Date Filed: October 20, 2026

Witness: Douglas P. Horton
Request from: Office of Consumer Counsel

Question:

(Storm Cost Recovery) In 21-05-15RE01 - ES Comments on Revised Straw Proposal, page 44, the Company calculated the impact of setting the catastrophic storm cost materiality threshold equivalent to 1% of the Company's authorized annual base distribution revenue requirement for 2024. Please conduct a similar analysis, using the Company's proposed test year revenue requirement in this proceeding to calculate the resulting catastrophic storm cost materiality threshold using 1% of 2025 test year distribution revenue.

a. What is the dollar amount equivalent of the 1% materiality threshold for the 2025 test year?
b. What is the average count of non-catastrophic storms per year using (a) as the threshold for the last four years (2023-2025)?
c. Using (a), what would the average annual cost of non-catastrophic storm have been over the last four-year period? What is the standard deviation?
d. Provide an updated version of the table "Number of Storms Incurred" on page 45 of 21-05-15RE01 - ES Comments on Revised Straw Proposal using the Company's proposed threshold of $5.4 million and (a) for the last four years.
e. Provide an updated version of the table "Annual Non-Catastrophic Storm Costs" on page 46 of 21-05-15RE01 - ES Comments on Revised Straw Proposal using the Company's proposed threshold of $5.4 million and (a) for the last four years.
f. Provide a similar table as (e) for annual catastrophic storms using the Company's proposed threshold of $5.4 million and (a) for the last four years.
g. Please provide an updated calculation of the base distribution rates that would be necessary for non-catastrophic storms in the 2025 test year if the 1% materiality threshold from (a) was used. Explain the Company's rationale for the amount suggested. What is the percent change change from the current base rates proposed for non-catastrophic storms?
h. Discuss whether an increase, decrease, or no change in base distribution rates for catastrophic storms (i.e., catastrophic storm reserves of $60M) would be needed if
   (a) were used in this proceeding. Explain the Company's rationale.

Response:

As an initial matter, the Company opposes any setting of the storm threshold based on an arbitrary percentage of operating revenues, whether calculated based on 2025 test year revenues, or any other operating year. The purpose of the threshold is to determine the appropriate recovery of storm costs, whether in base rates as a "minor" or routine event, or through a storm reserve and/or

reconciling mechanism that functions outside of base rates for unpredictable and non-routine weather events. Setting the threshold based on an arbitrary percentage of operating revenues will set the threshold too high for customers to cover in base rates and will potentially create a recovery gap, where costs are not represented either in base rates or in a catastrophic storm mechanism. PURA cannot establish ratemaking mechanisms that block costs from consideration under Conn. Gen. Stat. § 16-19e, which is what this approach is fundamentally aimed at doing.

The Company raised these same concerns in comments filed on March 26, 2025, in Docket No. 21-05-15RE01, regarding PURA's Revised Straw Proposal issued February 27, 2025. As noted in the comments, the materiality threshold for exogenous events cannot reasonably serve as the threshold applicable to catastrophic storm costs. PURA's own analysis of the Z-Factor materiality threshold provides, "[t]he Authority's materiality recommendation (e.g., 1%) ensures that exogenous events, for both regulatory assets and liabilities, are meaningful enough to be uncommon, while small enough to prevent the need for the impact, on its own, to require an offramp." Revised Straw Proposal at 30. PURA concluded in the Revised Straw Proposal that storms in Connecticut "occur more regularly than the exogenous events intended to be captured by the Z-Factor; therefore, these costs merit separate cost recovery treatment." Revised Straw Proposal at 32.

The Company is obligated by law to restore power quickly and efficiently or be subject to significant financial penalties. This reflects a statewide policy that power outages and blocked roads must be addressed quickly and efficiently. To that end, larger weather events causing the condition that the law expects to be addressed by the Company quickly and efficiently are not unexpected or infrequent. In fact, these conditions are certain to occur and it is only the magnitude and frequency of those weather events that are unknown. Establishing a reasonable threshold for qualifying catastrophic storm cost recovery treatment is a necessity to give effect to the policies embodied in state law as protection for customers, municipalities and state operations. Setting an arbitrary threshold at a random 1 percent of operating revenue does not meet these requirements.

