Date Filed: November 13, 2026

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

Question:

(VARIABLE PAY CAPITALIZATION) O'Brien and Murray Pre-Filed Test., pp. 76-78; Lazor, Eichler and O'Connor Pre-Filed Test., p. 45; Application, Schs. C-3.6, C-3.7, WP C-3.6 and WP C-3.7; Interrog. Resp. RRU-023, Att. 1, Interrog. Resp. OCC-317, Interrog. Resp. UPA-003, Interrog. Resp. UPA-004, Att. 1, and Interrog. Resp. UPA-045. Regarding the administrative and general expense transferred out of the compensation schedules, the capitalization and escalation of variable compensation:

a. Identify the transaction that produces the credit of $6,627,251 to Account 922000, Administrative Expense Transferred, of which $2,903,105 is applied to Schedule C-3.5, $912,378 to Schedule C-3.6, $634,585 to Schedule C-3.7, and $2,177,183 remains in Sch C-3.33 O&M Residual (O&M Residual) before the adjustment of $1,741,091 for the General Service Company Overhead and Payroll Benefits Loader. Provide the derivation of each rate applied, including the 8.9475% ratio of the Schedule C-3.6 and C-3.7 credits to the Account 920000 amounts. Also, identify the accounts and work orders receiving the offsetting charge and the amount recorded to capital.
b. Reconcile the $634,585 credit applied to Schedule C-3.7 to the testimonies that there is no capitalization adjustment for officer variable pay; that no executive cash incentives are capitalized; and that none of the $6,458,000 of Test Year officer variable expense in Schedule C-3.7 is capitalized. State the annual amounts of officer variable compensation transferred out of operating expense through Account 922000 or through the incentive labor loader in 2021 through 2025.
c. Explain the credit of $1,701,229 to Account 9200NP, Adm + Gen Salaries Non Productive, on line 237 of Attachment 1 of the response to Interrogatory RRU-023, applied entirely to Schedule C-3.5. Identify the offsetting charge, and state the amount for the related non-productive time also recovered through the Non-Productive Time Loader.
d. State which employee population underlies Schedules WP C-3.6 and WP C-3.7, given the testimonies that the Rate Year includes variable pay at actual for all employees as of December 31, 2025, and that the Test Year reflects only employees employed at the time of the March 2026 payment. Furthermore, state the number of employees and the amount included for employees who separated between December 31, 2025, and the payment date. Reconcile each population to the eligible and recipient counts in Attachment 1 of the response to Interrogatory UPA-004, including the 2,956 eligible EESCO non-union employees in the attachment against the 2,954 stated in the response, and state if the 2,229 eligible count or the 1,904 recipient count underlies the Rate Year amounts.

Response:

a. The transaction that produced the credit totaling $6,627,251 to FERC Account 922000 (Administrative Expenses Transferred - Credit) for calendar year 2025 is referred to as the Eversource Administrative Salaries & Expense (AS&E) indirect overhead allocation factor (identified in the Company's general ledger system as Cost Element 'ZAS'). The AS&E indirect overhead allocation factor captures costs of functions considered Administrative and General and provides for the capitalization of these essential centralized back-office and support services, which are appropriately recorded to FERC Account 920 (Administrative and General Salaries) and FERC Account 921 (Office Supplies and Expenses). These support services include payroll administration, human resources, accounting, tax, treasury, cash management, procurement, legal, information technology, executive management, and other general corporate services, all of which support the Company's construction program.

The AS&E costs ultimately allocated to construction work orders is developed in two steps: The first step determines the total AS&E costs that are charged to FERC Accounts 920000 and 921000 (excluding 9200GS, 9200NP and 9200PB), which would be used as the pool of costs to derive the AS&E indirect overhead amounts. The second step calculates the amount to be charged to capital as the AS&E indirect overhead amount via a loading rate. The loading rate is based on the ratio of Capital to O&M, as provided by the Cost Control Center (CCC) Managers responsible for CCCs that charge into FERC Accounts 920000 and 921000. The loading rate, which is applied to the total AS&E pool of costs from the first step, derives the AS&E indirect overhead amount and totaled $6,627,251 for calendar year 2025. Because the ZAS indirect overhead allocation factor runs during the monthly accounting workday close, the total AS&E pool of costs are based on the most recently closed FERC Accounts 920000 and 921000 (the prior month-end close activity). As a result, the AS&E indirect overhead amount totaling $6,627,251 was derived during calendar year 2025 using monthly activity in FERC Accounts 920000 and 921000 recognized over the period from December 1, 2024 through November 30, 2025. The loading rate used to calculate the AS&E indirect overhead amount totaling $6,627,251 was 9.7 percent.

