STATE OF CONNECTICUT
PUBLIC UTILITIES REGULATORY AUTHORITY

Docket No. 26-05-10

APPLICATION OF THE CONNECTICUT LIGHT AND POWER COMPANY
D/B/A EVERSOURCE ENERGY
TO AMEND ITS RATE SCHEDULES

JOINT REBUTTAL TESTIMONY OF

BRENDAN J. O'BRIEN AND GARRETT J. MURRAY

Revenue Requirements Panel

On behalf of

The Connecticut Light and Power Company
d/b/a Eversource Energy

November 18, 2026

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I. INTRODUCTION

Q. Please state the names of the witnesses on the panel for this rebuttal testimony.

A. This panel consists of Brendan J. O'Brien and Garrett J. Murray. We are providing this rebuttal testimony on behalf of The Connecticut Power and Light Company d/b/a Eversource Energy ("CL&P" or the "Company").

Q. Mr. O'Brien and Mr. Murray, have you previously submitted testimony in this proceeding?

A. Yes. On July 14, 2026, we submitted direct, pre-filed testimony to the Public Utilities Regulatory Authority ("PURA") on behalf of CL&P in support of its application for approval of amended rate schedules. Our direct, pre-filed testimony was designated as Exhibit CLP-REVREQ-1. Additionally, we submitted exhibits designated as Exhibits CLP-REVREQ-2 through CLP-REVREQ-11.

Q. What is the purpose of this panel's joint rebuttal testimony?

A. Our joint rebuttal testimony responds to certain positions taken and proposals offered by the Office of Consumer Counsel ("OCC"), provided through the direct testimony of witness John Defever, filed on October 21, 2026 ("Defever Testimony"), on matters

including the Company's rate base, operating expenses and other rate case and revenue requirement proposals.[1]

Q. How is your testimony organized?

A. Our testimony is organized into the following sections:

- Section I provides the introduction;
- Section II provides our response to Mr. Defever's arguments on the Company's rate base items;
- Section III provides our response to Mr. Defever's position on the operating expense items;
- Section IV provides commentary regarding various mathematical errors, duplicative adjustments and inconsistencies identified in Mr. Defever's testimony and supporting exhibits; and
- Section V is the conclusion.

Q. Do you have any initial comments on the OCC's proposals to reduce the revenue requirement?

A. Yes. The Company appreciates the OCC's engagement, diligence, and significant efforts throughout this proceeding. To date, the OCC has issued more than one thousand interrogatories, conducted a three-day on-site audit, and participated extensively in technical sessions, public comment hearings, and other aspects of this proceeding. The Company addresses the OCC's specific revenue requirement

1 The Company does not respond to every issue raised in the intervenor testimonies. Silence on any issue should not be construed as agreement on any issue.

proposals in the rebuttal testimony that follows, but, before doing so, it is important to place the OCC's overall recommendation in the appropriate context.

As discussed throughout this case, the Company's last distribution rate application was filed in November 2017 in Docket No. 17-10-46. Since that time, the Company has invested over $3 billion in its electric distribution system to continue to provide safe and reliable service to our customers. Over the same period, the Company has experienced substantial increases in the cost of providing distribution service, including significant inflation during and following the COVID-19 pandemic; increased employee compensation and benefit costs, property taxes, and many other operating and maintenance expenses. Additionally, the Company has experienced substantial increases in storm costs for minor, pre-staging and catastrophic events.

These circumstances are important to understand the magnitude of the OCC's recommendation in Mr. Defever's testimony. The OCC's proposal not only eliminates the Company's calculated base revenue deficiency of $451 million (excluding storm amortization), but proposes a *reduction* to base distribution rates of approximately $10 million.[2] Such a proposal suggests that, despite nearly a decade of substantial system investment and significant and sustained cost increases to continue to provide safe and reliable service to customers, the Company's current base distribution revenues are more than sufficient.

[2] Exhibit JD-1 Schedule A, line 10.

The Company's actual 2025 financial performance further demonstrates the disconnect between the OCC's proposed base rate reduction and the revenues needed to continue to support the electric distribution system we maintain each and every day. In fiscal year 2025, the Company earned an actual return on equity ("ROE") of 6.51 percent,[3] materially below the currently authorized ROE of 9.25 percent, the Company's proposed ROE of 10.25 percent and even the OCC's own proposed ROE of 8.70 percent.[4]

Importantly, these actual results reflect the 2025 test year, whereas the rates established in this proceeding are intended to support the Company's revenue requirement for the July 1, 2027 through June 30, 2028 rate year. Between the end of 2025 and the end of the rate year, the Company will continue to make substantial capital investments to enhance reliability, replace aging infrastructure, and mitigate customer service disruptions, thereby increasing rate base that must be supported by rates. To date the Company has provided significant evidence in this case supporting the sizable level of capital investment placed in service in 2026 and will continue to do so throughout this proceeding.

Thus, if the Company's actual 2025 distribution revenues were already dramatically insufficient to provide a reasonable opportunity to earn even the OCC's proposed 8.70 percent ROE on the actual 2025 rate base, it is not mathematically plausible that the

[3] EOE-062, Attachment 8, page 6.
[4] Exhibit JD-1 Schedule D, line 12.

OCC's proposal would provide the Company a reasonable opportunity to earn the same return during the rate year, when actual rate base and operating costs would be materially higher, but under the OCC's proposal revenues *would actually be reduced* from current levels. This is evidenced by the Company's most recent ROE filing for the third quarter of 2026 where the Company's earned ROE dropped to 5.52 percent[5], which is approximately 0.99 percent lower than the 2025 actual year end amount. For this reason, the OCC's proposed reduction is fundamentally inconsistent with the principle of establishing just and reasonable rates. Our testimony presents evidence that should be considered by PURA rebutting various OCC's arguments, as well as pointing out a number of mathematical errors which, when corrected, result in a material increase in the proposed revenue deficiency advocated by the OCC and its witnesses.

Q. Please summarize Mr. Defever's adjustments to rate base and operating income.

A. Mr. Defever recommended two direct adjustments to rate base, which included (1) a reduction to materials and supplies for the removal of the proposed inflation adjustment and (2) the inclusion of customer advances for construction as a rate base offset. In addition, certain adjustments recommended by Mr. Defever also impacted the associated rate base assets / liabilities and the Company's cash working capital. For example, Mr. Defever recommended changes to payroll expense and variable compensation, which also affect the cash working capital included in the Company's proposed rate base in this proceeding. Finally, Mr. Defever incorporated various rate

[5] See CL&P's Docket No. 76-03-07RE01 Compliance Filing dated November 13, 2026.

base adjustments for the plant recommendations outlined in the testimony of OCC witness Nikhil Balakumar and the depreciation recommendations outlined in the testimony of OCC witness David Garrett.[6]

As it relates to the Company's proposed operating income, Mr. Defever made a number of proposed adjustments. Figure 1, below, shows the difference between the Company's position and OCC's recommended Rate Year operating income recommendations:

Figure 1: Company vs. OCC Rate Year Operating Income

($ thousands)

Adjusted Operating Income Items	OCC Adjustment*
Directors and Officers Insurance	$(323)
Board of Trustees	$(386)
Investor Relations Expense	$(480)
Bank Fees	$(217)
Employee Paid Volunteer Time	$(236)
Inflation	$(4,822)
Incentive Compensation	$(15,064)
SERP/Non-SERP	$(657)
Employee Paid Rest Time	$(759)
Payroll Expense	$(3,238)
Vegetation Management Expense	$(50,939)
Non-Catastrophic Storm/Prestaging Accrual	$(6,143)
Prestaging Accrual	$(605)
401(k) Expense	$(1,429)
Rate Case Expense	$(775)
Benefits	$(747)
Payroll Tax	$(1,670)

6 Defever Testimony, at 3.

Depreciation Expense (Plant Adjs)	$(31,437)
Depreciation Expense (OCC Depreciation Rate)	$(71,060)
Property Tax	$(16,411)
Income Tax Expense	$63,974
Total Adjustments	**$(143,424)**

*Amounts do not include the impacts of income tax, uncollectible expense, and gross earnings tax that result from flowing these items through the Company's proposed cost of service. Additionally, the adjustments do not reflect the associated rate base impact where applicable.