A high threshold increases risk for customers for two reasons. First, it takes the storm event out of a mechanism where storm performance and cost incurrence will be scrutinized on an individual basis. Second, it requires a corresponding increase to base rates in order to establish a representative level of non-catastrophic storm activity that is recoverable through base rates. PURA does not have legal authority to create a gap where storm costs are ***ineligible*** for recovery because base rates are not set to recover adequate storm costs on a "representative" basis and there is no opportunity to present the costs for a prudence review through a storm mechanism. Therefore, where the threshold serves as the dividing line, the higher the threshold, the greater the risk that customers are paying more than they should for storm events.

In considering the risks of over-recovery for customers or under-recovery for the Company, there is no methodological basis to conclude that 1% of distribution revenues is an appropriate percentage to determine a storm is "catastrophic" for ratemaking purposes. The threshold in

Connecticut is already substantially higher than other states where, for example, NSTAR Electric Company has a threshold of $1.8 million per event in Massachusetts, due to the very fact that the Department of Public Utilities is unwilling to establish base rates that have the potential to overcompensate the utility for storm costs.

As shown in OCC-906, Attachment 1, when measured at the Company's proposed catastrophic storm threshold of $5.4 million, the frequency of *non*-catastrophic storms increased to 32 in 2021; 35 in 2022; 42 in 2023; 40 in 2024; and 62 in 2025. Raising the threshold further than the $5.4 million proposed by the Company will require a substantial increase in base rates to cover storm costs that – in actuality -- cannot be adequately set at a "representative level" and that should be reviewed on a storm-by-storm basis for prudence.

The Company's response to part (a), below, shows that the Company's test year total revenue requirement would yield a 1% threshold of approximately $11.6 million, while the rate year total revenue requirement proposed in this proceeding is $1,921,923,000, excluding the 2018-2023 storms. Applying 1% of total revenues as a catastrophic storm threshold would result in a threshold of $19.219 million, which is an increase of more than four times the current level – and bordering on two times the test year level, if computed at 1% of operating revenues. Why would the storm threshold increase by almost 70% between two years, if the threshold has anything to do with separating minor storms from major storms? This makes it clear that simply applying a random 1 percent on total distribution revenues is an arbitrary measure to establish catastrophic storm treatment.

a. The 2025 Distribution Revenue Requirement is unchanged from 2024. A 1% threshold would be $11.6 million based on test year revenues. To highlight the randomness of this threshold, the Company's total revenue requirement proposed in this proceeding for the rate year is $1,921,923,000, excluding the 2018-2023 storms. Applying 1% of total revenues as a catastrophic storm threshold would result in a threshold of $19.219 million, without the 2018-2023 storms, representing a 70% increase from the test year without any change in the difference between a minor storm and major storm event from an operational perspective.

b. Based on the test year level of revenues and an $11.6 million threshold described in part (a), the average annual count of non-catastrophic storms for the four-year period of 2022 through 2025 is 47.

c. Based on the test year level of revenues and an $11.6 million threshold described in part (a), the average annual cost of non-catastrophic storms for the four-year period of 2022 through 2025 referenced in subpart (a) is $46.8 million. The standard deviation is $16.4 million. This articulates the point above, which is that at a higher threshold of $11.6 million, the variability versus the mean is substantial.

The standard deviation of $16.4 million represents roughly one-third of the historical annual average of $47 million. From a company (or customer) perspective, this means that the range of expected outcomes is wide and the likelihood that the amount of actual non-catastrophic storm expense experienced in a given year varies materially from the amount imbedded in base rates is elevated as compared to a lower threshold with a lower standard deviation with a lower coefficient of variation. For instance, at the Company's proposed non-catastrophic storm threshold of $5.4 million, the annual average cost of non-catastrophic storms is $29.9 million (not adjusted for inflation), with a standard deviation of $4.1 million. This reflects a tighter expected range around the average, yielding protection for customers and the Company that the appropriate threshold is identified.

d. Please refer to OCC-906, Attachment 1, for an updated table using the Company's proposed threshold of $5.4 million and the threshold referenced in subpart (a) of $11.6 million.

e. Please refer to OCC-906, Attachment 2, for an updated table using the Company's proposed threshold of $5.4 million and the threshold referenced in subpart (a) of $11.6 million.