The $6,627,151 is debited to the AS&E clearing Accounting Work Order (AWO) for allocation to all open and eligible construction work orders that have received eligible charges during calendar year 2025. FERC Account 107010 (Construction Work in Progress) and FERC Account 108030 (Cost of Removal) will receive an AS&E indirect overhead allocation factor charge at the time the AS&E AWO is credited using a pre-established clearing rate. The AS&E AWO is credited, and all open work orders are debited by applying the clearing rate to the eligible construction charges.

b. As described in the Company's response to UPA-013, subparts d. and e.[i], and as stated within the Company's pre-filed testimony by Company witnesses Brendan O'Brien and Garrett Murray on Exhibit CLP-REVREQ-1, page 78 of 151, line 14, the Company does not directly capitalize officer variable compensation as these costs are charged to administrative and general salaries expense in FERC Account 920000. As described in subpart a., above, the pool of costs to derive the AS&E indirect overhead amount does include all costs charged to FERC Account 920000, including officer variable compensation, thereby indirectly allocating a portion of these costs to eligible construction work orders through the AS&E indirect overhead allocation factor.

   The annual amounts of officer variable compensation expense recognized in FERC Account 920000 that are included in the AS&E indirect overhead allocation factor (FERC Account 922000 credit) are below:

2021	2022	2023	2024	2025
$(379,829)	$(541,658)	$(702,179)	$(678,879)	$(599,267)

c. The offset to the $1,701,229 in account 9200NP is comprised of two items. The first is $1,198,550 of non-productive time charged by employees who work on Energy Efficiency programs that is not recovered in base rates. The remaining $502,679 debit is charged to other Eversource subsidiaries. The non-productive overhead debit for ESC employees follows actual labor charging, and the credit is allocated using budgeted labor.

d. The Test Year employee population in Schedule WP C-3.6 and WP C-3.7 represents those employees that are eligible and received variable compensation that were employed as of the March 2026 payout; and the Test Year reflects actual variable pay. Please refer to UPA-004, Attachment 1, for the percentage of CL&P and ESC employees who are eligible and received variable compensation. As noted in the Company's response to RRU-056[ii], the Company has committed to updating the cost of service by revising the employee variable plan in Schedule C-3.6 at target based on active and filled positions as of December 31, 2025. Please refer to UPA-015, Attachment 1, for the Officer Variable Compensation at target levels for officers active as of December 31, 2025.

   The Company is providing the table below, which shows the number of employees between December 31, 2025 and the payment date, noting a net increase in FTEs.

	December 31, 2025	March 31, 2026	Change in FTEs
Source	*OCC-322*	*OCC-042*	
CL&P FTEs	1,417	1,420	3
ESC FTEs	4,493	4,545	52
Total FTEs	5,910	5,965	55

Further, the Test Year population of active employees as of December 31, 2025 differs from the population of employees eligible for variable compensation because the eligible population excludes ineligible union employees and non-union employees who were active as of December 31, 2025 but hired after November 1, 2025. The population would differ further for eligible employees who did not receive variable compensation because they did not meet performance expectations. The 2,954 stated in the response is a typo that should have stated 2,956 as referenced in UPA-004, Attachment 1.

Prior Referenced Response:

[i] UPA-013 Question:

(OFFICER VARIABLE COMPENSATION—ACCOUNTING, CAPITALIZATION AND ACCOUNTS) Application, Ex. CLP-EMPLOYEE-1, p. 36. The referenced exhibit explains that non-executive variable compensation is capitalized using a ratio derived from capitalized non-executive base pay, and Schedule WP C-3.6 separately identifies capitalized employee variable compensation. Explain the accounting treatment for officer short-term and long-term variable compensation in Schedule C-3.7. Specifically:

a. identify all FERC Uniform System of Accounts and general-ledger accounts charged;
b. state whether officer base salary is ever capitalized;
c. state whether any officer short-term or long-term variable compensation is capitalized;
d. if not, explain why the treatment differs from non-executive variable compensation;
e. identify the amount expensed and capitalized in the Test Year, pro forma, and Rate Year; and
f. provide the accounting policy, workpaper, or other support for the treatment.