Finally, Mr. Defever incorporated adjustments regarding (1) the ROE and capital structure and (2) depreciation expense adjustments proposed by OCC witness, David Garrett. In addition to this rebuttal testimony, the Company addresses Mr. Defever's recommendations on variable compensation within the Company's separate compensation and benefits rebuttal testimony filed as Exhibit CLP-COMPENSATION-REBUTTAL-1. The Company addresses Mr. Defever's recommendations on the vegetation management proposal in the Company's vegetation management rebuttal testimony filed as Exhibit CLP-VMP-REBUTTAL-1.

II. RATE BASE

Q. Do you have any initial comments on the OCC's proposals to reduce rate base?

A. Yes. In his testimony, Mr. Defever proposes an average rate base for the rate year of approximately $5.683 billion for the period ending June 30, 2028. This represents a reduction of approximately $1.151 billion, or 17 percent, from the Company's proposed average rate base for the rate year of $6.834 billion. Before addressing the individual components of the OCC's proposed adjustments, however, it is important to place the magnitude of this reduction and some underlying assumptions of this proposal in context.

The Company's actual 2025 test year rate base, excluding storms, was approximately $6.198 billion.[7] Thus, Mr. Defever's proposed rate base for a rate year ending 30 months after the test year is approximately $515 million, or 8 percent, below the Company's actual 2025 rate base.

This result is particularly difficult to reconcile with the individual components of Mr. Defever's calculation. Specifically, Mr. Defever increases accumulated depreciation by approximately $254.9 million, or 16 percent, and accumulated deferred income taxes ("ADIT") by approximately $207.4 million, or 17 percent, relative to the actual 2025 test year balances. Both accumulated depreciation and ADIT are deductions from rate base that are principally driven by the underlying investment in utility plant. As additional utility plant is placed in service, accumulated depreciation increases as those assets are depreciated, while the ADIT liability increases as accelerated tax depreciation recognized under MACRS typically exceeds straight-line book depreciation recognized under the generally accepted accounting principles ("GAAP"). What is unusual about Mr. Defever's calculation is that these substantial increases in accumulated depreciation and ADIT are not accompanied by a corresponding increase in utility plant in-service. To the contrary, his calculation reflects utility plant in-service that is approximately $44.1 million, or 0.5 percent, below the Company's actual 2025 test year balance. In other words, the OCC's rate base calculation appears to assume substantial growth in two rate base deductions that are primarily generated by

[7] Exhibit CLP-REVREQ-2, Schedule B-1.0, row 36, column (1) less Schedule B-6.2, rows 52, column (B) and 53 column (B).

in-service plant additions, while simultaneously assuming that the underlying plant balance should be reduced relative to actual levels, and those levels proposed by the Company in this proceeding.

This inconsistency becomes even more pronounced when Mr. Defever's calculation is compared with the testimony of OCC witness Nikhil Balakumar concerning interim-period capital additions. Mr. Balakumar recommends the inclusion of capital additions in rate base that are "completed, in service and documented as of the last supplemental filing before the record closed."[8] Based on his current estimate, approximately $645.3 million of the Company's requested $847.8 million of interim-period plant additions would be included in utility plant in-service at the close of the record.[9] After accounting for Mr. Balakumar's proposed disallowance of approximately $26.5 million associated with direct-buried cable projects,[10] his testimony actually supports a significant increase to the actual 2025 test year utility plant in-service balance.[11] Thus, based on the Company's understanding of the two witnesses testimonies there appears to be a substantial and material difference between Mr. Defever's revenue requirements calculation and Mr. Balakumar's testimony supporting capital additions.

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8 Balakumar Testimony at 93.

9 Balakumar Testimony at 93.

10 Balakumar Testimony at 92.

11 Mr. Balakumar does highlight potential disallowances of Peak Load / Capacity projects totaling $145.4 million placed in service between 2023 and 2025, which in his opinion if certain non-wires alternative documentation is not provided should not be approved and PURA should "disallow the cost above the least-cost alternative, where one was available." Balakumar Testimony at 92.

Accordingly, the OCC's proposed rate base appear to be internally inconsistent. Said simply, the Company is not able to reconcile a rate base calculation that simultaneously (1) reduces utility plant in-service below the actual 2025 test year balance, (2) substantially increases accumulated depreciation and ADIT associated with that plant, and (3) is accompanied by separate OCC testimony that supports a net increase in utility plant in-service through the close of the evidentiary record. These inconsistencies raise fundamental concerns regarding the mathematical accuracy and conceptual basis for the OCC's proposed $1.151 billion reduction to the Company's average rate base for the rate year. The Company addresses the OCC's proposed adjustments to each individual rate base component in greater detail below.

A. Materials and Supplies

Q. What is the Company's request for materials and supplies in rate base?

A. The Company computed a test year five-quarter average (Q4 2024 – Q4 2025) materials and supplies balance of $161.732 million, which was adjusted for inflation using the Moody's Analytics Inc. Gross Domestic Product – Price Index ("GDP-PI") forecast for both the interim and rate periods. This resulted in an interim period inflation adjustment of $7.643 million ($161.732 million * 4.73% = $7.643 million) and a rate year inflation adjustment of $2.779 million ([$161.732 million + $7.643 million] * 1.64% = $2.779 million). Adjusting for inflation results in a total interim period materials and supplies balance of $169.375 million ($161.732 million + $7.643 million = $169.375 million) and a total rate year ending materials and supplies balance of $172.154 million ($161.732 million + $7.643 million + $2.779 million = $172.154

million). The average of both the ending interim and rate year balance is $170.765 million ([$169.375 million + $172.154 million] / 2 = $170.765 million), which represents the Company's proposed materials and supplies balance included in rate base. The Company provides detailed information on this request in Schedule WP B-4.0, at 1 and the Revenue Requirement Panel's pre-filed testimony, Exhibit CLP-REVREQ-1, at 27-30.

Q. What is Mr. Defever's response to this proposal?

A. Mr. Defever recommends the removal of all inflationary adjustments to the materials and supplies balance, which results in a reduction to the amount included in rate base of $9.033 million.[12]

Q. What is Mr. Defever's reasoning behind this reduction?

A. Mr. Defever concluded that inflation "is not a known and measurable increase"[13] and removed the inflationary adjustment of $9.033 million in his proposed revenue requirement calculation.