f. Please refer to OCC-906, Attachment 3, for a similar table to subpart (e) for catastrophic storms.

g. If the threshold were to be established at $11.6 million, utilizing 1% of the authorized test-year revenue, it would imply an amount of at least $62.4 million be included in rates for non-catastrophic storms in the rate year, representing a 64.3% increase to the amount proposed. However, this amount would also need to be adjusted (upward) to account for the number of events that could possibly occur on a representative basis year to year, which is the issue that the Massachusetts Department of Public Utilities has also encountered in attempting to have base rates cover storm costs. For the purposes of this response, the Company has calculated the amount for non-catastrophic storms in base rates using the same methodology as in the Cost of Service and in the Company's response to OCC-701[i]. Please refer to OCC-906, Attachment 4, for tabulation. The Company opposes this approach for the reasons described in this response.

h. Please refer to the Company's responses in EOE-055[ii], EOE-134[iii], and OCC-434[iv] for a detailed explanation of the relationship between the amounts set in base rates for each event category and the impact of storm events on the proposed revenue requirement. The movement of costs between each category would require the Company to examine and determine the costs for all categories to appropriately determine the proposed amount for each. However, raising the threshold substantially above the $4 million current level creates a situation where customers will need to pay for storm funding in the range of

$150+ million annually, or even more, to assure that the cost of actual storm restoration work is adequately covered, consistent with state law.

Prior Referenced Responses:

[i] OCC-701 Question:

Non Catastrophic Storm Costs. Refer to OCCC-383. Provide the historical uninflated amounts.

OCC-701 Response:

Please refer to the table below for the Company's non-catastrophic event costs in thousands of dollars in years 2021 through 2025 prior to accounting for inflation:

	(Thousands of Dollars)				
Year	**2021**	**2022**	**2023**	**2024**	**2025**
Non-Catastrophic Costs	$39,693	$24,114	$31,419	$30,361	$33,696

Please refer to OCC-701, Attachment 1, Page 1 for the calculation showing how the uninflated amounts were inflated to the Rate Year. Page 2 provides the raw data and information used to derive the applicable inflation factors on OCC-701, Attachment 1, Page 1, line 15.

[ii] EOE-055 Question:

(CONTRACTS) Explain how contracts are administered by the Company to include the requirements for when a contract is required and how the contracts are tracked. As part of the response, please also provide a detailed listing of available fields (i.e., data elements) for information that could be provided in the event that an inventory of contracts is requested.

EOE-055 Response:

The Company determines contract requirements based on the scope of work, total estimated spend, operational risk profile, and commercial complexity. Higher-value, long-term, or higher-risk engagements for Normal Goods and Services, as defined within the Procurement Policy, generally go through a formal competitive bid process. This typically results in a formal contract managed through SAP Ariba, though formal Ariba Contracts may also be established via approved procurement exceptions or sole source justifications.

More routine, low-dollar, transactional purchases, or those required under emergency circumstances, may be governed by a Contract in the form of a Maximo Purchase Order ("PO"), with standard terms and conditions incorporated directly into the POs when a formal Ariba Contract is not applied.

Contracts are administered and tracked using two integrated systems:

- SAP Ariba Sourcing and Contracting: Used for contract creation, legal terms negotiation, approval workflows, and master document lifecycle management. Contract details managed in Ariba automatically interface and migrate into the Company's Enterprise Resource Planning ("ERP") system, IBM Maximo.
- IBM Maximo: Used for operational execution, PO issuance, invoice matching, and active financial management. Purchase Orders reference the underlying governing contract in Ariba where applicable.

Reporting tools associated with both Ariba and Maximo allow the Procurement team to actively monitor contract status, designated sourcing agents, expiration/end dates, and remaining contract balances to ensure timely reviews, renewals, or closeouts.

