However, actual in-service dates may differ from forecasted in-service dates (where available) due to changes in project scope, construction sequencing, permitting, material availability, operational considerations, weather, or other factors. Consequently, the timing of annual plant additions may differ from the timing of annual capital expenditures.

While such timing differences may occur in any given year, over a multi-year period it is reasonable to expect that plant additions, together with associated cost of removal, will generally track with capital expenditures.

The amounts shown in Figure 7 are forecasted capital expenditures associated with the Company's planned investment programs. As stated in its response to OCC-423i and other interrogatories, the Company's annual F-Factor reconciliation would consider specifically the plant additions actually placed in-service through the calendar year-end prior to a given annual filing.

For subpart (a) of this request, please refer to OCC-858, Attachment 1.

[ii] OCC-857 Question

(Capital Support Mechanism) On p. 101 of Exhibit CLP-ELP-1, the Company states that, "As part of the Company's annual RAM compliance filing, actual plant additions placed in service during the applicable plan year will be reconciled against the approved forecast." In the Company's response to EOE-156, Witness Horton states that prudence reviews would be included in the annual reconciliation process.

a. Provide a detailed plan for how the Company envisions the annual reconciliation process would proceed and how long the process would take both as a whole, and for each step. Please identify what filings would be made, whether and how discovery would be allowed, and what types of determinations would be required by the Authority.
b. Where in the reconciliation process will the distinction and differences be identified between realized annual plant addition costs and the associated rate base, and the return, taxes, and deprecation on rate base that are included in the going-in revenues?
c. Will the annual PBR reconciliations be assessments of the whole Company's rate base with calculations of commensurate return, tax and depreciation, or will it be an incremental adjustment based on annual plant additions? Please explain.
d. Provide one or more examples, as appropriate, showing how the annual capital recovery process, including reconciliation, would function, including detailed calculations in the form to be used in the annual adjustment filings.
e. Provide a list of all types of costs that will be included in the capital recovery reconciliations.

[ii] OCC-857 Response

a. The Company has given this process a lot of thought based on discussions throughout the PBR dockets. Based on input from those sessions, the Company's proposal is to align the Performance Based Multi-Year Rate Plan (PBMRP) with the Rate Year, and as much as possible, aligns with the existing annual RAM ratemaking process. As such, the Company proposes that PBMRP adjustments occur on each July 1, starting with July 1, 2027, and annually thereafter. For each year that the PBMRP mechanism is in effect, the Company would submit an Annual PBR Plan Compliance Filing to PURA in the annual RAM proceeding. The annual compliance filing would include, among other things:

(1) the calculation of the annual revenue-cap adjustment;

(2) the new proposed rate using the PBR formula;

(3) an earnings-sharing computation;

(4) cost documentation for the Company's capital investments;

(5) the calculation and reconciliation of the annual capital-cap adjustment;

(6) documentation of metric performance and resulting penalties or incentives; and

(7) bill impacts of the new rate by rate class.

(8) as applicable, any request for exogenous cost recovery.

With respect to the capital-support mechanism or "F" factor in the formula, the Company proposes a mechanism based on a fixed annual capital investment level for each year of the PBMRP, with reconciliation through PURA's annual RAM proceedings. The fixed annual investment level would initially be set at the Company's capital forecast, as approved in this proceeding, and would be subject to downward-only reconciliation[1] in the event that either i) the Company's actual plant in service is lower than projected and utilized in establishing the initial F-Factor for that Rate Year or ii) PURA ultimately denies as imprudent a level of investment that was initially included in the F Factor

allowance. In this way, customers are assured that rates ultimately reflect the costs of system investments that are actually in service, and have been found prudently incurred by PURA.

[1] The Company notes that the revenue decoupling mechanism (RDM) will continue to operate and reconcile actual revenues to the target revenues, as adjusted by the PBMRP. The Company's reference to a 'downward only' reconciliation is meant to reflect that the revenue target utilized in the RDM will not be adjusted upward in the event actual plant additions exceed the level originally reflected in the F-Factor allowance. In that circumstance, the F-Factor allowance is capped at the fixed level projected in this proceeding. Capital that is placed in service above the cap would not be included in rates until a future rate case proceeding, and only then on a prospective basis.

As described in its Exhibit CLP-ELP-1 testimony, the Company has presented different investment trajectories in the Company's 5-Year targeted system performance (TSP) and is proposing to establish the capital support mechanism of the PBR adjustment consistent with the annual capital funding requirements presented in Figure 7 of the Exhibit CLP-ELP-1 testimony. As part of the Company's annual RAM compliance filing, actual plant additions placed in service during the applicable plan year would be reconciled against the approved forecast that would have been utilized in the prior PBMRP filing to establish the F-Factor initially.

Following PURA's determination that the Company's actual plant additions are prudent, used and useful, the Company's allowed rate base and associated revenue requirement for that year will be limited to the lesser of (1) the total revenue requirement for the forecasted capital approved in this proceeding; or (2) the total revenue requirement for the actual plant in service. As described previously, if the Company's actual capital additions exceeds the forecasted amount approved in this proceeding, the Company would not be permitted to seek recovery of the incremental investment during the initial four-year PBMRP Term. Any such investment would instead remain subject to review and consideration in a subsequent base rate proceeding or successor PBMRP Term.

The Company's proposed capital funding mechanism sets a defined cap on capital recovery during the plan term, providing customers with greater rate certainty and placing the risk (and cost) of increased capital spending on the Company during the course of the PBMRP. The annual reconciliation further protects customers by blocking recovery of investments that are delayed, deferred, canceled, or not placed in service, since those costs would not be reflected in the "F" factor upon reconciliation, which is based on plant in service. For these reasons, the proposal aligns cost recovery with prudent investment and incentivizes efficient execution of the capital program, all while minimizing customer over-collection.

Based on the above framework, an exhibit that demonstrates a revenue requirement consisting of: (1) a reconciliation of actual plant additions placed in service during the previous calendar year against the approved forecast (also referred to as the F-factor allowance) for that calendar year, and (2) the F-factor allowance for the new Rate Year beginning July 1st, would be filed on or about March 1st of each year consistent with the timing of all other RAM component reconciliations. Concurrent with that timing, all plant additions documentation for the previous calendar year included in the above reconciliation will also be filed on or about March 1st as part of the same filing.

Further, under the Company's proposed timeline, the revenue requirement resulting from the reconciliation of the prior year's F-factor allowance and the new Rate Year's F-factor allowance will go into effect on July 1, following the March 1st filing. As part of the RAM process, PURA performed prudence reviews of capital documentation filed for the ESI, including discovery, between March 1st and September 1st, the date on which additional RAM rate changes were made. Even though PBMRP rates would go into effect on July 1st, the Company proposes that this timeline continues to be used for capital prudence reviews under the PBMRP.

To the extent PURA's prudence review warrants any adjustment to the revenue requirement that went into effect on July 1, the Company will calculate the excess revenue collected from customers over the period of July 1 through

August 31 and include this amount, plus carrying costs for those 2 months, in the RDM's allowed revenue target for the July 1 through June 30th Rate Year.

b. Please refer to subpart (d) of this question.

c. Please refer to subpart (d) of this question.

d. Please refer to the example shown in EOE-156, Attachment 1, pages 4 through 12, showing how the annual capital recovery process, including reconciliation, would function, including detailed calculations in the form to be used in the annual adjustment filings. Please note that pages 4, through 12, show an illustrative example for all four Rate Years contemplated for the duration of the PBMRP; however, the annual filing would only be for a single year of the PBMRP. As part of this example, please refer to the differences between realized annual plant addition costs and the associated rate base, and the return, taxes, and depreciation on rate base that are included in the going-in revenues found in EOE-156, Attachment 1, worksheet "PBR-7 Going-In Capital RR", Lines 13-16. Additionally, the detailed calculations shown in EOE-156, Attachment 1, pages 4 through 12, demonstrate that the annual PBR reconciliations will be an assessment of the Company's total accumulated depreciation included in base distribution rates (i.e., customers will be receiving credit for the increase in the Company's accumulated depreciation for all capital included in base distribution rates), as opposed to the Company's entire rate base (the Company considers its entire rate base to include other rate base items such as deferred assets and liabilities, etc.).

e. The revenue requirement for capital recovery will include appropriate recovery of net plant in service, accumulated deferred income taxes ("ADIT") and accumulated depreciation for the cumulative additional plant additions and will include a pre-tax return on investment (i.e. return on rate base including income taxes), return of investment (i.e. depreciation), property taxes, gross earnings tax and uncollectible expense.

[iii] EOE-372 Question:

(TIMING OF ANNUAL FILINGS; F-FACTOR) Provide both a discussion and a visual representation of the timeline detailing key components of the Company's proposed annual filings for each year of the MRP. As part of the response, identify the cutoff date(s) for capital additions, the annual filing date(s), and rate change date(s). This request attempts to understand the amount of time needed for the Company to close its books and prepare the filing, along with the amount of time for the Authority's approval, and the Company's subsequent processing of the rate increases within its system. Additionally, this request attempts to understand relevant cutoff dates whereby the F-Factor capital additions would be applicable from the end of the evidentiary record through the first annual cutoff date.

[iii] EOE-372 Response:

Please refer to the Company's response to OCC-857i which responds to a similar question.