Q. Does the Company agree with Mr. Defever's determination and conclusions?

A. No. The Company does not agree that inflation would not qualify as a known and measurable adjustment. This argument was used consistently throughout Mr. Defever's testimony to support various adjustments and rather than rebutting the

[12] Defever Testimony, at 7 and Exhibit JD-1, Schedule B-1.

[13] Defever Testimony, at 7.

argument throughout our testimony, we have consolidated our arguments in a separate section of our testimony below.

B. Customer Advances for Construction

Q. Please describe what is considered a customer advance for construction.

A. A customer advance for construction represents a cash advance from a new customer to cover certain construction costs. These amounts are refundable to project owners at a future date either in full or in part upon completion of project milestones. If these amounts are forfeited, the balance would be credited against project costs included in rate base. These amounts are reflected within FERC Account 252 Customer Advances for Construction on the balance sheet.

Q. Has the Company's included Customer Advances for Construction in Rate Base?

A. No. The Company has not included customer advances for construction in rate base in either of the Company's two most recent rate cases in both Docket No. 17-10-46 and 14-05-06.

Q. What is Mr. Defever's recommendation for customer advances?

A. Mr. Defever's recommendation is to include the "most recent balance" for customer advances for construction of $19.485 million in rate base.[14]

[14] Defever Testimony, at 9

Q. What was Mr. Defever's justification to include customer advances for construction in rate base?

A. Mr. Defever contends that these balances have increased substantially since March 2023, argues that other companies in Connecticut include refundable advances in rate base (citing two water companies) and noted he believes prior to the Company's two most recent rate cases customer advances were included in rate base.

Q. Does the Company agree with Mr. Defever's conclusions?

A. No. Consistent with recent CL&P rate case proceedings (both Docket No. 17-10-46 and 14-05-06) the Company has not included these amounts in rate base. As outlined above, these amounts are typically refunded to customers in full and as a result do not represent funds utilized by the Company to support long-term capital projects or initiatives.

If PURA were to depart from recent rate case precedent to include these amounts in rate base, simply selecting the "most recent balance", as suggested by Mr. Defever, is not a proper or supportable methodology. It is also important to highlight that the "most recent balance" referenced by Mr. Defever also happens to be the largest balance in the past three years by a significant margin. In fact, from March 2023 to November 2025 the average monthly customer advance balance was approximately $2.7 million, starting in December 2025 this balance increased dramatically to the June 2026 amount of $19.485 million. This increase is primarily driven by one single project initiated in December 2025, where a customer paid a refundable advance of approximately $8.1

million. The Company provides details on the increase in this balance in recent months within both OCC-676 and OCC-936.

The goal of any rate case is to establish a just and reasonable level of distribution revenues for the Company to operate the business by incorporating a representable level of rate base and annual operating costs in rates. Mr. Defever argues a five-quarter average balance is not needed for customer advances, similar to some of his other proposals, because "an average would be more appropriate for amounts that fluctuate."[15] He neglects to highlight that these amounts have fluctuated significantly in recent months moving from an average balance of $2.7 million from March 2023 to November 2025 to an average of $18 million from December 2025 to June 2026. Thus, the Company contends if such an amount were to be included in rates the significant projects included in this balance outlined in both OCC-676 and OCC-936 should be normalized to achieve a representative and historical level of customer advances in rates.

C. Utility Plant In-Service

Q. What is the Company's request for utility plant in-service in rate base?

A. The Company's test year actual utility plant in-service balance was $8.828 billion as of December 31, 2025. This test year balance includes all electric plant that is used, useful and providing active service to customers as of December 31, 2025, and was based on

[15] Defever Testimony, at 12-13.

the electric plant amounts included in FERC Account 101 and FERC Account 106. Refer to Table 3 of Exhibit CLP-REVREQ-1 at 21 for a detailed reconciliation of the test year amount to the audited Annual FERC Form 1 financial statements.

The Company proposed an adjustment to the test year balance for both capital additions and retirements by individual plant account through the end of the rate year (June 30, 2028) utilizing the Company's internal forecasts. The Company incorporated capital additions of $848 million and retirements of ($152) million for a net adjustment of $696 million in the interim period (January 1, 2026 – June 30, 2027) and capital additions of $665 million and retirements of ($116) million for a net adjustment of $549 million in the Rate Year (July 1, 2027 – June 30, 2028).

These adjustments resulted in a beginning rate year (July 1, 2027) utility plant in-service balance of $9.523 billion ($8.828 billion + 695 million = $9.523 billion) and an ending rate year (June 30, 2028) utility plant in-service balance of $10.073 billion ($9.523 billion + $549 million = $10.073 billion). These beginning and ending utility plant in-service balances produced an average value for the rate year of $9.798 billion ([9.523 billion + $10.073 billion] / 2 = $9.798 billion), which was used in calculating the Company's rate base.

The Company provides detailed information on this request in Exhibit CLP-REVREQ-2, Schedule WP B-2.0 to WP B-2.5 and the Revenue Requirement Panel's pre-filed testimony, Exhibit CLP-REVREQ-1, at 20-24.

Q. What is Mr. Defever's response to this proposal?

A. Mr. Defever recommends an adjustment to the Company's average utility plant in-service balance for the rate year of $1.014 billion[16] or approximately 10 percent.

Q. Was Mr. Defever's recommendations based explicitly on his own findings and conclusions?

A. No. Mr. Defever's adjustments to the average utility plant in-service for the rate year include recommendations from OCC witness Nikhil Balakumar.[17]

Q. What were the capital recommendations from Mr. Balakumar?

A. Mr. Balakumar recommended the following capital adjustments in his pre-filed testimony:

- A disallowance of $26.5 million for 2022-2023 direct-buried cable replacement costs.[18]
- A potential disallowance of capacity additions for "Peak Load/Capacity project placed in service from 2023 through 2025" totaling $145.4 million if the Company cannot produce "contemporaneous evaluation of non-wires alternatives, the load forecast and the authorization documents" for each project

16 Exhibit JD-1, Schedule B, line 1 and Schedule B-4, lines 15 - 19.

17 Defever Testimony, at 3.

18 Balakumar Testimony, at 92.

prior to the record closing. The proposed disallowance would be calculated as "the cost above the least-cost alternative where one was available."[19]

- To "[i]nclude in rate base only plant additions that are completed, in service and documented as of the last supplemental filing before the record closed, and exclude all forecasted plant." Mr. Balakumar projected the utility plant amount eligible for inclusion in rate base at $645.3 million ($847.8 million - $202.5 million = $645.3 million). Thus, proposing to remove approximately $202.5 million of interim period projected capital additions and all projected rate year capital additions of $664.9 million.[20]
- Additionally, Mr. Balakumar identified areas that were open for additional information from the Company and committed to providing final recommendations on those additions in the surrebuttal testimony.[21] Finally, he recommended it be required the Company have before-and-after storm performance data for the resiliency programs and requests PURA weigh the

19 Balakumar Testimony, at 92-93.

20 Balakumar Testimony, at 93.

21 Balakumar Testimony, at 92.

absence of measured benefits in deciding whether resiliency additions place in service after 2020 were prudently incurred.[22]

Q. Do you have any specific rebuttal regarding the merits of Mr. Balakumar's testimony?

A. No. Our testimony is specifically focused on how Mr. Defever adopted Mr. Balakumar's recommendations into the OCC's revenue requirement calculation in Exhibit JD-1. The Capital Additions panel has addressed the details of Mr. Balakumar's testimony at Exhibit CLP-ADDITIONS-REBUTTAL-1.

