Date Filed: August 28, 2026

Witness: Brendan J. O'Brien and Garrett J. Murray
Request from: Office of Consumer Counsel

Question:

Refer to Exhibit CLP-REVREQ-3. Provide the following:

a. Compensation Payroll Expense. Explain the reason for the increased spending in 2024 and 2025 over the prior years.

b. Field Operations (Overhead Lines-Operation & Maintenance) Explain the reason for increase in spending in the Rate Year as this expense has declined from 2023-2025. Provide supporting documentation (invoices, contracts, quotes)

c. Employee Benefits. Explain why the expense was negative in CY 2022.

d. Materials and Supplies. Explain why the expense was negative in CY 2024.

e. Residual O&M. Explain why the expense was negative in CY 2024.

f. Vegetation Management. Explain the reason for the decrease in spending in 2025 over the prior years amounts.

g. Human Resources, Education and Training. Explain why this expense has declined each year from 2022-2025. Does the Company expect further decreases in the Rate Year? If not, explain why not.

h. Legal. Explain the reason for the increased spending in 2025 over the prior years and why the Company expects this level to continue in the Rate Year.

i. Field Operations (Underground Lines-Operation & Maintenance) Explain the reason the overall decline in spending during the years shown.

j. Field Operations (Underground Lines-Operation & Maintenance) Explain why the Company expects this expense to increase in the Rate Year. Provide supporting documentation (invoices, contracts, quotes)

Response:

As discussed in OCC-374, the amounts presented within Exhibit CLP-REVREQ-3 are not precise representations of actual costs (other than for the test year, calendar year 2025). The Company's actual costs are not recorded in the format presented within Exhibit CLP-REVREQ-3, and for the purposes of the rate case, the Company undertakes an extensive, labor-intensive process to assign the actual Test Year operating costs to each of the categories presented within Schedule C-3.0.

The Company is not able to undertake the same process to organize and re-categorize all actual costs for all other years included within CLP-REVREQ-3, which can produce some classification variances between the Test Year and all preceding years.

a. The Company's payroll data consists of hundreds of thousands of individual transactions that are unique. The payroll data fluctuates each year as a function of numerous conditions that affect the number of positions, FTE headcount, categories of employees, the percentages and timing of merit increases, hiring processes and the amount of labor allocated to CL&P. A contributing factor for the increased spending in 2024 and 2025 is due to the increase in non-storm overtime payroll, as identified in OCC-051, Attachment 1. In addition, the Company's policy shift in non-storm field-related work from contractor crews to internal crews as discussed in subpart (b), resulted in an increase in internal payroll costs in 2024 and 2025, with a reduction in outside vendor costs. Further, the total payroll expense proposed in this case is derived through an independent evaluation calculating a normalized Test Year level, utilizing actual employee salary information and FTE headcount as of the end of the Test Year. Please refer to OCC-332, for greater detail regarding how this analysis is performed.

b. The decline in Field Operations (Overhead Line – Operation & Maintenance) expenses from 2023 to 2025 is primarily due to the Company's policy shift to significantly reduce the number of contractor dock crews working on the system. The 2025 Test Year reflects a typical level of Field Operations – Overhead costs. Excluding the change in policy, the Company has experienced an overall increase in Field Operation - Overhead expenses during the 2023–2025 period. Therefore, applying GDP inflation to the Field Operation – Overhead Test Year expenses is a reasonable method to estimate costs into the Rate Year.

c. Please refer to the Company's response to OCC-372, for an explanation regarding the overall credit (negative) amount for Employee Benefits Schedule in CY 2022.

d. The Materials and Supplies schedule contains "Miscellaneous Distribution Expense Capitalization" (MDEC) overhead credits that are used to offset a portion of expenses related to CL&P's capitalized construction activities. For the period 2021 to 2024, the Company experienced an increased level of capitalized expense, thereby increasing the associated credits (negative) in the Materials and Supplies schedule.

e. The Company performed a detailed review of the Test Year data in preparing the cost of service. This detailed review is not performed for historical years where that data does not impact the Company's Test Year, nor the proposed cost of service for the Rate Year. For purposes of this response, the Company identified two primary drivers. First, the O&M residual schedule contains a negative -$2M dollar credit in 2024, related to distribution substation work that generally would have been moved to the Field Operations O&M schedules had a detailed analysis been performed, and also, a negative credit of -$7M

dollars related to an "Administrative Salaries & Expense" overhead, cost element "ZAS." During the 2025 Test Year, the Company performed the analysis of allocating portions of this credit to the appropriate schedules throughout the cost of service; however this level of analysis is not performed for historical years.

f. The decrease in spending in 2025 is attributable to the optimization of O&M throughout Connecticut Operations, during which time the Vegetation Management spending was reduced to the rate-recoverable amount.

g. Beginning in 2024, the Company undertook an effort to minimize the use of contractors with regard to Company-staffing responsibilities. Oftentimes, outside contractor services require payment of a fee for placement of staffing needs in addition to hourly charges for the contracted resources. As a result, the Company has shifted to utilizing more internal full-time employees, which enabled the Company to reduce the cost of Company staffing responsibilities.

h. The increase in legal service costs in 2025 over the prior years is related to additional legal support for CT PURA dockets and appeals; executive order legal analysis and guidance; and increased collections activities. Given the nature of the changes in the requirements for compliance, collections and regulatory participation, among other factors, these costs are expected to remain at least consistent with current (2025) levels. As a result, the level of legal fees in 2025 is representative of the legal expense that the Company expects to incur routinely due to the increased number of CT regulatory proceedings, continued collections activities and the rising cost of legal service providers.

i. The decline in Field Operations (Underground Line – Operation & Maintenance) expenses is attributable to three factors. First, the Company's policy adjustment to reduce the number of contractor dock crews occurred prior to 2025, making 2025 representative of a typical level of annual contractor expenses. Second, the Company has increased the quantity of transformers it purchases. Transformers are capitalized and any associated labor is accounted for as a credit to Field Operation expenses. Third, the Company has experienced an increase in the number of reimbursable damage claims. Damage claims are credits applied to Field Operations expenses.

j. The level of Field Operations (Underground Line – Operation & Maintenance) expenses, excluding the items referenced in subpart (i) have gradually increased. To normalize this amount, the Company has reasonably applied GDP inflation to the normalized 2025 Test Year Pro Forma.