The Company proposes to align the Performance Based Multi-Year Rate Plan (PBMRP) with the Rate Year, with PBMRP adjustments occurring on July 1 each year. For each year that the PBMRP mechanism is in effect, the Company would submit an Annual PBR Plan Compliance Filing to PURA in the annual RAM proceeding. The annual compliance filing would include, among other things: (1) the calculation of the annual revenue-cap adjustment; (2) the new proposed rate using the PBR formula; (3) an earnings-sharing computation; (4) cost documentation for the Company's capital investments; (5) the calculation and reconciliation of the annual capital-cap adjustment; (6) documentation of metric performance and resulting penalties or incentives; (7) bill impacts of the new rate by rate class; and (8) any request for exogenous rate change, if applicable.

With respect to the capital support mechanism or "F" factor in the formula, the Company proposes a mechanism based on a fixed annual capital investment level for each year of the PBMRP, with reconciliation through PURA's annual RAM proceedings. The fixed, annual investment level will be set at the Company's capital forecast, as approved in this proceeding. As described in its Exhibit CLP-ELP-1 testimony, the Company has presented different investment trajectories in the Company's 5-Year targeted system performance (TSP) and is proposing to establish the capital support mechanism of the PBR adjustment consistent with the annual capital funding requirements presented in Figure 7 of the Exhibit CLP-ELP-1 testimony. As part of the Company's annual RAM compliance filing, actual plant additions placed in service during the applicable plan year will be reconciled against the approved forecast. As described in the response to OCC-857, the fixed annual investment level would initially be set at the Company's capital forecast, as approved in this proceeding, and would be subject to downward-only reconciliation in the event that either i) the Company's actual plant in service is lower than projected and utilized in establishing the initial F-Factor for that Rate Year or ii) PURA ultimately denies as imprudent a level of investment that was initially included in the F Factor allowance. In this way, customers are assured that rates ultimately reflect the costs of system investments that are actually in service, and have been found prudently incurred by PURA. If the Company's actual capital spending exceeds the forecasted amount approved in this proceeding, the Company will not be permitted to seek recovery of the incremental investment during the initial four-year PBMRP Term. Any such investment would instead remain subject to review and consideration in a subsequent base rate proceeding or successor PBMRP Term. The Company's proposed capital funding mechanism sets a defined cap on capital recovery during the plan term, providing customers with greater rate certainty and placing the risk of excess capital spending on the Company. The annual reconciliation further protects customers by blocking recovery of investments that are delayed, deferred, canceled, or not placed in service, since those costs would not be reflected in the "F" factor, since, although the F-factor will initially be established based on the capital expenditure forecast presented in this proceeding, it will ultimately be reconciled based on plant in service, but only to the extent actual plant in service is less than (not more than) contemplated in the original F-Factor. For these reasons, the proposal aligns cost recovery with prudent investment, promotes accurate capital forecasting, and incentivizes efficient execution of the capital program, all while ensuring that customers do not provide revenues that support capital that is not in-service and used and useful to customers, and that is not found prudent by PURA.

Based on the above framework, an exhibit that reconciles actual plant additions placed in service during the applicable plan year against the approved forecast will be filed on or about March 1st of each year consistent with the timing of all other RAM component reconciliations. Further, under the Company's proposed timeline, the revenue requirement resulting from the reconciliation of the prior year's F-factor allowance and the new Rate Year's F-factor allowance will go into effect on July 1, following the March 1st filing. As part of the RAM process, PURA performed prudence reviews of capital documentation filed for the ESI, including discovery, between March 1st and September 1st, the date on which additional RAM rate changes were made. Even though PBMRP rates would go into effect on July 1st, the Company proposes that this timeline continues to be used for capital prudence reviews under the PBMRP. To the extent PURA's prudence review warrants any adjustment to the revenue requirement that went into effect on July 1, the Company will calculate the excess revenue collected from customers over the period of July 1 through August 31 and include this amount, plus carrying costs for those 2 months, in the RDM's allowed revenue target for the July 1 through June 30th Rate Year.

Annual reconciliation, including the prudence reviews involved, is a critical element of the Company's PBMRP proposal. As part of each annual PBMRP adjustment effective July 1 each year of the PBMRP1, the Company's actual capital additions for the Prior Year are allowed for inclusion in the calculation of the F factor to the extent that the actual capital additions do not exceed the Forecasted Budget (referred to as the F-factor allowance). To the extent that the cumulative actual capital costs in-service through the Prior Year, in aggregate, exceeds the Forecasted Budget through the Prior Year, then the F Factor allowance is capped at the cumulative Forecasted Budget. This downward-only reconciliation will ensure that, in the end upon reconciliation, customer bills reflect the costs associated only with projects that are in service to customers and no more, and that if the Company invests more than the Forecasted

Budget, customer bills will not reflect amounts above the Forecasted Budget, until such time as those capital investments are allowed into rates at the time of the Company's next rate case. The prior-period reconciliation will be reflected in the F-Factor, in addition to the revenue requirement associated with the Forecasted Budget for the upcoming Rate Year, effective July 1 annually. The F Factor allowance will be calculated to determine the revenue requirement (inclusive of depreciation expense, property tax expense, return on rate base, and income tax) on actual plant additions (including plant additions, cost of removal, plant retirements, accumulated depreciation, and plant-related accumulated deferred income taxes ("ADIT")) up to the Forecasted Budget amount, and to reflect the revenue requirement for the Prior Year and through the Rate Year on in service capital additions placed in service in the Prior Year, provided that those in service capital additions are not reflected in base rates or in another rate mechanism. In addition, the F Factor allowance will reflect the revenue requirement for Rate Year capital, established at the Forecasted Budget, subject to downward-only reconciliation in the subsequent F Factor filing.

As noted above, annual reconciliation will consider plant-related ADIT on the Company's books through the end of the calendar year, prior to a given annual filing. To the extent the Company has recorded cumulative plant additions in excess of the capital expenditure forecast provided in this docket or supported by a mechanism other than the F-Factor, the plant-related ADIT will be adjusted in the Company's annual reconciliation to avoid overstating the ADIT relevant to the F-Factor.

In total, the Company's proposed F-Factor will provide revenue support for, and ultimately reconcile, the capital investment placed into service from the cutoff date for inclusion in base rates through the effective date of the Company's subsequent rate case at the conclusion of the proposed PBMRP term. Per the Company's proposal the F-Factor would ultimately reconcile capital investments made up to July 1, 2031 (the effective date of the subsequent rate case). Should the subsequent rate case be effective later than the July 1, 2031, illustrative date, the F-Factor would continue to reconcile capital investments placed into service until such time as that rate case does take effect.

[iv] EOE-374 Question:

(F-FACTOR; CAPITAL ADDITIONS) Refer to Response to EOE-156, Att.1-Att.2. Explain how the F-Factor calculation and the Company's Targeted System Performance (TSP) plan accounts for unplanned capital additions.

[iv] EOE-374 Response:

The Company's F-Factor proposal does not make the distinction between "Capital Plan" and "Non-Capital Plan."

As the Company explained in Docket No. 21-05-15RE01, some projects cannot be planned with precision. For example, it would be impossible for the Company to perfectly predict Emergent Failures. The Company cannot predict which specific pole or cross-arm will fail. The Company can, however, reasonably forecast a volume and severity of such failures based on system conditions and recent experience, which is the type of information that the Company uses to develop its forecasted capital plan.

The Company is proposing to (1) set a hard cap on the annual plant additions that may be recovered through the F-Factor; and (2) set that cap on the basis of the Company's forecast annual capital expenditures, as presented in this case. If Emergent Failures were to develop in year beyond what is budgeted, it would not change the cap. The cap would operate to allow a quantity of plant additions into rates, while the rest would have to wait until the next rate case, similar to how the ESI works now with the $300 million annual allowance.

With this perspective in mind, there is no distinction between "Capital Plan" and "Non-Capital Plan" that is necessary for two reasons:

First, the hard cap on core capital investment eligible for the F-Factor is based on the capital forecast presented in this proceeding, but in the end, it will be the actual plant additions that are entered into rates – whether planned or

unplanned. This approach results in the circumstances where the Company is providing upfront, during this proceeding, indicative revenue increases necessary to support those investments while committing to cap resulting revenue increases during the PBMRP even if actual capital investment exceeds the forecast. Additionally, the downward-only reconciliation of the Company's proposed F-Factor protects customers from the bill impacts associated with plant additions over the threshold, including necessary emergent, or unplanned investments unforeseen today.

Second, all capital plant additions, whether planned, unplanned, "Capital Plan" or "Non-Capital Plan," ultimately must pass PURA's prudence review before actual rate recovery of those specific projects costs may commence. This critical gate, successfully demonstrating prudence, is and should remain the ultimate determinant of recovery regardless of whether a particular investment was forecast in advance. Applying this test renders the distinction between Capital Plan and Non-Capital Plan items irrelevant.

Date Filed: October 14, 2026

Witness: Douglas P. Horton, Brendan J. O' Brien and Garrett J. Murray
Request from: Office of Education, Outreach, and Enforcement

Question:

(TIMING OF ANNUAL FILINGS; F-FACTOR) Provide both a discussion and a visual representation of the timeline detailing key components of the Company's proposed annual filings for each year of the MRP. As part of the response, identify the cutoff date(s) for capital additions, the annual filing date(s), and rate change date(s). This request attempts to understand the amount of time needed for the Company to close its books and prepare the filing, along with the amount of time for the Authority's approval, and the Company's subsequent processing of the rate increases within its system. Additionally, this request attempts to understand relevant cutoff dates whereby the F-Factor capital additions would be applicable from the end of the evidentiary record through the first annual cutoff date.

Response:

Please refer to the Company's response to OCC-857,[i] which responds to a similar question.