Q. How did Mr. Defever incorporate the testimony and recommendations of Mr. Balakumar into his proposed revenue requirement calculation?

A. Mr. Defever adjusted the average utility plant in-service calculated by the Company for the rate year (July 1, 2027 – June 30, 2028) by $1.039 billion to incorporate Mr. Balakumar's recommendations. His adjustment is the culmination of the recommended utility plant adjustments for (1) the direct buried cable projects ($26.5 million), (2) the potential capital disallowance for peak load / capacity additions ($145.4 million), (3) the interim period (January 1, 2026 – June 30, 2027) capital not expected to be supported by the close of the evidentiary record (projected to be $202.5 million) and (4) all rate year (July 1, 2027 – June 30, 2028) capital additions ($664.9 million). These amounts total $1.039 billion ($26.5 million + $145.4 million + $202.5 million +$664.9 million = $1.039 billion), which was subtracted from the Company's

[22] Balakumar Testimony, at 93.

average rate year utility plant in-service of $9.978 billion in Exhibit JD-1 Schedule B Line 1.

Q. Did Mr. Defever properly reflect the capital recommendations from Mr. Balakumar's testimony into the average rate base calculation for the rate year?

A. No. The Company identified material issues and mathematical errors in Mr. Defever's calculation of witness Balakumar's recommendations within his revenue requirement calculation.

Q. Please summarize these issues and mathematical errors.

A. The Company identified multiple issues in Mr. Defever's adoption and implementation of Mr. Balakumar's recommendations, including both a misapplication of Mr. Balakumar's proposed treatment of certain capital projects and a material mathematical error in calculating the average rate year plant additions.

First, Mr. Defever appears to have removed the entire $145.4 million of Peak Load / Capacity capital additions identified in Mr. Balakumar's testimony. These projects were placed in service between 2023 and 2025. However, Mr. Balakumar does not recommend an outright disallowance of these investments. Rather, he requests additional information regarding the Company's evaluation of non-wires alternatives and other load-related considerations and recommends that PURA "not find a project prudent where the Company cannot make that showing and disallow the cost above the least-cost alternative where one was available."[23] Accordingly, Mr. Defever's removal

[23] Balakumar Testimony, at 92-93.

of the entire $145.4 million appears both premature and inconsistent with Mr. Balakumar's recommendation, which contemplates a potential disallowance only where the requisite showing is not made and, even then, only for costs exceeding an available least-cost alternative.

Second, and more significantly, Mr. Defever made a mathematical error in implementing Mr. Balakumar's recommendation regarding rate year capital additions. The Company projects approximately $664.9 million of capital additions during the July 1, 2027 through June 30, 2028 rate year. Because those additions are projected to be placed in service throughout the rate year, the Company appropriately calculated the average rate year balance by including only 50 percent, or approximately $332.5 million, in rate base ([$0 + $664.9 million] ÷ 2 = $332.5 million). Mr. Defever, however, removed the entire $664.9 million from rate base. In doing so, he effectively removed approximately $332.5 million of plant that was never included in the Company's proposed average rate base for the rate year in the first place. This is not a difference in ratemaking methodology or regulatory judgment. It is a mathematical error that, by itself, understates Mr. Defever's calculated utility plant in-service by approximately $332.5 million, accounting for more than 30 percent of his proposed reduction to utility plant.

These issues are significant because they demonstrate that Mr. Defever's proposed rate base reduction is not simply the product of differing judgments concerning the appropriate level of capital investment. Rather, a material portion of the reduction

results from both an apparent misapplication of Mr. Balakumar's recommendations ($145.4 million in total) and a mathematical error ($332.5 million) that removes from rate base hundreds of millions of dollars of plant that the Company never included in its initial average rate year balance.

Q. Did Mr. Defever remove any of the estimated retirements included within the Company's average rate year utility plant in-service?

A. No. As outlined above, the Company's calculation of the average rate year utility plant in-service reflects both projected capital additions and the associated estimated retirements during the interim and rate-year periods. Although Mr. Defever removed certain projected interim and rate year capital additions consistent with Mr. Balakumar's recommendations, he did not make any corresponding adjustment to remove the estimated retirements associated with those capital additions.

This omission does not directly affect rate base because the estimated retirements included in the Company's initial application reduce utility plant in-service and accumulated depreciation by equal amounts. It does, however, affect Mr. Defever's calculation of depreciation expense and other adjustments. The Company addresses those impacts in greater detail below.

Q. Did Mr. Defever propose additional adjustments to the total utility plant in-service?

A. Yes. Mr. Defever rejected the Company's proposal regarding vegetation management costs that proposed all vegetation management costs be expensed moving forward rather than the current practice which has some costs recovered through O&M and

others included in capital. As a result, Mr. Defever recommended "holding the Company to the total 2025 actual expense and capital amounts as they are the most known and measurable."[24] As a result of this proposal, Mr. Defever increased the average rate year utility plant in-service by $25.2 million within Exhibit JD-1 Schedule B-5, page 1, line 2.

Q. Does the Company agree with Mr. Defever's proposal as it relates to vegetation management?

A. No. The Company does not agree with Mr. Defever's proposal as it relates to vegetation management. Please refer to Exhibit CLP-VMP-REBUTTAL-1, for additional information and considerations regarding this proposal.

D. Reserve for Depreciation

Q. What is the Company's request for the reserve for depreciation or accumulated depreciation in rate base?

A. The Company's test year actual reserve for accumulated depreciation was ($1.611) billion as of December 31, 2025. This test year balance includes all accumulated depreciation related to in-service capital additions as of December 31, 2025 and was based on the electric plant amounts included in FERC Account 108 and FERC Account 111. Refer to Table 4 of Exhibit CLP-REVREQ-1 at 25 for a detailed reconciliation of the test year amount to the audited Annual FERC Form 1 financial statements.

[24] Defever Testimony, at 37.

The Company incorporated depreciation accruals of $396 million, which comes from Schedule C-3.34 (Interim Period), retirements of ($152) million, which comes from Schedule B-2.1 (Utility Plant In-Service) and cost of removal of ($77) million, which comes from the Company's internal forecasts for a net increase to the reserve for depreciation of $167 million in the interim period; and depreciation accruals of $382 million, which comes from Work Paper C-3.34, retirements of ($116) million, which comes from Schedule B-2.1 (Utility Plant In-Service) and cost of removal of ($59) million, which comes from the Company's internal forecasts for a net increase to the reserve for depreciation of $208 million in the Rate Year. These adjustments to accumulated depreciation through the rate year also incorporate any interim or rate year in-service capital additions projected within total utility plant in-service.

The Company provides detailed information on this request in Exhibit CLP-REVREQ-2, Schedule B-3.0, WP B-3.0 and WP B-3.1 and the Revenue Requirement Panel's pre-filed testimony, Exhibit CLP-REVREQ-1, at 24-27.