In the event an inventory of contracts is requested, the available data fields (data elements) actively utilized and managed by the teams include:

For Contracts (SAP Ariba):

- CONTRACT NUMBER (Contract Header)
- REVISION NUMBER (Contract Header)
- CONTRACT STATUS (Contract Header)
- STATUS DATE (Contract Header)
- VENDOR (Contract Header)
- PURCHASE AGENT (Contract Header)
- CONTRACT TYPE (Contract Header)
- CONTRACT CATEGORY (Contract Header)
- CONTRACT DESCRIPTION (Contract Header)
- CHANGE BY (Contract Header)
- CHANGE DATE (Contract Header)
- START DATE (Contract Header)
- CONTRACT END DATE (Contract Header)
- CONTRACT VALUE (Contract Header)
- CAN EXCEED VOLUME (Contract Header)
- AMOUNT REMAINING (Contract Header)
- FREIGHT TERMS (Contract Header)
- FOB POINT (Contract Header)
- PAYMENT TERMS (Contract Header)
- ADD LINES ON USE (Contract Header)
- INVOICE APPROVAL REQUIRED (Contract Header)
- RECEIPTS REQUIRED (Contract Header)
- CONTRACT CERTIFICATE OF INSURANCE CATEGORY (Contract Header)
- CONTRACT LINE NUM (Contract Line)
- LINE TYPE (Contract Line)
- ITEM NUMBER (Contract Line)
- LINE DESCRIPTION (Contract Line)
- ORDER UNIT (Contract Line)
- ORDER QTY (Contract Line)
- UNIT COST (Contract Line)

For Purchase Orders (IBM Maximo):

- PO NUMBER (PO Header)

- PO REVISION NUMBER (PO Header)
- REVISION COMMENTS (PO Header)
- PO DESCRIPTION (PO Header)
- PO STATUS (PO Header)
- PO STATUS DATE (PO Header)
- VENDOR (PO Header)
- CONTRACT NUMBER (PO Header)
- PURCHASE AGENT (PO Header)
- CERTIFICATE OF INSURANCE COVERAGE (PO Header)
- ORDER DATE (PO Header)
- INVOICE APPROVER (PO Header)
- INVOICE APPROVAL REQUIRED (PO Header)
- PROCUREMENT GROUP (PO Header)
- REQUIRED DATE (PO Header)
- SOLE SOURCE (PO Header)
- PO TYPE (PO Header)
- FREIGHT TERMS (PO Header)
- PAYMENT TERMS (PO Header)
- FOB POINT (PO Header)
- SHIP TO (PO Header)
- SHIP TO ATTN (PO Header)
- DROP POINT (PO Header)
- BILL TO (PO Header)
- TOTAL COST (PO Header)
- TOTAL TAX (PO Header)
- CHANGE BY (PO Header)
- CHANGE DATE (PO Header)
- PAY ENTITY (PO Header)
- PO DELIVERY METHOD (PO Header)
- PO EMAIL (PO Header)
- PO REVISION DELIVERY METHOD (PO Header)
- ESMATERIALRECEIPTS (PO Header)
- ESEXCEPTION FLAG (PO Header)
- DIRECT REQUEST (PO Header)
- PO COMPLIANCE (NEW FIELD) (PO Header)
- EXCEPTION CATEGORY (NEW FIELD) (PO Header)
- PO LINE NUMBER (PO LINE)
- ITEM NUMBER (PO LINE)
- LINE DESCRIPTION (PO LINE)
- LINE TYPE (PO LINE)
- STOREROOM LOCATION (PO LINE)
- ORDER QTY (PO LINE)
- ORDER UNIT (PO LINE)
- UNIT OF MEASURE CONVERSION (PO LINE)
- UNIT COST (PO LINE)
- RECEIVED QTY (PO LINE)
- RECEIVED UNIT COST (PO LINE)
- RECEIVED TOTAL COST (PO LINE)
- VENDOR DELIVERY DATE (PO LINE)

- COMMODITY GROUP (UNSPSC) (PO LINE)
- COMMODITY (UNSPSC) (PO LINE)
- LINE COST (PO LINE)
- COMMODITY DESCRIPTION (PO LINE)
- TAX CODE (PO LINE)
- TAX VALUE (PO LINE)
- REMAINING CONTINGENCY AMOUNT (PO LINE)
- ENTER DATE (PO LINE)
- REQUESTED BY (PO LINE)
- REQUIRED DELIVERY DATE (PO LINE)
- ENTER BY (PO LINE)
- VENDER COMMENT (PO LINE)
- SUPPLIER COMMIT DATE (PO LINE)
- GENERAL LEDGER DEBIT ACCT (PO LINE)

[iii] EOE-134 Question:

(2Q-4Q25 CATASTROPHIC STORM EVENTS) Discuss the impact that would result with respect to the Company's revenue requirements (i.e., for a proposed rate year) if a catastrophic storm event occurred during the test year (i.e., 2025) but the underlying costs were not deferred as permitted. Specifically explain if the revenue requirements could be overstated based on the higher O&M expenses for the test year.