The Company proposes to align the Performance Based Multi-Year Rate Plan (PBMRP) with the Rate Year, with PBMRP adjustments occurring on July 1 each year. For each year that the PBMRP mechanism is in effect, the Company would submit an Annual PBR Plan Compliance Filing to PURA in the annual RAM proceeding. The annual compliance filing would include, among other things: (1) the calculation of the annual revenue-cap adjustment; (2) the new proposed rate using the PBR formula; (3) an earnings-sharing computation; (4) cost documentation for the Company's capital investments; (5) the calculation and reconciliation of the annual capital-cap adjustment; (6) documentation of metric performance and resulting penalties or incentives; (7) bill impacts of the new rate by rate class; and (8) any request for exogenous rate change, if applicable.

With respect to the capital support mechanism or "F" factor in the formula, the Company proposes a mechanism based on a fixed annual capital investment level for each year of the PBMRP, with reconciliation through PURA's annual RAM proceedings. The fixed, annual investment level will be set at the Company's capital forecast, as approved in this proceeding. As described in its Exhibit CLP-ELP-1 testimony, the Company has presented different investment trajectories in the Company's 5-Year targeted system performance (TSP) and is proposing to establish the capital support mechanism of the PBR adjustment consistent with the annual capital funding requirements presented in Figure 7 of the Exhibit CLP-ELP-1 testimony. As part of the Company's annual RAM compliance filing, actual plant additions placed in service during the applicable plan year will be reconciled against the approved forecast. As described in the response to OCC-857, the

fixed annual investment level would initially be set at the Company's capital forecast, as approved in this proceeding, and would be subject to downward-only reconciliation in the event that either i) the Company's actual plant in service is lower than projected and utilized in establishing the initial F-Factor for that Rate Year or ii) PURA ultimately denies as imprudent a level of investment that was initially included in the F Factor allowance. In this way, customers are assured that rates ultimately reflect the costs of system investments that are actually in service, and have been found prudently incurred by PURA. If the Company's actual capital spending exceeds the forecasted amount approved in this proceeding, the Company will not be permitted to seek recovery of the incremental investment during the initial four-year PBMRP Term. Any such investment would instead remain subject to review and consideration in a subsequent base rate proceeding or successor PBMRP Term. The Company's proposed capital funding mechanism sets a defined cap on capital recovery during the plan term, providing customers with greater rate certainty and placing the risk of excess capital spending on the Company. The annual reconciliation further protects customers by blocking recovery of investments that are delayed, deferred, canceled, or not placed in service, since those costs would not be reflected in the "F" factor, since, although the F-factor will initially be established based on the capital expenditure forecast presented in this proceeding, it will ultimately be reconciled based on plant in service, but only to the extent actual plant in service is less than (not more than) contemplated in the original F-Factor. For these reasons, the proposal aligns cost recovery with prudent investment, promotes accurate capital forecasting, and incentivizes efficient execution of the capital program, all while ensuring that customers do not provide revenues that support capital that is not in-service and used and useful to customers, and that is not found prudent by PURA.

Based on the above framework, an exhibit that reconciles actual plant additions placed in service during the applicable plan year against the approved forecast will be filed on or about March 1st of each year consistent with the timing of all other RAM component reconciliations. Further, under the Company's proposed timeline, the revenue requirement resulting from the reconciliation of the prior year's F-factor allowance and the new Rate Year's F-factor allowance will go into effect on July 1, following the March 1st filing. As part of the RAM process, PURA performed prudence reviews of capital documentation filed for the ESI, including discovery, between March 1st and September 1st, the date on which additional RAM rate changes were made. Even though PBMRP rates would go into effect on July 1st, the Company proposes that this timeline continues to be used for capital prudence reviews under the PBMRP. To the extent PURA's prudence review warrants any adjustment to the revenue requirement that went into effect on July 1, the Company will calculate the excess revenue collected from customers over the period of July 1 through August 31 and include this amount, plus carrying costs for those 2 months, in the RDM's allowed revenue target for the July 1 through June 30th Rate Year.

Annual reconciliation, including the prudence reviews involved, is a critical element of the Company's PBMRP proposal. As part of each annual PBMRP adjustment effective July 1 each

year of the PBMRP[1], the Company's actual capital additions for the Prior Year are allowed for inclusion in the calculation of the F factor to the extent that the actual capital additions do not exceed the Forecasted Budget (referred to as the F-factor allowance). To the extent that the cumulative actual capital costs in-service through the Prior Year, in aggregate, exceeds the Forecasted Budget through the Prior Year, then the F Factor allowance is capped at the cumulative Forecasted Budget. This downward-only reconciliation will ensure that, in the end upon reconciliation, customer bills reflect the costs associated only with projects that are in service to customers and no more, and that if the Company invests more than the Forecasted Budget, customer bills will not reflect amounts above the Forecasted Budget, until such time as those capital investments are allowed into rates at the time of the Company's next rate case. The prior-period reconciliation will be reflected in the F-Factor, in addition to the revenue requirement associated with the Forecasted Budget for the upcoming Rate Year, effective July 1 annually. The F Factor allowance will be calculated to determine the revenue requirement (inclusive of depreciation expense, property tax expense, return on rate base, and income tax) on actual plant additions (including plant additions, cost of removal, plant retirements, accumulated depreciation, and plant-related accumulated deferred income taxes ("ADIT")) up to the Forecasted Budget amount, and to reflect the revenue requirement for the Prior Year and through the Rate Year on in service capital additions placed in service in the Prior Year, provided that those in service capital additions are not reflected in base rates or in another rate mechanism. In addition, the F Factor allowance will reflect the revenue requirement for Rate Year capital, established at the Forecasted Budget, subject to downward-only reconciliation in the subsequent F Factor filing.

As noted above, annual reconciliation will consider plant-related ADIT on the Company's books through the end of the calendar year, prior to a given annual filing. To the extent the Company has recorded cumulative plant additions in excess of the capital expenditure forecast provided in this docket or supported by a mechanism other than the F-Factor, the plant-related ADIT will be adjusted in the Company's annual reconciliation to avoid overstating the ADIT relevant to the F-Factor.

In total, the Company's proposed F-Factor will provide revenue support for, and ultimately reconcile, the capital investment placed into service from the cutoff date for inclusion in base rates through the effective date of the Company's subsequent rate case at the conclusion of the proposed PBMRP term. Per the Company's proposal the F-Factor would ultimately reconcile capital investments made up to July 1, 2031 (the effective date of the subsequent rate case). Should the

[1] In this proceeding, the Company is proposing that the first F-Factor take effect commensurate with new base rates authorized in this proceeding, for effect July 1, 2027, and annually thereafter for the duration of the PBMRP. However, the Company has reflected Rate Year capital in the revenue requirement proposed in this proceeding, such that the Rate Year 1 F-Factor is set to 0, since Rate Year capital that would otherwise be reflected in the F-Factor on a forecasted basis is reflected in base rates. If PURA declines to include Rate Year capital in base rates, the F-Factor would be calculated to reflect the revenue requirement on capital through the Rate Year, subject to later reconciliation.

subsequent rate case be effective later than the July 1, 2031, illustrative date, the F-Factor would continue to reconcile capital investments placed into service until such time as that rate case does take effect.

Prior Referenced Response:

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[i] OCC-857 Question:

(Capital Support Mechanism) On p. 101 of Exhibit CLP-ELP-1, the Company states that, "As part of the Company's annual RAM compliance filing, actual plant additions placed in service during the applicable plan year will be reconciled against the approved forecast." In the Company's response to EOE-156, Witness Horton states that prudence reviews would be included in the annual reconciliation process.

a. Provide a detailed plan for how the Company envisions the annual reconciliation process would proceed and how long the process would take both as a whole, and for each step. Please identify what filings would be made, whether and how discovery would be allowed, and what types of determinations would be required by the Authority.
b. Where in the reconciliation process will the distinction and differences be identified between realized annual plant addition costs and the associated rate base, and the return, taxes, and deprecation on rate base that are included in the going-in revenues?
c. Will the annual PBR reconciliations be assessments of the whole Company's rate base with calculations of commensurate return, tax and depreciation, or will it be an incremental adjustment based on annual plant additions? Please explain.
d. Provide one or more examples, as appropriate, showing how the annual capital recovery process, including reconciliation, would function, including detailed calculations in the form to be used in the annual adjustment filings.
e. Provide a list of all types of costs that will be included in the capital recovery reconciliations.

OCC-857 Response:

a. The Company has given this process a lot of thought based on discussions throughout the PBR dockets. Based on input from those sessions, the Company's proposal is to align the Performance Based Multi-Year Rate Plan (PBMRP) with the Rate Year, and as much as possible, aligns with the existing annual RAM ratemaking process. As such, the Company proposes that PBMRP adjustments occur on each July 1, starting with July 1, 2027, and annually thereafter. For each year that the PBMRP mechanism is in effect, the Company would submit an Annual PBR Plan Compliance Filing to PURA in the annual RAM proceeding.

   The annual compliance filing would include, among other things:
   (1) the calculation of the annual revenue-cap adjustment;
   (2) the new proposed rate using the PBR formula;
   (3) an earnings-sharing computation;
   (4) cost documentation for the Company's capital investments;
   (5) the calculation and reconciliation of the annual capital-cap adjustment;
   (6) documentation of metric performance and resulting penalties or incentives; and
   (7) bill impacts of the new rate by rate class.
   (8) as applicable, any request for exogenous cost recovery.