Q. Did Mr. Defever make any adjustments to the average accumulated depreciation during the rate year?

A. Yes, although Mr. Defever did not make any direct recommendations specific to accumulated depreciation, he did make one adjustment to reflect the recommendations of OCC witness David Garrett regarding depreciation and Nikhil Balakumar regarding

capital additions.[25] Mr. Defever recommends a reduction to accumulated depreciation of $15.7 million which is reflected in Exhibit JD-1, Schedule B, Line 2.

Q. What is Mr. Defever's reasoning behind this reduction?

A. Mr. Defever does not provide direct testimony explaining these adjustments or the methodology used to calculate them. Based on the Company's review of Exhibit JD-1, Schedules B-4 and B-5, however, it appears that Mr. Defever applied the composite depreciation rate recommended by Mr. Garrett (3.10%)[26] to the utility plant in-service reductions reflected in his revenue requirement calculation to estimate the corresponding reduction in annual depreciation expense.

Mr. Defever then appears to average the resulting reduction in depreciation expense and reflects that amount as a reduction to the Company's average rate year accumulated depreciation balance. Notably, this treatment differs from his treatment of rate year capital additions discussed above, where Mr. Defever removed the full amount of projected rate year capital additions rather than the average balance actually reflected in the Company's rate base calculation.

Although Mr. Defever does not expressly explain these calculations in his testimony, he states that his revenue requirement incorporates recommendations from other OCC witnesses, including Mr. Garrett with respect to depreciation and Mr. Balakumar with respect to capital additions. Accordingly, the Company understands these adjustments

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25 Defever Testimony, at 3.

26 Garrett Testimony, Figure 3, at 6.

to represent Mr. Defever's attempt to reflect the accumulated depreciation impacts associated with his adoption of those witnesses' recommendations.

Q. Does the Company agree with Mr. Defever's determination and conclusions?

A. No. Similar to the Company's evaluation of Mr. Defever's conclusions regarding utility plant in-service we have identified multiple issues, inconsistencies and mathematical errors in Mr. Defever's proposal.

Q. Please summarize these issues and mathematical errors.

A. The Company identified multiple material errors and inconsistencies in Mr. Defever's calculation of accumulated depreciation resulting from his attempt to incorporate the recommendations of Mr. Garrett regarding depreciation and Mr. Balakumar regarding capital additions.

First, consistent with the utility plant in-service issues discussed above, Mr. Defever appears to have prematurely incorporated depreciation expense and accumulated depreciation adjustments associated with Mr. Balakumar's review of the Peak Load / Capacity projects placed in service between 2023 and 2025. As discussed above, Mr. Balakumar did not recommend the disallowance of these investments in total. As a result, it is premature to reflect the utility plant in-service, depreciation expense and accumulated depreciation consequences of a capital disallowance that Mr. Balakumar himself did not recommend in the manner assumed by Mr. Defever.

Second, Mr. Defever's treatment of accumulated depreciation is inconsistent with his treatment of the underlying plant balances. Mr. Defever removes from utility plant in-

service the full amount of his assumed disallowances associated with the direct-buried cable projects placed in service in 2022 and 2023 and the Peak Load / Capacity projects placed in service between 2023 and 2025. However, he does not remove the accumulated depreciation previously recorded on those assets. Instead, he calculates only a prospective reduction in accumulated depreciation based on Mr. Garrett's proposed depreciation rates and then averages that adjustment for the rate year only.

This treatment creates a fundamental mismatch. If Mr. Defever removes the historical plant investment from rate base as though those assets had never been included, he must also remove the accumulated depreciation that has accrued on those same assets since they were placed in service. Some of these assets have been depreciating since 2022. Removing the entire gross plant balance while leaving most of the associated accumulated depreciation in the reserve produces an asymmetrical and overstated reduction to net plant in service.

Third, Mr. Defever does not consistently apply PURA's treatment of accumulated depreciation from the Yankee Gas rate case Final Decision in Docket No. 24-12-01 ("Yankee Gas Decision"), despite relying on that decision elsewhere in his testimony to support various cost-of-service reductions. As discussed above, Mr. Balakumar recommends limiting eligible capital additions to those completed, in service, and documented by the close of the evidentiary record, currently scheduled for March 12, 2027. That approach is consistent with PURA's treatment of projected plant additions and accumulated depreciation not only in Docket No. 24-12-01, but also in United

Illuminating's most recent rate case in Docket No. 24-10-04 and in the CNG and SCG Remand Decisions in Docket Nos. 25-12-13 and 25-11-14 respectively.

Importantly, however, PURA also applied the same cutoff concept to accumulated depreciation. PURA expressly declined to include $38.5 million of accumulated depreciation for the period June 1, 2025 through October 31, 2025 in the Final Decision in Docket No. 24-12-01, stating that the amount would not be included "based on the Authority's allowed plant-in-service, for purposes of calculating rate base in this proceeding."[27] The purpose and effect of that treatment was to align the accumulated depreciation included in rate base with the cutoff applied to the corresponding utility plant in-service.

Mr. Defever does not apply that same symmetrical treatment here. He effectively adopts the cutoff, suggested by Mr. Balakumar and consistent with the Final Decision in Docket No. 24-12-01, to exclude projected plant additions at the close of the evidentiary record, which reduces rate base, but does not apply the corresponding cutoff to the projected accumulated depreciation, which, if the cutoff were applied consistently, as it should be, would increase rate base. Based on the Company's analysis, applying the same treatment to accumulated depreciation would reduce the Company's forecasted average rate year accumulated depreciation balance by approximately $100 million. As a result, Mr. Defever's reduction to accumulated

[27] Yankee Gas Decision, at 30

depreciation would be multiple times greater than the adjustment currently reflected in his analysis if the Final Decision in Docket No. 24-12-01 were applied symmetrically.

Taken together, these issues demonstrate a recurring lack of symmetry in Mr. Defever's calculations. His analysis removes plant without removing all of the accumulated depreciation associated with that plant and applies the Yankee Gas Decision where it reduces the Company's revenue requirement without applying the corresponding treatment from that same decision where it would increase the Company's revenue requirement. The result is an inconsistent rate base calculation that systematically recognizes adjustments that reduce rate base without recognizing the corresponding adjustments that would increase it. The Company submits that the same accounting and ratemaking principles must be applied consistently in both directions.

E. Accumulated Deferred Income Taxes ("ADIT")

Q. What is the Company's request for ADIT in rate base?

A. The Company's test year actual ADIT was ($1.187) billion as of December 31, 2025. This test year balance includes the tax deferrals resulting from the adoption of the principle of comprehensive inter-period income tax allocation described in General Instruction 18 of the Uniform System of Accounts, which are related to all property other than accelerated amortization property.

The Company incorporated post-test year adjustments of ($88.849) million, which were primarily driven by the Company's plant in-service, including adjustments to tax deferrals on existing plant and new tax deferrals on projected plant in service through

the end of the Rate Year. Ultimately, the Company proposed an adjustment in the interim period of ($64.507) million resulting in a Rate Year beginning ADIT balance of ($1.251) billion (($1.187) billion + (64.507) million = ($1.251) billion). Additionally, the Company identified a Rate Year adjustment of ($24.342) million, resulting in an ending rate year balance of ($1.276) billion (($1.251) billion + ($24.342) million = ($1.276) billion). As discussed above, the Company used the average rate year in its calculation of rate base for the required rate year revenue requirement for effect July 1, 2027. The average of the interim period ending balance and the Rate Year ending balance is ($1.263) billion ([($1.251) billion + ($1.276) billion] / 2 = ($1.263) billion).