UPA-013 Response:

a. With respect to the accounting treatment for officer short-term and long-term variable compensation in Schedule C-3.7, CL&P follows the FERC Uniform System of Accounts ("USofA") and charges FERC Account 920 (Administrative and General Salaries) and general-ledger account 920000.

b. With respect to an officer's base salary, the only portion that is capitalized is when it relates to certain Vice Presidents ("VPs") whose timesheets charge Engineering & Supervision ("E&S") work orders. The E&S work orders are selected by certain VPs who actively support construction activities directly related to capital projects, which are not readily identified to a specific capital project work order. Having these VPs direct charge specific capital project work orders on a daily basis becomes impracticable to decipher for timesheet reporting purposes because of the extensive number of capital projects they support. Therefore, the E&S work order allows for a

more practical, effective, and expedient timesheet reporting mechanism for certain VP's to capture their time appropriately. E&S is not ascribed to individual capital projects on a discrete, quantifiable basis for individual projects or programs. The labor and labor-related costs associated with the E&S function are ascribable to all eligible capital projects and are pooled into closing accounts that are then applied on an aggregated basis to active workorders on a month-to-month basis as a "clearing rate."

The E&S overhead "pool" captures costs incurred in support of the Company's construction activities that are not readily identified to a specific capital project work order. The nature of these costs includes labor costs/payroll and associated overheads. Such classification is required under the FERC Uniform System of Accounts ("USoA"), which states: "Engineering and supervision includes the portion of the pay and expenses of engineers, surveyors, draftsmen, inspectors, superintendents and their assistants applicable to construction work." Thus, the types of charges included in FERC Account 107ES0 (Construction Work in Progress) are employee labor and external vendor labor costs that support capital project construction activities through engineering and supervisory functions.

Once a capital project is placed in service in FERC Account 101 (Electric Plant in Service), the E&S costs are classified to property units in the same manner as all other capital charges on the project work orders. With the assistance of project managers and engineers, Plant Accounting determines what percentage of the total project each property unit represents. All capital charges to the project work orders, including E&S charges, are ascribed to the installed property units based on these percentages. An officer's base salary is not discernible as a line item through this process.

c. With respect to an officer's short-term or long-term variable compensation, all officer short-term and long-term variable compensation is charged to FERC Account 920 and general-ledger account 920000.

d. Under Generally Accepted Accounting Principles (GAAP) and the FERC USofA, the Company is allowed to capitalize all payroll costs, including cash or stock-based incentive compensation paid to employees who are directly associated with, or who devote their time to, capital projects and construction activities. Therefore, variable compensation is capitalizable when it meets the capitalization criteria, similar to base salary. Saying that, the Company does not directly capitalize officer short-term and long-term variable compensation in the normal course of business. Please refer to part e. below for additional information regarding the Administrative, Support and Engineering (AS&E) loader.

e. Please refer to Schedule WP C-3.6 (Employee Variable Compensation) for the amounts expensed and capitalized in the Test Year, pro forma, and Rate Year. Please note the amounts in Schedule WP C-3.7 (Officer Variable Compensation) are directly charged to expense as the Company does not directly capitalize officer variable compensation as noted in part d. of this response. The only portion of officer variable compensation that is capitalized is reflected in Schedule WP C-3.7 as the Administrative, Support and Engineering (AS&E) loader, which is an indirect cost allocation factor that provides for the capitalization of essential centralized back-office and support services that are recorded to and appropriately includible in FERC Account 920 (Administrative and General Salaries).

f. Please refer to EOE-060, Attachment 3, for the Company's Accounting Policy Statement on Capital vs. Expense Criteria.