With respect to the capital-support mechanism or "F" factor in the formula, the Company proposes a mechanism based on a fixed annual capital investment level for each year of the PBMRP, with reconciliation through PURA's annual RAM proceedings. The fixed annual investment level would initially be set at the Company's capital forecast, as approved in this proceeding, and would be subject to downward-only reconciliation[1] in the event that either i) the Company's actual plant in service is lower than projected and utilized in establishing the initial F-Factor for that Rate Year or ii) PURA ultimately denies as imprudent a level of investment that was initially included in the F Factor allowance. In this way, customers are assured that rates ultimately reflect the costs of system investments that are actually in service, and have been found prudently incurred by PURA.

As described in its Exhibit CLP-ELP-1 testimony, the Company has presented different investment trajectories in the Company's 5-Year targeted system performance (TSP) and is proposing to establish the capital support mechanism of the PBR adjustment consistent with the annual capital funding requirements presented in Figure 7 of the Exhibit CLPELP-1 testimony. As part of the Company's annual RAM compliance filing, actual plant additions placed in service during the applicable plan year would be reconciled against the approved forecast that would have been utilized in the prior PBMRP filing to establish the F-Factor initially.

Following PURA's determination that the Company's actual plant additions are prudent, used and useful, the Company's allowed rate base and associated revenue requirement for that year will be limited to the lesser of (1) the total revenue requirement for the forecasted capital approved in this proceeding; or (2) the total revenue requirement for the actual plant in service. As described previously, if the Company's actual capital additions exceeds the forecasted amount approved in this proceeding, the Company would not be permitted to seek recovery of the incremental investment during the initial four-year PBMRP Term. Any such investment would instead remain subject to review and consideration in a subsequent base rate proceeding or successor PBMRP Term.

The Company's proposed capital funding mechanism sets a defined cap on capital recovery during the plan term, providing customers with greater rate certainty and placing the risk (and cost) of increased capital spending on the Company during the course of the PBMRP. The annual reconciliation further protects customers by blocking recovery of investments that are delayed, deferred, canceled, or not placed in service, since those costs would not be reflected in the "F" factor upon reconciliation, which is based on plant in service. For these reasons, the proposal aligns cost recovery with prudent investment and incentivizes efficient execution of the capital program, all while minimizing customer over-collection.

Based on the above framework, an exhibit that demonstrates a revenue requirement consisting of: (1) a reconciliation of actual plant additions placed in service during the previous calendar year against the approved forecast (also referred to as the F-factor allowance) for that calendar year, and (2) the F-factor allowance for the new Rate Year beginning July 1st, would be filed on or about March 1st of each year consistent with the timing of all other RAM component reconciliations. Concurrent with that timing, all plant additions documentation for the previous calendar year included in the above reconciliation will also be filed on or about March 1st as part of the same filing.

[1] The Company notes that the revenue decoupling mechanism (RDM) will continue to operate and reconcile actual revenues to the target revenues, as adjusted by the PBMRP. The Company's reference to a 'downward only' reconciliation is meant to reflect that the revenue target utilized in the RDM will not be adjusted upward in the event actual plant additions exceed the level originally reflected in the F-Factor allowance. In that circumstance, the F-Factor allowance is capped at the fixed level projected in this proceeding. Capital that is placed in service above the cap would not be included in rates until a future rate case proceeding, and only then on a prospective basis.

Further, under the Company's proposed timeline, the revenue requirement resulting from the reconciliation of the prior year's F-factor allowance and the new Rate Year's F-factor allowance will go into effect on July 1, following the March 1st filing. As part of the RAM process, PURA performed prudence reviews of capital documentation filed for the ESI, including discovery, between March 1st and September 1st, the date on which additional RAM rate changes were made. Even though PBMRP rates would go into effect on July 1st, the Company proposes that this timeline continues to be used for capital prudence reviews under the PBMRP. To the extent PURA's prudence review warrants any adjustment to the revenue requirement that went into effect on July 1, the Company will calculate the excess revenue collected from customers over the period of July 1 through August 31 and include this amount, plus carrying costs for those 2 months, in the RDM's allowed revenue target for the July 1 through June 30th Rate Year.

b. Please refer to subpart (d) of this question.

c. Please refer to subpart (d) of this question.

d. Please refer to the example shown in EOE-156, Attachment 1, pages 4 through 12, showing how the annual capital recovery process, including reconciliation, would function, including detailed calculations in the form to be used in the annual adjustment filings. Please note that pages 4, through 12, show an illustrative example for all four Rate Years contemplated for the duration of the PBMRP; however, the annual filing would only be for a single year of the PBMRP. As part of this example, please refer to the differences between realized annual plant addition costs and the associated rate base, and the return, taxes, and depreciation on rate base that are included in the going-in revenues found in EOE-156, Attachment 1, worksheet "PBR-7 Going-In Capital RR", Lines 13-16. Additionally, the detailed calculations shown in EOE-156, Attachment 1, pages 4 through 12, demonstrate that the annual PBR reconciliations will be an assessment of the Company's total accumulated depreciation included in base distribution rates (i.e., customers will be receiving credit for the increase in the Company's accumulated depreciation for all capital included in base distribution rates), as opposed to the Company's entire rate base (the Company considers its entire rate base to include other rate base items such as deferred assets and liabilities, etc.).

e. The revenue requirement for capital recovery will include appropriate recovery of net plant in service, accumulated deferred income taxes ("ADIT") and accumulated depreciation for the cumulative additional plant additions and will include a pre-tax return on investment (i.e. return on rate base including income taxes), return of investment (i.e. depreciation), property taxes, gross earnings tax and uncollectible expense.

Date Filed: October 15, 2026

Witness: Douglas P. Horton, Brendan J. O' Brien and Garrett J. Murray
Request from: Office of Education, Outreach, and Enforcement

Question:

(F-FACTOR; COST OF REMOVAL/RETIREMENTS) Respond to the following:

a. Compare and contrast the Company's incorporation of cost of removal and retirements to the approach used in RAM filings for the Electric System Improvements (ESI) mechanism.
b. Discuss whether cost of removal is included within the Company's Targeted System Performance (TSP) plan, including the corresponding projections. If included, discuss how the projections were derived and cite relevant references to this topic.
c. If response to subsection (b) is negative, explain how the Company derived the projected cost of removal amounts within its Financial Forecast and provide supporting workpapers for the proposed amounts referenced in the F-Factor Excel spreadsheet within the PBR-4 F-Factor tab.

Response:

a. The Company's treatment of cost of removal and retirements under the F-Factor is fundamentally different from, and not comparable to, the treatment reflected in Electric System Improvements ("ESI") Revenue Adjustment Mechanism ("RAM") filings.

   The ESI mechanism is a narrowly tailored recovery mechanism that is limited to the revenue requirement impacts associated with incremental ESI plant additions. ESI considers only qualifying plant additions and the corresponding depreciation expense and accumulated deferred income taxes ("ADIT") associated with *those* additions. ESI does not incorporate plant retirements, cost of removal, depreciation expense, or ADIT related to *all* existing system investment.

   The F-Factor, by contrast, is not limited to a discrete subset of capital additions. Rather, it reflects plant-related activity affecting the entire distribution system. As a result, the F-Factor considers the effects of the full range of plant-related rate base activity, including plant additions, plant retirements, cost of removal, depreciation expense, and ADIT related to all investment, thereby resulting in a level of rate base truly representative of the capital deployed in the provision of utility service during a given Rate Year.

   Accordingly, the two mechanisms serve different regulatory purposes, rely on different inputs, and measure different categories of utility activity.

b. Cost of removal is inherently reflected in the Company's capital planning process, including investments within the Targeted System Performance ("TSP") plan. The Company's long-range capital planning process is intended to identify and forecast the overall level of system investment necessary to maintain, modernize, and improve the electric system. As a result, cost of removal is not a distinct TSP cost driver, rather a consequence of forecasted asset replacement activity.

   Cost of removal projections are informed by recent experience, circumstance, and trends relative to overall levels of investment and applied to the Company's expectations of future system needs. For example, the Company's capital expenditure forecast includes $86.1 million for emergent line failures in 2028, per the Company's response to OCC-858 (see OCC-858, Attachment 1). Of that $86.1 million, cost of removal can be expected, based on recent experience, to account for roughly 20%, or $17.2 million.

   In this way, cost of removal is assumed to be reflected within the overall system investment activity that underlies the Company's capital planning process and associated rate base projections. Accordingly, although the TSP plan does not identify or quantify cost of removal separately from installation costs, cost of removal is inherently contemplated as part of the overall system investment assumptions reflected in the Company's capital planning process.

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

Date Filed: October 15, 2026

Witness: Douglas P. Horton, David L. Gladey, Leanne M. Landry and Jeffrey D. Turano
Request from: Office of Education, Outreach, and Enforcement

Question:

(F-FACTOR; CAPITAL ADDITIONS) Refer to Response to EOE-156, Att.1-Att.2. Explain how the F-Factor calculation and the Company's Targeted System Performance (TSP) plan accounts for unplanned capital additions.

Response:

The Company's F-Factor proposal does not make the distinction between "Capital Plan" and "Non-Capital Plan."

As the Company explained in Docket No. 21-05-15RE01, some projects cannot be planned with precision. For example, it would be impossible for the Company to perfectly predict Emergent Failures. The Company cannot predict which specific pole or cross-arm will fail. The Company can, however, reasonably forecast a volume and severity of such failures based on system conditions and recent experience, which is the type of information that the Company uses to develop its forecasted capital plan.

The Company is proposing to (1) set a hard cap on the annual plant additions that may be recovered through the F-Factor; and (2) set that cap on the basis of the Company's forecast annual capital expenditures, as presented in this case. If Emergent Failures were to develop in year beyond what is budgeted, it would not change the cap. The cap would operate to allow a quantity of plant additions into rates, while the rest would have to wait until the next rate case, similar to how the ESI works now with the $300 million annual allowance.