The Company provides detailed information on this request in Exhibit CLP-REVREQ-2, Schedule WP B-7.0 and the Revenue Requirement Panel's pre-filed testimony, Exhibit CLP-REVREQ-1, at 65-66.

Q. Did Mr. Defever make any adjustments to the average ADIT during the rate year?

A. Yes, although Mr. Defever did not make any direct recommendations specific to ADIT, he did make one adjustment to reflect the recommendations of OCC witness Nikhil Balakumar regarding capital additions[28] and his own vegetation management cost recommendations. Mr. Defever is recommending an increase to ADIT of ($130.759) million or 10 percent that is reflected in Exhibit JD-1, Schedule B, Line 4.

[28] Defever Testimony, at 3.

Q. What is Mr. Defever's reasoning behind this increase to ADIT?

A. Mr. Defever does not provide any direct testimony explaining these adjustments or the methodology used to calculate them. Based on the Company's review of Exhibit JD-1, Schedules B-4 and B-5, however, it appears that Mr. Defever applied an ADIT ratio to the utility plant in-service adjustments reflected in his revenue requirement calculation to estimate the corresponding adjustment to ADIT. Mr. Defever estimated an ADIT ratio of 12.89 percent,[29] which was calculated by taking the Company's average rate year ADIT and dividing by the Company's rate year utility plant in-service. This ratio was then applied to the proposed reduction to utility plant in-service to arrive at his proposed increase to ADIT.

Q. Does the Company agree with Mr. Defever's calculation and conclusions?

A. While the Company agrees with Mr. Defever that an adjustment to ADIT is required given the proposed adjustments to utility plant in-service, the Company does not agree with Mr. Defever's calculation and has identified a material mathematical error in his proposal.

Q. Please summarize Mr. Defever's mathematical error.

A. The Company identified a fundamental mathematical error in Mr. Defever's calculation of accumulated deferred income taxes ("ADIT"), which is that he applied the adjustment in the opposite direction. Mr. Defever proposes to reduce average utility plant in-service by approximately $1.014 billion. Because the Company's ADIT

[29] Exhibit JD-1 Schedule B-4 and B-5, line 8.

liability is primarily generated by accelerated tax depreciation under IRS rules relative to straight-line book depreciation under generally accepted accounting principles ("GAAP"), a reduction in utility plant in-service would correspondingly reduce the associated ADIT liability, not increase it.

Mr. Defever attempts to reflect the ADIT impact associated with his proposed reduction in utility plant in-service but applies the resulting $130.759 million adjustment with the incorrect sign. Rather than *reducing* the ADIT liability by $130.759 million, which would increase rate base (or, more accurately, it would make the overall recommended reduction to rate base smaller, since the reduction in plant additions would be properly and partially offset by a corresponding decrease to the ADIT liability, which is an offset to rate base), his calculation *increases* the ADIT liability by ($130.759) million, which has the effect of incorrectly further reducing rate base. Correcting this sign error therefore increases Mr. Defever's calculated rate base by $261.518 million (i.e., by having his proposed adjustment to ADIT changing from a proposed *increase* to the ADIT liability (and resulting in a further reduction to rate base), to rightfully be a proposed *decrease* to the ADIT liability (and resulting in an increase to rate base, by resulting in a lower ADIT offset to rate base). This error also has a material impact on the OCC's calculated revenue requirement, as Mr. Defever's increase to ADIT contributed to approximately 11 percent of his overall proposed rate base reduction.

This error is straightforward but significant and importantly, this correction is separate from the hundreds of millions of dollars of other mathematical errors identified above.

Taken together, these errors demonstrate that significant portions of Mr. Defever's proposed reductions are not the result of differing ratemaking judgments or assumptions, but rather critical and fundamental mathematical and computational errors in the calculation of rate base and the resulting revenue requirement. The Company addresses these errors collectively below.

III. OPERATING INCOME

A. D&O Liability Insurance

Q. Has the Company included Directors and Officers Liability Insurance expense in the Rate Year?

A. Yes. The Company has requested $323,000 in the Rate Year for Directors and Officers Liability Insurance expense.[30]

Q. What did Mr. Defever recommend in terms of the Company's D&O Liability Insurance expense?

A. Mr. Defever recommended a 100 percent disallowance of Director and Officer Liability Insurance expense ($323,000) based on the Yankee Gas Decision and the Final Decision in Aquarion Water Company's rate case in Docket No. 22-07-01 ("AWC Decision").[31]

Q. What does Mr. Defever claim as the basis for his proposed reduction?

A. Mr. Defever argues that customers should not be responsible for subsidizing the Company's D&O Liability Insurance expense, because it primarily benefits the

[30] Exhibit CLP-REVREQ-2, Work Paper C-3.19, line 25; Q-OCC-376.

[31] Defever Testimony, at 14.

Company and its officers.[32] Mr. Defever previously recommended a 75/25 sharing of this cost between shareholders and ratepayers but argues that because PURA disallowed 100% of the D&O liability insurance in Yankee Gas Decision and the AWC Decision, the same should apply here.[33]

Q. Does the Company agree with the recommendation for a 100% disallowance?

A. No. The Company respectfully submits that D&O Liability Insurance is a prudent and necessary operating expense. The insurance provides direct protection of Eversource's balance sheet. The D&O Liability Insurance policy provides direct protection to Eversource itself against covered securities-related claims, including eligible defense costs and settlements. This transfers potentially significant corporate liabilities to insurers rather than leaving Eversource and ultimately Eversource's customers to absorb the full financial impact. The policy also reimburses Eversource for covered costs incurred in indemnifying its directors and officers, including defense expenses and eligible settlements. These are financial obligations that Eversource might otherwise fund from corporate resources which would be paid for by ratepayers. Together, these coverages represent balance sheet protection and serve as a corporate risk-financing tool, not merely coverage for executives.

It is important to note that this insurance coverage does not protect covered individuals in the event that (1) they used their position to gain personal profit, financial advantage

32 Id.

33 Id.

or remuneration to which they were not entitled or (2) where the individual committed a deliberately fraudulent or criminal act or omission or any intentional violation of any law, statute or regulation. Coverage by the policy primarily involves actions where the costs could be included in the Company's cost of service absent this insurance coverage and, as such, the policy offers customer benefits.

The coverage supports the recruitment and retention of qualified directors and executives. Eversource's board oversees decisions directly affecting customers, including infrastructure investment, system reliability, financial stewardship, long-term capital allocation, etc. D&O Liability Insurance is a standard component of corporate governance and helps attract and retain experienced, independent directors willing to assume these substantial oversight responsibilities. The availability of appropriate liability protection supports effective board oversight, which ultimately benefits both customers and shareholders.

D&O Liability Insurance supports financial stability and reliable utility operations and helps mitigate the financial volatility associated with potentially significant litigation, preserving corporate resources, and supporting financial resilience. The policy is designed to respond to covered allegations, including defense against unfounded or spurious claims that ultimately prove unsuccessful. A financially stable utility is better positioned to maintain access to capital, invest in infrastructure, and meet its long-term service obligations with a reasonable level of D&O Liability Insurance. By transferring

covered litigation exposures to the insurance market, Eversource reduces the potential for unexpected claims costs to compete with other corporate financial priorities.

