Date Filed: August 28, 2026

Witness: Sasha P. Lazor, Brendan J. O'Brien, Marianne H. Eichler and Garrett J. Murray
Request from: Office of Consumer Counsel

Question:

Incentive Compensation. Identify the total amount of incentive compensation expense (direct and allocated) included in the Rate Year related to financial goals.

Response:

The term "financial goals" is a non-specific term that does not adequately or properly differentiate the elements of the Company's variable pay compensation program.

1. Corporate Financial Performance Goals

In 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, submitted in this docket as CIEC-015, Attachment 1. The establishment of corporate performance goals – and evaluation of performance against those corporate goals, is performed on an annual basis by the Board of Trustees. For 2025, the Board of Trustees determined that the corporate performance goals would be based 70 percent on Eversource Energy's overall financial performance and 30 percent on Eversource Energy's overall operational performance. The Board of Trustees set substantially all of the 2025 target corporate performance goals, including quantitative financial goals, at levels above the prior year's targets, reflecting increased performance expectations and reinforcing the relationship between performance and pay. See, CIEC-015, Attachment 1, at 47. The Board of Trustees further determined the specific goals that would be used to assess corporate performance, with potential ratings on each goal ranging from zero percent to 200 percent of target and assigned weightings for each of the goals. See, id, at 46-47.

In the first quarter of the year after the performance year, the Board of Trustees then examines performance of the corporation against the financial and operational performance goals set for the corporation, as a whole, for the past calendar year. The Board of Trustees (Compensation Committee) also reviews and assesses individual executive performance for the Eversource Energy "executive population." CIEC-015, Attachment 1, at 53. An important point is that the Board of Trustees does not assess performance or set funding parameters for any employees below vice president and there is no determination made by the Board of Trustees setting an individual

employee's variable pay compensation in a given performance year below the rank of vice president.

Based on the Board of Trustees' determination of the achieved performance level (i.e., at target, or above or below target, or some combination thereof), a decision is made by the Eversource Energy Chief Financial Officer ("CFO") as to the exact payout amount of the funding pool that will be available for all Eversource Energy employees below the rank of vice president.

2. Employee-Specific Performance Goals

The second category of "performance goals" within the Eversource variable pay program are the **employee-specific performance goals**. Once the funding pool is determined by the CFO, following the Board of Trustees' determination on the achievement of corporate goals, then the variable pay funding pool is distributed among all Eversource Energy employees in accordance with each individual's performance on their own performance metrics. With respect to employee-specific performance goals, it is important to note that some employees may have individual performance goals that relate to performance on financial "metrics" such as budget control, cost containment or efficiency improvement.

However, with respect to individual employees, only the Eversource Energy Chief Executive Officer ("CEO") and CFO have "financial goals" that align with the corporate financial goals, such as earnings per share or dividend growth. *No other employee has individual performance goals that are tied to or track the corporate financial performance goals*. To the extent that an employee may have one or more individual performance goals that pertain to financial metrics, those metrics will be designed to drive a performance outcome works to the benefit of customers, such as cost containment, efficiency improvement or other similar outcome. None of the employee-specific financial metrics tie to corporate financial performance goals.

Therefore, to separate compensation associated with the achievement of corporate financial performance goals and achievement of individual, employee-specific performance goals, the Company proactively removed the variable pay component for the CEO and CFO from the cost of service presented in this case. Because they are the only employees with individual performance goals that are tied to achieving corporate financial goals, the Company is able to confirm that there is no request to include variable pay associated with corporate financial goals in the cost of service in this proceeding.