With this perspective in mind, there is no distinction between "Capital Plan" and "Non-Capital Plan" that is necessary for two reasons:

First, the hard cap on core capital investment eligible for the F-Factor is based on the capital forecast presented in this proceeding, but in the end, it will be the actual plant additions that are entered into rates – whether planned or unplanned. This approach results in the circumstances where the Company is providing upfront, during this proceeding, indicative revenue increases necessary to support those investments while committing to cap resulting revenue increases during the PBMRP even if actual capital investment exceeds the forecast. Additionally, the downward-only reconciliation of the Company's proposed F-Factor protects customers from the bill impacts

associated with plant additions over the threshold, including necessary emergent, or unplanned investments unforeseen today.

Second, all capital plant additions, whether planned, unplanned, "Capital Plan" or "Non-Capital Plan," ultimately must pass PURA's prudence review before actual rate recovery of those specific projects costs may commence. This critical gate, successfully demonstrating prudence, is and should remain the ultimate determinant of recovery regardless of whether a particular investment was forecast in advance. Applying this test renders the distinction between Capital Plan and Non-Capital Plan items irrelevant.

Date Filed: October 14, 2026

Witness: Douglas P. Horton
Request from: Office of Education, Outreach, and Enforcement

Question:

(F-FACTOR; CT-BAR DIFFERENCES) Refer to Response to OCC-09, p.10. The response identified three major impairments of the CT-Bar that were addressed within the proposed F-Factor. Specific to the 3rd item (i.e., "the mechanical deduction of depreciation expense from plant additions instead of rate base"), explain why the Company believed this to be an impairment given that the Authority's PFD had applied the revenue cap formula to the going in rates, not the O&M expense as proposed by the Company. As part of the response, confirm that the Authority's proposed treatment (i.e., within the PFD) would prevent increased revenue from property taxes and the corresponding impact from GET and uncollectibles, which are otherwise included in the revenue cap formula on O&M. If not confirmed, explain how the F-Factor calculation eliminates the increases resulting within the revenue cap formula.

Response:

Please refer to the Company's response to interrogatory EOE-368[i], which explains not only why the Company's F-Factor revenues associated with property taxes do not overlap with the application of I-X-CD, but also why the Company's understanding of the framework outlined in the 2021-05-15RE01 Proposed Final Decision ("PFD") *would*, in fact, create such overlap.

The Company acknowledges that the PFD applied the revenue cap mechanism to going-in revenues rather than limiting the application of I-X to O&M expense. However, that distinction does not address the impairment identified in the Company's response to OCC-423[ii]. The impairment is not simply the amount of revenue produced by the formula; rather, it is the PFD's reliance on a mechanical deduction of depreciation expense from plant additions as a proxy for changes in utility investment requirements.

While applying I-X to total revenue requirement may produce a greater revenue adjustment than applying the same factor solely to O&M, the resulting revenue change does not necessarily track with the utility's real cost of service. Such an outcome would require highly restrictive assumptions, including that inflation is the primary driver of changes in capital investment requirements over time and that annual depreciation approximately offsets inflation. For example, if inflation were 2%, average asset lives would need to be 50 years such that annual depreciation equals 1/50, or 2%. There is no economic, operational, or regulatory basis to assume such a relationship. Asset lives are determined by the physical characteristics and service lives of utility assets, while inflation reflects broader economic conditions. The two are fundamentally unrelated.

As a result, the PFD's approach using depreciation as the offset to investment requirements does not reliably approximate changes in capital-related revenue requirements and therefore necessarily weakens the relationship between actual system investment requirements and the revenues intended to support those investments.

With respect to property taxes, the Company does not agree that the PFD's approach would prevent increased revenues associated with property taxes, including the related impacts from gross earnings taxes ("GET") and uncollectibles. As described in Response to EOE-368, applying I-X to *all variables* of the revenue requirement (i.e. the total revenue requirement), is necessarily inclusive of property taxes reflected in Going-In revenue requirements (PFD, Appendix Page vi). At the same time, Step 6 of CT-bar explicitly identified property taxes as one of the cost components in the revenue requirement calculations (PFD, Appendix Page x). Therefore, at a minimum, there are property taxes in multiple components of the framework outlined in the PFD that need to be negated to avoid duplicative revenue. The application of depreciation expense outlined in the PFD does not accomplish this for the same reason as described above with respect to depreciation – inflation is not the primary driver of changes in system investment requirements.

In contrast, the Company's proposal is intended to address this because under the Company's proposal, incremental revenue adjustments after the establishment of initial Going-In revenues distinctly address capital-driven costs, such as property taxes, depreciation, return, and income taxes, separately and differently from O&M, such that the same costs are not adjusted in two different components of the PBMRP. Capital-related costs are supported exclusively by the F-Factor, while I-X-CD is applied to O&M only, which excludes costs driven by capital investment, thereby avoiding any possible duplicative recovery.

Prior Referenced Responses:

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[i] EOE-368 Question:

(F-FACTOR; PROPERTY TAXES O&M) Confirm that both the Company's proposed F-Factor calculation and the proposed revenue cap formula calculation increase the revenue requirements for property taxes. If confirmed, provide an analysis detailing the estimated property tax increase that would result within the revenue cap formula for each of the four Rate Years. As part of the increase, please account for the impact of the gross earnings tax (GET) and allowance for uncollectible amounts (i.e., the 7.63% and .63% included within the PBR-3 F-Factor Summary tab). If not confirmed, explain how the property tax expense would be excluded from the revenue cap formula to include the corresponding reduction in the property tax basis used after accounting for depreciation.

EOE-368 Response:

The premise of this interrogatory is incorrect. The Company's proposal does ***not*** increase revenue requirements for normal property taxes through both the F-Factor as well as another component of its PBMRP proposal, such as I-X. Unlike the framework outlined in the 2021-05-15RE01 Proposed Final Decision ("PFD"), which would have resulted

in overlapping treatment of property-tax-related revenue requirements, the Company's proposal was specifically designed to avoid that outcome by separating capital cost recovery from O&M cost recovery.

As described in the Company's response to EOE-156[i], the I-X-CD adjustment is applied only to O&M expense. This is demonstrated in EOE-156, Attachment 1, Worksheet "PBR-1 Total PBRA," Line 21, which identifies its source as "Exhibit CLP-REVREQ-2, Schedule C-3.0, Column F, Line 51." Property taxes, by contrast, are reflected on Line 61 of that same schedule and are not included in the O&M expense amount to which I-X-CD is applied. Accordingly, the Company's proposal does not apply I-X-CD to a revenue requirement that includes property taxes. Under the Company's proposal, any incremental revenue requirement associated with property taxes arises solely through operation of the F-Factor.

The PFD, however, not only does ***not*** offer that separation, it clearly results in overlap. Specifically, Step 6 of the CT-Bar mechanism expressly incorporated property taxes into the capital-related revenue requirement calculation:

> *Step 6: The Authority will calculate the amount of revenue the EDC may recover through the CT-Bar for CT-Bar Projects by taking the CT-Bar Projects identified in Step 5 and allocating the costs associated with those projects equally to each month of Rate Year 1. The Authority will then multiply each month's CT-Bar Project costs by the depreciation,* ***property tax****, and GET rates approved in the EDC's rate amendment decision and add those costs together to determine an aggregated monthly amount. The Authority will then use the aggregated monthly amount to determine the annual revenue requirement impact. A similar approach will be taken for each respective Rate Year of the MRP, i.e., Rate Years 2 through 4. (*PFD, Appendix Page x, ***emphasis added****).*

Thus, under the PFD, property taxes were expressly embedded within CT-Bar revenue requirements. At the same time, the PFD further discusses application of the I-Factor to *all* variables of the revenue cap formula:

> *"The Authority* ***will apply the I-Factor to all variables*** *within the Revenue Cap Formula, capital funding mechanisms, (i.e.,* ***CT-Bar*** *and any potential Capital Cost Trackers), PIMs, SSMs, and regulatory assets and liabilities."* (PFD, Appendix Page vi, ***emphasis added***).

Accordingly, the PFD not only included property taxes within CT-Bar revenue requirements, but also subjected those CT-Bar amounts to the application of the I-Factor through the broader revenue cap framework. As a result, the PFD's approach would have increased revenues related to property taxes through multiple mechanisms, which, at a minimum, obscures the degree to which property taxes are reasonably accounted for in its framework.

The Company's proposal intentionally avoids that result. Rather than embedding property-tax recovery within a capital mechanism as well as the revenue base to which inflation is applied, the Company separates revenues supporting O&M from those driven by system investment. O&M expense alone is subject to the I-X-CD adjustment, while capital-related revenue requirements, including associated property taxes, are recovered exclusively through the F-Factor. This structure ensures a clear delineation between O&M and capital cost recovery and prevents the overlapping result outlined in the PFD.

[ii] OCC-423 Question:

Exhibit CLP-ELP-1 Please explain in detail why the Company believes its proposed treatment of capital expenditures under the PBMRP, including the use of forecasted capital expenditures and the F-Factor, is preferable to including capital expenditures within the Revenue Cap Formula framework as proposed in the Docket No. 21-05-15RE01 Proposed Final Decision. In your response,

a. Please explain why the Company believes O&M expenses are appropriately subject to an externally indexed revenue cap, while capital expenditures require separate recovery through an F-Factor based on a fixed annual capital investment forecast.
b. Please explain how the Company's proposed treatment of capital expenditures is expected to produce customer cost savings or otherwise improve customer affordability relative to including capital expenditures within a revenue cap formula.
c. Please explain how the proposed F-Factor mitigates or avoids any incentive to favor capital expenditures over O&M solutions, including in circumstances where either a capital or O&M solution could be used to address the same system need.