Maintaining D&O Liability Insurance supports access to capital and competitive financing costs. D&O Liability Insurance helps protect Eversource's balance sheet from covered securities litigation, reducing exposure to potentially significant, unplanned corporate expenses. By limiting certain litigation-related financial shocks, D&O Liability Insurance can contribute to financial stability, which is relevant to creditworthiness and lenders' assessment of corporate risk. For a capital-intensive utility such as Eversource, maintaining financial strength and access to competitively priced financing supports infrastructure investment and can ultimately benefit customers. Although D&O Liability Insurance is unlikely to produce a separately identifiable reduction in borrowing rates, it forms part of the broader financial risk-management framework that supports favorable financing conditions.

The coverage supports the recruitment and retention of qualified directors and officers, promotes effective oversight of critical electric infrastructure, and advances regulatory objectives related to reliability, safety, emergency preparedness, prudent capital investment, etc. Because customers directly benefit from the governance activities supported by this coverage, recovery of the Company's reasonable D&O Liability Insurance expense is consistent with cost-of-service ratemaking principles and should be included in the Company's revenue requirement.

PURA has previously recognized that D&O Liability Insurance is not wholly attributable to shareholder interests. In Docket No. 20-12-30, involving The Connecticut Water Company, PURA permitted recovery of 25% of D&O insurance expenses rather than disallowing the expense in its entirety. This treatment reflects the recognition that utility customers benefit from effective governance, regulatory compliance, risk management, and executive oversight. Those customer benefits are even more pronounced in the electric industry, where directors and officers oversee critical infrastructure, storm restoration, reliability programs, and substantial capital investment necessary to provide safe and reliable electric service.

Q. Based on the above-mentioned considerations, is recovery of the D&O Liability Insurance expense reasonable?

A. Yes, recovery of the D&O Liability Insurance expense is reasonable and appropriate. There is no basis for the full disallowance that Mr. Defever recommends. The fact that he recommends ratepayers bear responsibility for some portion of this expense demonstrates that it is a necessary business expense for an investor-owned utility.

B. Board of Trustees

Q. Has the Company included a Board of Trustees expense in the Rate Year?

A. Yes. The Company has requested $515,000 in the Rate Year for Board of Trustees expense.[34] As noted in Exhibit CLP-REVREQ-1, at 70, and the Company's response to Q-OCC-263, CL&P is only seeking recovery of trustee retainer fees and restricted

[34] Exhibit CLP-REVREQ-2, WP C-3.4; Q-OCC-263.

stock units ("RSUs") in the cost of service and is not seeking recovery through rates for travel and meal expenses incurred by the Board of Trustees.[35]

Q. Did Mr. Defever have a recommendation in regard to the Company's Board of Trustees Expense?

A. Yes. Mr. Defever recommended a 75 percent disallowance of Board of Trustees expense, for a reduction of $386,250, based on his belief that shareholders are the primary beneficiaries of Board of Trustee costs.[36]

Q. Are these adjustments appropriate?

A. No. As discussed in the Company's response to Q-OCC-041, "[t]he Eversource Energy Board of Trustees is a necessary organizational feature that is needed to access capital markets and raise cash resources for the operating companies. The Board of Trustees also fulfills fiduciary responsibilities and provides oversight to management to ensure the sustainability of the enterprise, which is in the public interest for continuous safe and reliable electric services." Eversource Energy functions as a public utility holding company and the operations of its regulated public utilities are conducted by employees, managers, and officers under the overall oversight of the Board of Trustees. As a holding company, Eversource Energy obtains financing for its utility company subsidiaries to fund their capital needs and invest in rate base to serve customers. In

[35] Exhibits CLP-REVREQ-2, Schedule C-3.4; CLP-REVREQ-1, at 70.

[36] Defever Testimony, at 15.

order to have this ability to access external financing, Eversource Energy is required to provide oversight and governance to its subsidiaries.

The ultimate purpose of the Board of Trustees is to enhance the long-term aggregate value of the Eversource Energy enterprise, while fulfilling public-service obligations to customers and communities. Board members are elected by investors to oversee management and to assure that the long-term interests of the enterprise are served, which encompasses both meeting public-service obligations and optimizing value for investors. As a public company, Eversource Energy is pervasively governed by Securities and Exchange Commission and the New York Stock Exchange, requiring compliance with federal securities laws and regulations, and as such costs to have a Board of Trustees are not in any way optional or discretionary. If CL&P was not under the umbrella of the Eversource Energy holding company, it would still have these types of expenses as an investor-owned utility company seeking to obtain debt and equity capital from the marketplace, and these expenses would still not be optional or discretionary in any way. If the Board of Trustees expenses are not funded in rates, PURA will be denying recovery of costs for critical business functions, including functions that enable the Company's access to capital, for which access is critical and necessary and directly benefits customers in the services they receive. As a result, the Company would be immediately compromised in its ability to earn its allowed return. The Board of Trustees Fees are appropriate for recovery in base distribution rates as a cost of service just like any other.

Q. Does the Company agree with Mr. Defever's claim that shareholders are the primary beneficiaries of the Company's Board of Trustee costs?

A. No. Mr. Defever asserts that the Company's shareholders, i.e., equity investors, are the primary beneficiaries of the Board of Trustees expenses, however, what he fails to acknowledge is that actions taken to meet the Board of Trustee's obligations to investors directly, not tangentially, benefit customers. In protecting the interests of investors, the Board of Trustees ensures that the enterprise has a clear and acceptable purpose, strategic and operational direction and viable business and operating plan; and that the business of the enterprise is managed effectively in accordance with such purpose, direction and plan, taking into consideration economic circumstances and regulatory or legal constraints. Additionally, by protecting investor interests, the Board of Trustees will demonstrate to the financial markets and prospective investors that the Company is a solid and attractive financial investment. In attracting new investors, whether they be debt or equity investors, the Board of Trustees ensures that the Company benefits from a stream of debt and equity capital from the marketplace that the Company then utilizes to fund its capital projects, all of which serve to provide safe and reliable service to customers. The Board of Trustees play a critical role in ensuring the Company can access capital markets on favorable terms, providing a direct benefit to customers through lower cost of service, not to mention that access to capital markets is a necessary component of utility operations, directly benefiting customers by virtue of the fact that infrastructure investment serving (and benefiting) customers simply would not be possible without it.

Even assuming that Mr. Defever is correct in concluding that shareholders, i.e., equity investors, are the primary beneficiaries of the Board of Trustee costs, Mr. Defever has provided no analysis supporting the basis for accepting his recommended disallowance of 75 percent of the costs associated with these fees other than that PURA in its Yankee Gas Decision determined that shareholders should be responsible for 75 percent of these costs.[37] Similarly, Mr. Defever provides no analysis that supports his position or demonstrates that only 25 percent of the benefits associated with these expenses accrue to customers.[38] As noted in the Company's response to interrogatory OCC-041 "[e]ach rate amendment application has its own unique set of facts and circumstances and must be evaluated based on the record evidence within the docket. The facts and circumstances of Yankee Gas do not reflect the facts and circumstances of this case."

For the reasons above, PURA should approve the full amount of Board of Trustees expense of $515,000 as shown in Exhibit CLP-REVREQ-2, Work Paper C-3.4.