EOE-134 Response:

The ratemaking framework for storm events revolves around the central point of this question, which is that the incremental operating and maintenance ("O&M") expenses caused by larger, more sporadic weather events need to be ***excluded*** from base rates so that the recurring base rates that customers pay do not include the large, "one-time" costs that are non-recurring and cannot be captured as a "representative" cost for the Rate Year revenue requirement. The method by which storm events are classified as catastrophic, non-catastrophic or pre-staging events – and the ratemaking treatment for each category of weather event – are important regulatory decisions to assure that (1) customers are not paying for storm costs that are not incurred in relation to actual storm events; and (2) actual, prudently incurred storm costs have a path for recovery consistent with law and appropriate ratemaking policy.

Without an appropriate mechanism for recovery of costs outside of base rates (or in base rates as an after-the-fact amortization), there is a high likelihood that customers would either pay too much storm costs, or that the Company will not have a fair and reasonable opportunity to recover its prudently incurred costs. For example, given the Company's historical experience, PURA would have to include an amount in the range of $150 million annually to cover the costs of storm restoration for major weather events, which is a significant amount of money for customers to pay in base rates without specific knowledge or expectations about when, or to what extent, the actual underlying costs would be incurred. Moreover, if included in base rates as a normally recurring cost item rather than deferred to a regulatory asset, no prudence review would be applicable after setting that amount in base rates, which does not make sense for storm costs.

Accordingly, as identified by the question, an increase to base distribution rates of $150 million would likely mean that the resulting revenue requirement would be overstated or understated in future years, even though the amount imputed into base rates would be informed by actual historical storm data and would attempt to impute a level of costs into rates that would reflect the expected costs in future years. Thus, even at the level of $150 million included in base rates, PURA would need to provide for a deferral mechanism because storms are completely unique in nature and

severity and any amount built into base rates would require adjustment based on actual circumstances. For example, Storm Isaias in 2020 and Storm Henri in 2021 were each approximately $150M or more in costs by themselves, so that even an allowance of that magnitude in rates would not be sufficient to cover the costs that were actually incurred.

Please refer to the Company's response to OCC-055i, which states that the Company's proposals for base distribution rate funding for non-catastrophic storm/non pre-staging events, catastrophic storms and pre-staging events are based on a catastrophic storm threshold of $5.4 million, calculated by escalating the prior authorized threshold of $4 million using the GDP-PI from 2018 through the Rate Year. Importantly, if the $5.4 million threshold proposed by the Company is modified in this proceeding, the historical level of storm activity would need to be re-evaluated as well to determine if a level of reserve funding in base rates different than what the company has proposed is necessary. In addition, if the $5.4 million threshold is adjusted in this proceeding, the base level of non-catastrophic expense in base rates likewise need to be adjusted.

Lastly, although it may be counterintuitive, maintaining a reasonable threshold for the major storm reserve is the best approach for customers because the Company's base distribution revenue requirement would then, consequently, have a lower amount of *non*-catastrophic storm/non pre-staging event costs incorporated into it and customers would pay only for those costs that actually occur, at the time those costs occur, reducing the risk to both customers and the Company as more costs would be funded at exactly the amount that's deemed prudent by PURA, no more and no less.

[iv] OCC-434 Question:

Exhibit CLP-ELP-1 Please compare the Company's proposed $5.4 million threshold for catastrophic storm cost deferral treatment to a threshold equal to 1% of the Company's authorized distribution revenue requirement, as contemplated in the Docket No. 21-05-15RE01 Proposed Final Decision. Please quantify the dollar amount represented by a 1% threshold using the Company's proposed revenue requirement and explain why the Company believes the proposed $5.4 million threshold is more appropriate than a materiality threshold of 1% of the Company's revenue requirement.