OCC-423 Response:

The Company appreciates OCC's thoughtful and analytical questions on the Company's proposed performance based multi-year rate plan ("PBMRP") and looks forward to further discussion on the development of a workable PBR framework for the Company's customers.

To cover the issues raised in the question, the Company's response is organized as follows:

1. Review of relevant aspects of the Company's PBMRP.
2. Considerations on the design of capital-driven revenue support.
3. Specific responses to parts (a), (b) and (c), above.

1. Review of the Relevant Aspects of the Company's PBMRP

Ultimately, the Company's goal in this proceeding is to establish a sustainable, cohesive ratemaking framework that advances electric utility service in the State of Connecticut in an affordable manner for customers, over a long term. This is the Company's goal because the CL&P system needs investment for reliability, resiliency and modernization. For this investment to be affordable for customers, a coherent ratemaking plan needs to be instituted that will consider the interests of customers over a longer term than just the next rate case. That framework needs to balance: (1) the reliability and performance requirements of the Company's customers and the broader State of Connecticut; (2) customer rate stability and affordability; (3) incentives for cost efficiency in utility operations; and (4) implementation of a revenue support mechanism sufficient to cover the cost of delivering these objectives to customers.

The Company's PBMRP is designed to address these objectives in a holistic, balanced way. To do this, the Company started with the ratemaking framework under discussion in PURA's PBR docket (Docket No. 21-05-15RE01), while also introducing certain new elements to remediate the flaws that would ultimately hinder PURA's (draft) PBR model from supporting the necessary stayout terms.

For any multi-year rate plan to be successful, it needs to be grounded in the reality of the utility's costs, while also incorporating features that innately push the utility to be more efficient. That is not to say every dollar of the utility's costs will be (or should be) recovered. Rather, the allowed revenues need to be sufficient to afford the utility a reasonable opportunity to cover its cost of service to customers, including a reasonable rate of return on equity ("ROE") where the utility is operating prudently and efficiently, as required by state law. A framework in which the utility has no reasonable opportunity to earn its ROE, regardless of how hard it strives for efficiency, simply becomes self-defeating because the utility will exercise its statutory rights to a distribution rate proceeding, thereby muting the most powerful efficiency feature of a multi-year rate plan, which is the stay-out term.

A framework that underestimates the actual cost to run the system and/or affords the utility no reasonable chance to earn its allowed ROE, year after year, also results in under-investment and a system that not only lacks innovation,

but falls further and further behind at a significant – albeit potentially unseen – cost to customers. As a result, a lasting, productive framework is one that is soundly informed by – not detached from – the drivers of the utility's real cost of service, including its cost of capital.

In this context, the two most critical features of the Company's PBMRP are as follows:

- A going-in revenue requirement that reasonably reflects the Company's actual operating expenses and cost of investment in the Rate Year, so that through effective management and prudent decision making, the Company can achieve the true efficiency gains that will be needed to stretch the approved revenue requirement over the stay-out term. Without a reasonable opportunity to maintain financial integrity over a stay-out period, as measured by the authorized ROE, the utility cannot focus on innovation and efficiency gains – and will instead file for the next rate case to make up ground. To accomplish this goal, the overall paradigm must "hang" together, making the base revenue requirement a pivotal element. The many components of a PBR plan, including going-in rates, as well as the subsequent rate adjustments, must work in concert with performance objectives and the capital investment requirements expected of the Company – for the benefit of customers, i.e., the entire framework must work to the benefit of customers, not only in relation to the price they will pay, but also in relation to supporting the level of service that they need and expect.
- Revenue support for incremental capital investment to support long-term system goals. The Company operates in a capital-intensive industry and has a substantial need to acquire cash on a systematic basis to operate its business. As annual capital investments regularly exceed net cash from operations (i.e. cash receipts from customers net of operating cash outflows), the Company must look to other capital sources to fund those investments. Those sources are the debt and equity investors supplying the cash to capital markets. This means the Company must compete with all other entities participating in those markets to attract capital. It is simply not possible for the Company to go to those markets and demand cash for free, or at below-market rates relative to the investor's risk when other entities participating in the same capital markets offer compensation for the use of funds over time.

  The Company provided extensive analysis and discussion on the cost of capital throughout Docket No. 21-05-15RE01, including specifically as it relates to CT-Bar. PURA's treatment with respect to going-in revenue requirements as well as any ongoing capital driven revenue support mechanism, such as CT-Bar, is paramount to whether the Company, with effective management and sound decision-making, can responsibly cede its right to file for a rate amendment, whereas that is otherwise the only tool the utility has to align its revenues and costs and have a reasonable chance at earning its authorized ROE, which, over time, is necessary in order to attract the capital necessary to meet the standards of service expected of the Company's customers.

The lack of a valid revenue requirement component within the CT-Bar that would allow recovery of the cost of capital associated with incremental capital investment over the term of the PBMRP is a non-starter from a policy perspective, creating an obstacle that would block a utility from giving up its right to file for rate modifications over the multi-year period in question. This is particularly accurate in the present environment in which significant increases in the level of necessary system investments are expected (and planned). Simply put, the CT-Bar, as previously envisioned in PURA's draft PBR decision, fully prevented the Company from having any practical chance at staying out of a rate case, and therefore, would never work to create a reasonable PBR framework.

The Company's proposed PBMRP in this docket is designed to track the design of the CT-Bar as closely as possible, given that this was PURA's developing framework. However, the Company's PBMRP addresses the two primary faults in PURA's RE01 framework that would prevent the implementation of a workable PBR framework, which are (1) the deviations from ratemaking fundamentals that grossly understate the "going in" revenue requirement; and (2) modification of the CT-Bar to reflect the revenue requirement applicable to capital investment, which would include

recovery of the cost of capital and the cost of removal over the course of the PBMRP term. The Company's F-Factor also corrects for the mechanical error of deducting depreciation expense from new plant additions, rather than from rate base.

In particular, the Company's proposed F-Factor is designed to recover no more than the revenue necessary to support a discrete amount of ongoing system investment, recognizing that the cost of capital is a lawful and factual cost of service that must be incorporated into the revenue requirement calculation for the Company, as it is for any utility.

2. Considerations on the Design of Capital-Driven Revenue Support

CT-Bar, as defined in PURA's Proposed Final Decision, issued in Docket No. 21-05- 15RE01, on July 14, 2025 (the "RE01-PFD"), had several sensible qualities that the Company supported. However, those "sensible" qualities were overcome by certain critically flawed concepts that would need to be modified or eliminated in order for the Company to consider committing to a stay-out. The positive and negative CT-Bar qualities are outlined briefly here and discussed in greater detail below, including with respect to similarities or differences to the Company's proposed F-Factor.

Summary of constructive features of PURA's RE01-PFD:

1) Acknowledgement that current revenue support for ongoing investment is essential;
2) No category of capital investment was summarily or preemptively excluded from CT-Bar;
3) CT-Bar takes effect with Rate Year 1; and
4) CT-Bar aligns capital revenue support with the capital investments of the DSP.

Summary of unworkable features of PURA's RE01-PFD:

1) Exclusion of the recognition in the CT-Bar of the cost of capital between rate cases.
2) Exclusion of cost of removal in the CT-Bar.
3) Application of depreciation expense as a reduction to plant additions rather than rate base.

Constructive features of PURA's RE01-PFD:

1) Positive #1: Acknowledgement that current revenue support for ongoing investment is essential to the integrity of the PBR framework.

   First, that the CT-Bar even existed in PURA's RE01-PFD is genuine acknowledgement that some form of revenue support for Rate Year investment is essential to support a PBR framework. As discussed at length in that docket, the Company anticipates significant system investment over the next five years to advance the state's clean energy and reliability goals. Revenue support for ongoing system investment is crucial for any multiyear rate plan, whether in the form of the Company's proposed PBMRP, step increases, or any other ratemaking framework. CT-Bar's inclusion in RE01-PFD is a clear indication that incremental revenue support for ongoing system investments is a necessity.

2) Positive #2: No category of capital investment was summarily or preemptively excluded from CT-Bar.

   Second, the RE01-PFD did not exclude particular categories of capital investment. For example, capital investments in facilities, fleet and information technology are viewed as permissible categories for revenue support in the CT-Bar framework. This is consistent with the Company's proposed F-Factor in this proceeding.

3) Positive #3: CT-Bar takes effect as of Month 1 of Rate Year 1.

The Company provided extensive discussion and analysis throughout Docket No. 21-05- 15RE01 technical sessions and data responses regarding the "going-in" revenue requirement and the detrimental financial consequences of limiting capital investments to a period of time removed from the Rate Year. Ignoring for a moment the CT-Bar's deficiencies, having the mechanism take effect Month 1 of Rate Year 1 minimizes or eliminates those detrimental timing consequences, particularly in light of the fact that PURA has in recent years moved away from its prior practice of implementing future-test years in base rate proceedings, instead favoring a strict historical Test Year practice as it relates to plant additions.