[ii] RRU-056 Question:

(VARIABLE COMPENSATION) Lazor, Eichler and O'Connor Pre-Filed Test., pp. 30-34; Application, Schs. C-3.6 and C-3.7; Interrog. Resp. OCC-289, Interrog. Resp. OCC-290, Atts. 1–4, and Interrog. Resp. OCC-369. Regarding the funding and level of the variable compensation reflected in Schedules C-3.6 and C-3.7:

a. The Company's response to Interrogatory OCC-369 states that no employee other than the Eversource Chief Executive Officer and Chief Financial Officer is paid variable compensation on the basis of corporate financial performance goals. The response to OCC-289 states that the 2025 corporate performance goals were based 70% on overall financial performance, and each plan document in OCC-290, Atts. 1-4 states that the funding pool is based on achievement of an Eversource Energy consolidated earnings per share goal. Reconcile the Company's response to Interrogatory OCC-369 with its responses to Interrogatories OCC-289 and OCC-290.

b. State, for each of plan years 2021 through 2025, the effect of the earnings per share results on the funding pool, and state the 2024 earnings per share goal and actual result. Provide the plan documents for plan years 2021 and 2022.

c. Provide an exhibit that shows, for each plan year 2021 through 2025, the threshold, target and maximum level of each corporate scorecard metric, the resulting funding percentage, the weighted average payout as a percentage of target, the enterprise pool and the amount allocated to CL&P, together with the 2024 scorecard in the form of OCC-198, Attachment 1.

d. Reconcile the 2025 total variable compensation allocated to CL&P of $11,308,184 in OCC-202, Attachment 1 and the 2025 total variable compensation for CL&P employees of $5,395,820 in OCC-202, Attachment 2 to the 2025 amounts in OCC-286, Attachment 1 and to the Test Year gross plan amounts of $12,731,000 for CL&P and $8,715,000 for EESCO in Schedule WP C-3.6. Reconcile OCC-286, Attachment 1 to Schedules C-3.6 and C-3.7 for the Test Year, the Test Year pro forma and the Rate Year. State the amounts accrued against the amounts actually paid for each of calendar years 2021 through 2025.

e. Provide an exhibit that shows the Rate Year amounts in Schedules C-3.6 and C-3.7 restated at a payout of 100% of target for every participant.

RRU-056 Response:

a. The Company's response to Interrogatory OCC-369[ii] actually states that "[t]here is no employee that is paid for variable compensation ***on the basis of achievement*** of corporate financial performance goals, aside from the Eversource Energy Chief Executive Officer and the Chief Financial Officer." (emphasis added). It does not state that the CEO and CFO are "paid variable compensation on the basis of corporate financial performance goals." There is a difference in these two statements. The Company's statement means that their variable compensation *depends upon* whether the corporate performance goals are *achieved* and to what extent. It does not mean that their pay-out is determined in correlation with these goals, as achieved, which is what the statement in the question implies.

   The response to OCC-289[ii] actually states that "[i]n the Eversource variable pay program, there ***are two different types*** of "financial goals." First, there are the corporate financial performance goals that are identified and discussed in the Eversource Energy annual proxy statement …." Second, the response to OCC-289 actually states that there are "'performance goals' within the Eversource variable pay program [that] are the ***employee-specific performance goals***." (emphasis in original). The question states that "the 2025 corporate performance goals were based 70% on overall financial performance …." This is not an incorrect statement; however, it is wholly

incomplete. This statement is pertinent only to the corporate financial performance goals, which are pertinent only in limited respects to the overall variable pay compensation program.

The question further states that each plan document in OCC-290, Atts. 1-4, states that "the funding pool is based on achievement of an Eversource Energy consolidated earnings per share goal." However, the document actually states that "Your award will be based on ***the achievement of employee*** Annual incentive program goal results ***and incentive program funding****."* (emphasis added), meaning that the Employee's actual variable pay amount is a function of two independent drivers, which are both dependent on "achievement." These two drivers are: (1) whether the Employee achieved their own individual performance goals; and (2) whether the corporation achieved its corporate performance goals, triggering the funding of the overall variable compensation plan. To this point, OCC-290, Att. 1 states that "[a] funding pool will be based on the ***achievement*** of an ES Consolidated EPS Goal along with the achievement of certain strategic and high-level financial goals." (emphasis added).

Decisions on ***the amount*** of the funding pool are ***not*** determined by the Eversource Energy corporate financial performance goals, but rather is an amount set by the CFO (UPA-005(f)).