OCC-434 Response:

The Company's written comments submitted in Docket No. 21-05-15RE01 on March 26, 2025, at pages 42-49, provided a comprehensive discussion as to why it is ill advised to establish a 1% threshold for catastrophic storm cost deferral. There, the Company explained that:

> The tables above also demonstrate the relationship between the catastrophic storm threshold level and the level of non-catastrophic storm costs that must be established in base distribution rates. This is because base rates must reflect a representative level of expenses so that the utility has an opportunity, but not a guarantee, to cover its costs of service in any given year. Base rates therefore must be set to reflect a representative level of expenses for storms that do not qualify for deferred treatment as a catastrophic (or pre-staging) storm event. The table above demonstrates that, if the catastrophic storm threshold is held at current levels, base rates would be set at a lower level if using any measure (i.e., any individual test year, the average of all years, the maximum, or the minimum) than if the threshold is increased as contemplated by the straw proposal.
>
> To illustrate the point, if 2024 were used as the test year, base rates would be set to include approximately $30 million in non-catastrophic storm costs if the threshold were maintained at its current level, whereas base rates would have to be set $73 million higher if the threshold is increased to the level contemplated by the Revised Straw Proposal (to reflect $103 million in non-catastrophic storm activity). The same analysis holds if using the average of the four prior years, or if using any

> one of the years shown in the table. Moreover, the volatility and risk of over or under recovery to both customers and the companies is exacerbated with a higher threshold. For instance, if the level of non-catastrophic storms is increased as contemplated by the Revised Straw Proposal and PURA establishes the level of non-catastrophic storm costs in base rates at the 4 year average of $78 million, the standard deviation of $18 million indicates that the swing from year to year would be significant, causing a potential annual $18 million "over recovery" or "under recovery", depending on the frequency and magnitude of storms below the threshold as compared to the $78 million established in base rates. Whereas with the current threshold, that standard deviation is significantly lower, ensuring that customer rates remain more closer aligned with actual and expected storm expenses.

Docket No. 21-05-15RE01, Eversource, March 26, 2025 Written Comments at 47-48.

In this case, a 1% threshold based on the Company's proposed authorized distribution revenue requirement equates to $19,219,230, compared to a threshold of $5.4 million proposed in this application (refer to Docket No. 26-05-10, Exhibit CLP-REVREQ-2, WP C-3.26). While the dollar values in this proceeding differ from the dollar values presented in Docket No. 21-05-15RE01, the concerns remain the same. Although PURA has broad ratemaking discretion, PURA cannot simply decide to cut costs out of the equation for recovery, particularly incremental storm costs. Pursuant to Conn. Gen. Stat. § 16-19e(a)(4) and (5), the Company at least has the opportunity to prove that its costs were prudently and efficiently incurred. As a result, if not included in the storm-cost recovery framework, the costs have to be accounted for in base rates.

The ratemaking framework is an important component for classifying storm events as catastrophic, non-catastrophic or pre-staging. The method by which storm events are classified and the ratemaking treatment for each weather event are important regulatory decisions to ensure that (1) customers are not paying for storm costs that are not incurred in relation to actual storm events; and (2) actual, prudently incurred costs have a path for recovery consistent with law and appropriate ratemaking policy. Without an appropriate mechanism for recovery of costs outside of base distribution rates, there is a high likelihood that customers would either pay too much for storm costs, or that the Company will not have a fair and reasonable opportunity to recover its prudently incurred costs. Please refer to the Company's response in EOE-134i, for additional discussion on the impact of storm events on the proposed revenue requirement.

Using 1% of the Company's proposed authorized distribution revenue requirement as the catastrophic storm threshold, the five-year average annual non-catastrophic expenses would be $117.1 million in 2028 dollars, which represents a $75 million increase as compared to the Company's proposed non-catastrophic storm funding of $42 million. Therefore, as stated in the Company's response to OCC-055ii, if the $5.4 million threshold is modified in this proceeding, the historical level of storm activity should be re-evaluated as well to determine if a level of reserve funding, both catastrophic and pre-staging, in base rates different than what the company has proposed is necessary. In addition, if the $5.4 million threshold is adjusted in this proceeding, the base level of non-catastrophic expense in base rates would likewise need to be adjusted.

Further, a reasonable threshold for major storm events will enhance PURA's regulatory oversight for future major storm events as proposed in the Company's SCRAF initiative.