Revenue decoupling is a factor to consider here because the revenue decoupling mechanism ("RDM") subsumes all sales growth to the extent that it is occurring, funneling incremental sales revenues back to customers. RDM is supported by valid policy reasons; however, the fact is that there are capital costs associated with adding new customers. Historically, when consistent and steady levels in the range of ~3$ per year of annual growth in sales and revenues was available to a utility to help offset the cost of incremental capital additions between rate cases, the pressing need for incremental revenue support was mitigated. Without the ability to capture that sales growth, and combined with the absence of an ongoing revenue support mechanism such as an F Factor taking effect on Month 1 of Rate Year 1, the Company would not be in a position to commit to a stay-out of any duration. This is because the Company would never be in a position to cover its cost of service (inclusive of its authorized cost of capital) because its rates would be set on a historical level of plant additions, despite the fact that its capital expenditures are higher than historical levels of depreciation, and because revenue decoupling ensures that even if load growth exists (and even if such load growth is enabled by the Company's increased level of capital expenditures) the Company is unable to retain additional revenues contributed by new customers, or new load.

4) Positive #4: CT-Bar was designed to align capital revenue support with the DSP.

Ignoring its deficiencies, the CT-Bar's connection to the Distribution System Plan ("DSP") constituted an essential link between ongoing system investments necessary to meet the objectives of the DSP with the revenues necessary to support those investments. Throughout Docket No. 21-05-15RE01, the Company advocated strongly for clearly defined linkages across all three tracks (RE01, RE02 and RE03), including proposing what would be the final technical session touching upon revenue requirements, in which those linkages were discussed. The Company's F-Factor is similarly aligned with the capital investment forecast provided in this proceeding for the DSP. The Company's capital investment forecast serves as the basis for a cap on the level of investment for the F-Factor.

Unworkable Features of PURA's RE01-PFD:

1) Negative #1: No recovery of cost of capital in the revenue requirement for capital investment between rate cases.

The single-most problematic feature of the CT-Bar was its intentional exclusion of the cost of capital associated with completing capital plant additions to the benefit of customers. Costs of capital are real costs of providing electric distribution service to customers in the State of Connecticut (or anywhere) and are recognized in statute. Although the cost of capital may be a more challenging cost to conceptualize, it is nonetheless as real as vegetation management, insurance, customer service, or any other cost of service. Cash is not free, a fact arising from its scarcity. Fundamentally, capital markets are where people, banks, corporations and other institutions provide their surplus of cash -- which is limited,

to those entities that have cash needs -- which are generally unlimited. Consequently, and unsurprisingly, those entities providing the cash for some period of time expect to be compensated for providing it, thus establishing real cost to acquire capital.

The Company, operating in the capital-intensive industry of regulated utilities, is one of those entities that needs to acquire cash to operate its business. As annual capital investments regularly exceed its net cash from operations (i.e. cash from customers), the Company must look to other sources to fund those investments. Those sources are the debt and equity investors supplying the cash to capital markets. This means the Company must compete with ALL other entities participating in those markets. It is simply not possible for the Company to go to those markets and demand cash for free (or for below-market rates, relative to market expectations of risk and reward) when other entities participating in those capital markets offer adequate compensation for the use of funds over time. Therefore, there is a real and tangible cost to acquiring that capital. Please refer to the Company's pre-filed cost of capital testimony for in-depth discussion of the cost of capital.

The Company provided extensive analysis and discussion on the cost of capital throughout Docket No. 21-05-15RE01, including specifically as it relates to CT-Bar. PURA's treatment with respect to going-in revenue requirements as well as any ongoing capital revenue support mechanism, such as CT-Bar, is paramount to whether the Company, with effective management and sound decision-making, has the opportunity, but not a guarantee, to cover its cost of service to customers, and to earn its allowed return. The absence of the cost of capital from the CT-Bar, particularly in the present environment where significant increases in the level of necessary system investments are expected, prevents the Company from having any practical opportunity to commit to a stay-out to avoid the next rate case.

As discussed in the Company's response to OCC-435, based on the Company's current assessment of system investment needs in the near future, the revenue requirement associated exclusively with the cost of capital pertaining to future capital additions (excluding GET and Uncollectible) would amount to an incremental $15.6 million for Rate Year 1; an incremental $32.8 million for Rate Year 2; an incremental $36.4 million for Rate Year 3; and an incremental $39.5 million for Rate Year 4, or $124.1 million in total.

This means that -- even if 100% of those future plant additions were only partially supported with CT-Bar revenues (i.e. revenue covering depreciation expense and property taxes only); and even if the Company's future cost of service otherwise was 100% supported with rates; and even with perfect operational decision making -- the Company would still need to find $124.1 million of annual savings by Rate Year 4 in order to offset the loss of revenue associated with carrying costs on incremental investment over the term of the PBMRP, which would be necessary to commit to a stay-out term.

For perspective, the total O&M expense included in the Company's cost of service filed in this proceeding is $547.5 million. Thus, to earn its authorized ROE, all else equal, the Company would have to generate cost savings amounting to $124.1 million, or nearly 23%, of its Rate Year O&M level by Year 4, to offset the impact of the accumulating carrying costs on the incremental capital additions completed on the system after base rates are set in this case. This is nearly 34% of operating expense, excluding vegetation management and storm restoration costs, which is a very substantial proportion of the cost of service.

For example, the amount of $124M is nearly two-thirds of the Company's labor and labor-related operating expense, or 60% more than the entire vegetation management program. It simply is not possible for the Company to cut this level of O&M expense without grossly debilitating the Company's

ability to provide service to customers. In fact, it is not plausible to expect that the Company could generate even 10% in annual incremental O&M savings in the face of 2-3% annual inflation and, as a result, the Company could not agree to a stay out under circumstances where there is no recovery of the cost of capital on incremental investment over the PBMRP term.

Moreover, even if the Company were somehow able to find such remarkable cost savings, the going-in revenue requirement of the subsequent multi-year rate plan would capture those cost savings. Assuming continuation of the same PBR framework and required system investment, the Company would again be in the position of having to find an additional 34% of O&M savings (i.e. more than 60% cumulatively from Rate Year 1) in order to sustain itself over the next PBR term. Clearly, a framework that does not provide revenue supporting the full cost of incremental investment over a four-year period, as well as the next four-year period, is not a plausible or lasting framework. Thus, exclusion of the cost of capital from a capital support mechanism in an environment in which significant increases in capital investments are expected all but ensures the Company has no realistic opportunity to survive the PBR term without a critical need for a rate case to realign costs and rates. Consequently, the overall framework as outlined in the RE01-PFD had no practical chance of sustaining the Company financially for the four-year term, nor would the Company have been able to even agree to a stay-out.

To address this indelible flaw, the Company's proposed PBMRP in this docket is designed to produce the revenue necessary to support ongoing system investment through the F-Factor, which calculates a revenue requirement inclusive of the costs of capital unlike the CT-Bar, while preserving the customer benefits and inherent incentives of a PBR plan.

2) Negative #2: Exclusion of cost of removal from the revenue requirement on capital investment between rate cases.

CT-Bar excluded the cost of removal, which is a real cost for all utilities. As a simple example, to install a new utility pole where there is an existing one that needs replacement, the Company must first remove the existing utility pole. That cost is separate and distinct from the cost of the utility pole itself; yet, similarly recovered (as an estimate) over the life a utility pole. The Company's capital investment forecast in the present docket includes approximately $136 million of cost of removal for January 1, 2026, through June 30, 2028, and approximately $60-70 million per year thereafter. A total of $60-70 million in annual investment equates to pre-tax cost of capital of $6-7 million annual incremental revenue requirement (e.g. $6 million year 1, $12 million year 2, $18 million year 3, etc.). The CT-Bar revenue requirement intentionally excluded this component of the capital investment revenue requirement. The Company's proposed F-Factor calculation properly restores this component to the rate base computation.

3) Negative #3: Depreciation expense is used as a reduction to plant additions rather than to total rate base, consistent with fundamental ratemaking principles.

CT-Bar's calculation treats depreciation expense as a net against plant additions. Although the Company appreciated that PURA found it important to capture ongoing depreciation expense in the annual revenue requirement calculations, the overall execution of the computation was not correct. The Company's F-Factor corrects for this methodological error. Please refer to the example below outlining the mathematical problem:

The table above is a simplified example of CT-Bar's improper incorporation of ongoing depreciation in a revenue-requirement calculation. Effectively, the CT-Bar reduces plant additions by depreciation expense, which improperly reduces the total amount of plant to be depreciated, thereby reducing the

incremental depreciation expense to be supported by the rate mechanism. The correct approach is to handle the plant additions separately from accumulated depreciation (see lines 4 and 6 in the table above). Note that both methods result in the same return on rate base, demonstrating that both calculations reflect the reduction to return on rate base resulting from ongoing/accumulating depreciation. The error is limited to the resulting new depreciation expense reflected in the revenue requirement, which is understated in the above example by $10.8 million in Year 1 and $21.6 million in Year 2 under the CT-Bar as compared to the Company's proposal in this proceeding, which mirrors in concept to how the Company records depreciation expense on gross plant additions (not on net plant additions, as in the CT-Bar).

⇒ Characteristics of the Company's Proposed F-Factor (same as CT-Bar, except for three features).

The Company is proposing a capital support mechanism (the "F" factor in the formula) that tracks as close as possible to PURA's CT-Bar, except that it addresses the three major impairments described above, which would prevent the Company from being able to agree to a stay-out. These three items are the exclusion of the cost of capital in the revenue requirement computation for incremental plant additions, the cost of removal and the mechanical deduction of depreciation expense from plant additions instead of rate base. In the Company's F-Factor, these first two items are included in the formula and the third mechanical process is addressed.