Therefore, in terms of "reconciling," the Company's response to Interrogatory OCC-369 with its responses to Interrogatories OCC-289 and OCC-290[ii], it is unclear what needs to be "reconciled." The Company's responses to OCC-369, OCC-289, OCC-290, and numerous other responses including UPA-005[ii], UPA-007[ii], UPA-039[ii], all substantiate the two-tiered procedure that applies to determine: (1) whether corporate performance goals are achieved; how it applies to executive officers and how it triggers payment of the funding pool; and (2) how the amount of the funding pool is decided; how all other employees of the company, director and below are determined to be eligible for variable pay and at what level; and how the funding pool is allocated among employees below the director level.

b. For each of plan years 2021 through 2025, the earnings per share results ***did not determine the amount of the funding pool***. The "earnings per share result" is part of the corporate financial performance goal that is a trigger for the Board of Trustee's overall funding of the pool, but does not determine the amount of the funding pool and has no mathematical connection to the funding level. RRU-056, Attachment 1, provides the plan documents for plan years 2021 and 2022.

c. This subpart requests, for each plan year 2021 through 2025, the threshold, target and maximum level of each corporate scorecard metric, along with "the resulting funding percentage," the "weighted average payout as a percentage of target," the "enterprise pool" and the "amount allocated to CL&P," together with the 2024 scorecard in the form of OCC-198, Attachment 1. <u>However, these items are not connected</u>. None of "the threshold, target and maximum levels of each corporate scorecard metric" have any connection to the "funding percentage." The ***amount of the funding pool*** is determined by the Chief Financial Officer each year, apart from the results of the corporate financial performance (UPA-005, UPA-007, UPA-039, indicating 145% performance over target in 2025 for the corporation and 122% for the amount of the funding pool).

It is unclear what is meant by "weighted average payout as a percentage of target," however, in response to OCC-201, Attachment 1, the Company provided the performance rating distribution, which shows the percentage payout as compared to target. The 2024 scorecard in the form of OCC-198, Attachment 1, is provided as RRU-056, Attachment 2, herewith.

	2021	**2022**	**2023**	**2024**	**2025**
Enterprise Funding	$58,751,968	$68,999,575	$71,893,634	$76,790,551	$83,771,560

CL&P Funding Allocation		$4,472,095	$5,010,711	$6,073,272	$6,096,262	$6,172,409
ESC Funding Allocation		$3,257,387	$4,317,413	$10,472,053	$10,928,330	$11,701,080

d. The total variable compensation of $11,308,184 in OCC-202, Attachment 1, represents the 2025 total gross variable compensation at target for Service Company employees and officers that were allocated to CL&P; and the amount of $5,395,829 in OCC-202, Attachment 2, is the 2025 total variable compensation at target for CL&P employees and officer directly charged to CL&P. The amounts cannot be directly compared and reconciled to the gross employee variable compensation plan amounts in Schedule C-3.6 as that schedule represents the Test Year accrual based on the budgeted target variable compensation and the estimated payout percentage for the year and includes prior period true-ups and other adjustments recorded to the G/L.

Please refer to RRU-056, Attachment 3, for the variable compensation amounts reconciled between OCC-286, Attachment 1, and Schedules C-3.6 and C-3.7 for the Test Year and Rate Year. The Company notes the Test Year costs are being revised to update for the capitalization amounts, however there is no change to the total Employee Variable Compensation Test Year amounts.

e. The Company's proposed cost of service in this proceeding includes the employee variable compensation charged to CL&P as earned in the Test Year, 2025, based on the payouts associated with that performance year, as adjusted to Rate Year levels. The Company recognizes that the variable compensation payouts vary from year-to-year and may be more (or less) than target levels. The Company's experience in Massachusetts is to reflect the amount of variable cash incentive at target levels, rather than at paid amounts. Therefore, please refer to RRU-056, Attachment 4, for the revised employee variable plan Schedule C-3.6 at target level; and RRU-056, Attachment 5, for each Service Company employee at target incentive and RRU-056, Attachment 6, for each CL&P employee target incentive.

The Company's Rate Year amounts for CL&P and ESC would be $2.074 million and $6.225 million, respectively, as compared to $6.852 million and $4.443 million, respectively. Refer to UPA-015, Attachment 1, for the Officer Variable Compensation at target levels.