Beyond that, the F Factor would operate from a fixed annual capital investment level for each year of the PBMRP, with reconciliation through PURA's annual RAM proceedings. The fixed annual investment level would be set at the Company's capital forecast, as approved in this proceeding. As described previously, the Company has presented different investment trajectories in the Company's 5-Year TSP and is proposing to establish the capital support mechanism of the PBR adjustment consistent with the annual capital funding requirements presented in Figure 7 of Exhibit CLP-ELP-1.

Consistent with the structure of the CT-Bar in the RE01-PFD, the F-Factor would commence on July 1, 2027, coincident with new base rates, collecting an allowance developed from the Company's capital forecast presented in Exhibit CLP-TSP-3. In this proceeding, the Company has proposed base rates that include capital additions through the Rate Year. This means that the F-Factor implemented on July 1, 2027 (commensurate with new rates in this proceeding) would be set to zero at that time, since base rates would be set to collect the revenue requirement on capital placed into service in the Rate Year.

However, if PURA declines to incorporate rate-year capital additions into base rates in this proceeding, the F-Factor taking effect on July 1, 2027, would reflect the revenue requirement for the period July 1, 2027 through June 30, 2028 on capital additions placed in service (or estimated to be placed in service) from the point in time where PURA cuts off capital for inclusion in base rates and through June 30, 2028.1 In the next year, as part of the Company's annual RAM compliance filing, actual plant additions placed in service during the applicable plan year would be reconciled against the F-Factor allowance put into rates on July 1, 2027. In that reconciliation, the Company would present its project document for a prudence review and, based on PURA's findings in that prudence review, the cost of actual plant additions for calendar year 2027, less whatever PURA has already included in rates for capital additions in 2027, would be actually incorporated into rate base at that point. Following PURA's determination that the Company's actual plant additions are prudent, used and useful, the Company's rate base would be adjusted and associated revenue requirement allowed for recovery that would be limited to the lesser of:

1. The total revenue requirement for the forecasted capital approved in this proceeding for the first implementation of the F Factor; or
2. The total revenue requirement for the actual plant in service.

If the cost of the Company's actual capital additions were to exceed the forecasted amount approved in this proceeding, the Company would not be permitted to obtain recovery of the incremental investment during the initial four-year PBMRP Term. Instead, any such investment would remain subject to review and consideration in a subsequent base rate proceeding or successor PBMRP Term.

This Company's proposed capital funding mechanism sets a defined cap on capital recovery during the plan term, providing customers with greater rate certainty and placing the risk of excess capital spending requirements on the Company. The annual reconciliation further protects customers by blocking recovery of investments that are delayed, deferred, canceled, or not placed in service, since those costs would not be reflected in the F factor, which is based on plant in service. For these reasons, the proposal aligns cost recovery with prudent investment, promotes accurate capital forecasting, and incentivizes efficient execution of the capital program, all while preventing customer overcollection.

III. Specific Responses to Parts (a), (b) and (c), above.

(a) Why are O&M expenses appropriately subject to an externally indexed revenue cap, while capital expenditures require separate recovery through an F-Factor based on a fixed annual capital investment forecast?

The capital investments the Company must make to provide electric service to customers in the State of Connecticut is a "local" concept. Those investments are driven by the circumstances and objectives of the State of Connecticut and the history and current status of the distribution grid in Connecticut. Those circumstances and objectives, which require long-term system planning and appropriate capital resources, are not encapsulated by a single index. O&M, though it is similarly influenced by local circumstances, does not change at the same rate as capital investment. For example, the Company's annual capital investment is expected to increase nearly 40% from $549 million in 2025 to $758 million by 2028, or more than 11% annually, on average. In contrast, over the same timeframe O&M (excluding storm funding and vegetation management) is projected to increase approximately 3-4% annually. The Company's proposed PBMRP aligns revenues with drivers of cost while maintaining the incentive to control costs.

In addition, under PBR theory, where capital inputs are contemplated in the indexed formula, then the X factor is negative, implying that the annual adjustment is inflation plus an additional factor. The testimony of London Economics in Exhibit CLP-PBR-1 reviews the results of their total factor productivity study producing this result. In this case, the Company elected to adhere as closely as possible to PURA's (draft) CT-Bar in order to remain synched with PURA's policy direction.

(b) How will the Company's proposed treatment of capital expenditures be expected to produce customer cost savings or otherwise improve customer affordability relative to including capital expenditures within a revenue cap formula.

There are three main opportunities for customer benefit in the PBR framework, which are: (1) the opportunity to leverage the stay-out term to drive operational efficiency and cost savings; (2) the opportunity to spread rate changes out over time to smooth impacts for customers and employ the concept of gradualism rather than promoting the cost and inefficiency of a traditional rate-case cycle; and (2) the opportunity to develop a systematic investment plan that promotes operational efficiency and cost-saving procurement strategies, while taking advantage of the smoothing impacts of the PBR framework to mitigate cost impacts.

The Company has submitted substantial testimony and documentation in this proceeding to provide insight into the level of capital investment that is needed on the system to provide adequate service to customers and to support the economic vitality of the State of Connecticut. Customers benefit directly when investment can be undertaken on a planned, systematic and consistent basis over time because (1) it is consistently more expensive to complete infrastructure projects tomorrow rather than today due to price inflation and other factors; and (2) the Company's process inputs (i.e., primarily labor and materials) cost less when procured on a planned and systematic basis rather than on an emergent basis.

Although difficult to define in terms of the overall cost trends, there are significant benefits for customers in an operating approach that is consistent, systematic, planned and carefully managed, which is an outcome that the Company is hoping to promote with its proposals in this proceeding. Bottomline – the Company is looking to establish a ratemaking framework that will promote efficiency of operations for the benefit of customers and the F-Factor is the optimal mechanism for that purpose.

Assuming that OCC's referenced alternative for a capital-cost mechanism "within a revenue cap formula," means that the PBMRP would rely exclusively on an "IX" revenue cap formula, with or without X defined with a negative factor, the Company's experience is that it is not adequate to support necessary capital investment, while raising issues for stakeholders. With the negative X factor, there is no direct link between the actual cost of capital plant additions and the revenue collection through customer rates, leaving it to be insufficient to support necessary capital investments and unsatisfactory for stakeholders that want transparency between the costs collected in rates and the rates that customers pay. As a result, achieving the efficiency needed to support a cost-effective capital plan is illusory in this model.

(c) How does the proposed F-Factor mitigate or avoid any incentive to favor capital expenditures over O&M solutions, including in circumstances where either a capital or O&M solution could be used to address the same system need?

In the Company's experience, implementation of the X factor mechanism (with a negative X factor) to cover capital investment was thought to be a mechanism that would promote efficient solutions between capital and O&M because the revenue allowance was not predicated on actual plant additions; rather, was simply formulaic. In 2017, the Massachusetts Department of Public Utilities ("MDPU") approved a negative X factor within a revenue cap for NSTAR Electric Company d/b/a Eversource Energy – and it remained operative for the five-year term of the plan. However, the fact is that – during an extended stay-out period, there is no incentive to incur any greater level of expense than is absolutely necessary to run the business. Therefore, there is no greater impetus than would exist in any event to make the optimal choice between expense and capitalization, where such a choice exists. And again, with the negative X factor, the MDPU felt it had no line of sight as to whether funds allowed to NSTAR Electric through the annual PBR allowance were, indeed, being leveraged for system investment.

Therefore, in 2022, the MDPU instituted the K-Bar providing an allowance for system infrastructure projects, coupled with reporting requirements on investment levels. The MDPU maintained the I-X formula to cover the O&M portion of the approved revenue requirement, which is what the Company is proposing in this case.

In reality, there are very few instances when system needs can be easily transitioned between a capital-work solution or a work solution that can be expense. The prudence review is the primary and most effective tool that regulators possess for evaluating these situations.

Date Filed: October 14, 2026

Witness: Denise M. Cosentino and Leanne M. Landry
Request from: Office of Education, Outreach, and Enforcement

Question:

(3RD PARTY DAMAGES) Explain how the Company identifies, tracks, estimates, and records damages caused by 3rd parties that could involve reimbursement from the 3rd party or their insurance carriers. As part of the response, please provide all applicable policies, procedures, or other guidance that details the administration of this process and separately identify the specific accounting entries that would result.

Response:

The Company seeks to recover all costs it incurs associated with third-party damage to Company assets. Recovery is dependent on the information available regarding the incident. The Company utilizes first responder incident reports (including fire and police reports) and information obtained from witnesses to the incident to determine the responsible party. The Company then bills the responsible party and/or their insurer. If the matter is not settled within a reasonable period of time legal action may be pursued.

Please refer to EOE-376, Attachment 1 CONFIDENTIAL AND REDACTED FOR RELEVANCE, for a copy of the Company's Property Damage Claims Procedure.

Consistent with the provision of the Policy, Eversource works with local law enforcement authorities to determine the identities of parties involved in poles damaged in hit by auto events.

The accounting treatment associated with third-party damage claims generally consists of two separate components: (1) recording the costs incurred to repair or replace damaged utility facilities and (2) recording the related receivable from the responsible party when the claim is approved and billed to the wrongdoer. Repair and restoration costs are recorded to a work order and charged to the appropriate FERC accounts, either FERC Account 107 (Construction Work in Progress) or expense accounts, depending on the nature of the work performed. After the claim package has been reviewed and approved, a bill is generated by the Company's billing department and an accounts receivable is established for the amount billed to the responsible party, with an equal and offsetting amount recorded against the work order, thereby offsetting the appropriate FERC accounts where the initial costs were charged. Cash collections are subsequently applied against the receivable. If any portion of the receivable is determined to be uncollectible after collection efforts are exhausted, the remaining balance is written off in accordance with Company procedures.