Q. Based on the above-mentioned considerations, is full recovery of the Board of Trustees expense reasonable?

A. Yes, full recovery of the Board of Trustees expense is reasonable and appropriate. There is no basis for the partial disallowance that Mr. Defever recommends. The fact that he recommends ratepayers bear responsibility for some portion of the Board of Trustees expense demonstrates that it is a necessary business expense for an investor-owned utility.

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37 Defever testimony, at 16.

38 Id.

C. Investor Relations

Q. Has the Company included Investor Relations expenses in its Rate Year expenses?

A. Yes. The Company has requested $480,000 in the Rate Year for investor relations related costs[39].

Q. What was Mr. Defever's recommendation in regard to the Company's Investor Relations costs?

A. Mr. Defever recommended a 100 percent disallowance of all investor relations expense ($480,000) based on Public Act 23-102 ("SB7") codified at General Statutes § 16-243gg and PURA's disallowance of these types of costs in Docket No. 23-08-32.[40]

Q. Does the Company agree with Mr. Defever's recommendation to disallow 100% of the Investor Relations expense?

A. No. As stated in the pre-field direct testimony of Brendan J. O'Brien and Garrett J. Murray, "The costs identified in section 2 of SB7 (i.e., rate case expense costs) are a necessary cost of a regulated utility to ensure that its rates are set at a just and reasonable level to ensure the ongoing investments into the system to maintain a safe and reliable system and to allow the Company a reasonable opportunity, but not a guarantee, to earn its authorized return on equity. As such, and as described above, these costs are appropriately recovered from customers and are therefore included in the Company's proposed revenue deficiency."[41]

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39 OCC-301 Attachment 1.

40 Defever Testimony, at 17.

41 Exhibit CLP-REVREQ-1, at 149.

Q. Is the Investor Relations expense necessary to the Company's business and/or financial health?

A. Yes. It is necessary for the Company to incur investor relations-related costs to attract and retain both debt and equity investors that provide capital that is essential for the Company's long-term financial stability and ability to provide safe and reliable electric service to its customers.

Attracting and retaining debt and equity investors is vital to the Company as regulated utilities are extremely capital-intensive companies and as such need to have access to the lowest cost of capital in order to maintain affordable rates for customers, including ready access to both debt and equity capital markets. Access to low-cost capital is enhanced by investor relations activities, which helps ensure the Company provides accurate and timely information to build trust and confidence with investors. By having access to low-cost debt and equity, the Company is better able to maintain the safety and reliability of its system while providing that safe, reliable service at the lowest cost possible for customers.

Q. Why is it appropriate for CL&P's parent company, Eversource Energy, to allocate these costs to CL&P?

A. The Company's parent, Eversource Energy, is a publicly traded company and is subject to SEC and New York Stock Exchange ("NYSE") regulations. As such, Eversource Energy is able to obtain capital by offering debt and equity securities to investors in public offerings registered with the SEC. The capital that is raised by Eversource Energy is ultimately infused into, or loaned to, CL&P to fund ongoing investments into

the electric infrastructure to maintain a safe and reliable electric system. All publicly traded companies, including Eversource Energy, are required to pay SEC registration fees when issuing securities under the Securities Act of 1933. Because Eversource Energy issues securities to raise funds that are ultimately infused into its operating companies including CL&P, the registration fees associated with each public offering are allocated to each operating subsidiary accordingly and based on an appropriate allocation methodology.

The costs associated with Eversource Energy's and CL&P's SEC reporting requirements represent necessary costs to ensure that Eversource and CL&P has access to capital to finance ongoing investment in its utility subsidiaries. Therefore, the portion of these costs allocated to the Company is directly beneficial to customers and is appropriately reflected in customer rates. The SEC reporting fees are mandatory and are required to enable access to equity capital through the NYSE, which ultimately funds the infrastructure investment needed to maintain a safe and reliable system.

Q. Do Investor Relations result in any other benefit for the Company?

A. Yes. As noted in the Company's response to Q-RRU-071, "[r]atepayer benefits resulting from these costs are attributable to ongoing necessary investment into maintaining a safe and reliable electric distribution system. Issuance of company stock provides capital essential for system maintenance and improvements and other capital projects that ultimately benefit each customer." The response further goes on to explain the necessary costs by category as shown below:

- **New York Stock Exchange Fees** reflect the annual costs of listing company stock on the exchange.

- **Broadridge and Other Street Solicitors** are used to send annual reports and proxy vote requests to shareholders of Eversource Energy through brokerage accounts.

- **Annual Report and Proxy Statement Printing** reflect the costs for printing services utilized for the Eversource Energy annual report and proxy statement made available to shareholders prior to the annual meeting.

- **Computershare Fees** reflect monthly fees to our transfer agent, plus additional costs related to the annual meeting.

- **FactSet subscriptions** reflect fees for a subscription to the database of institutional shareholders of Eversource Energy.

- **D.F. King Proxy Solicitation Fees** relate to service fees for shareholder outreach prior to the annual meeting.

- **Depository Trust Company Fees** reflect annual fees for security position reports used for the annual meeting.

D. Bank Fees, and Debt Service Charges

Q. Has the Company included Bank Fees and Debt Service Charges in its Rate Year expenses?

A. Yes. The Company has requested $1,037,000 in the Rate Year for bank fees and debt service charges.[42]

[42] Exhibit CLP-REVREQ-2, Work Paper C-3.3.

Q. What does Mr. Defever recommend in terms of the Company's bank fees and debt service charges?

A. Mr. Defever recommends a $217,000 disallowance of "costs that the Authority determined to be investor relations costs"[43] within the bank fees and debt service charges based on SB7 and the Yankee Gas Decision.[44]

Q. Did Mr. Defever previously recommend the removal of these costs in his testimony and as a result is he recommending the removal of the same costs twice?

A. Yes. In the section immediately preceding his discussion of Bank Fees and Debt Service Charges, Mr. Defever recommends the removal of all investor relations costs, totaling $480,000. He then recommends an additional $217,000 reduction for costs that he identifies as investor relations costs. However, because those costs were already encompassed within his proposed removal of all investor relations expenses, the $217,000 is a duplicative disallowance improperly reducing the Company's revenue requirement a second time for the same costs.

Please refer to the Company's responses to Q-OCC-301 Attachment 1 and Q-OCC-814 Attachment 1 which confirm the NYSE, Broadridge and Other Street Solicitors, Annual Report Printing, Proxy Report Printing, Computershare, Proxy Solicitors, DTCC, FactSet and other misc. costs are included in both the investor relations costs (see Q-OCC-301 Attachment 1) and bank fees and debt service charges (see Q-OCC-814) that

43 Defever testimony, at 18.

44 Defever testimony, at 19.

Mr. Defever is recommending for disallowance on pages 15-16 and 17-19 in his testimony.

Q. Notwithstanding the error, do you agree with Mr. Defever's recommendation?

A. No. Please see the Company's response regarding investor relations costs above. As described above, these costs are appropriately reflected in customer rates and are therefore included in the Company's proposed revenue deficiency.

E. Employee Paid Volunteer Time

Q. What does Mr. Defever recommend regarding employee paid volunteer time?

A. Mr. Defever claims that volunteer activities are a charitable contribution and that "[c]haritable contributions are a below the line expense not to be recovered from ratepayers and volunteerism should be considered the same."[45] He further posits that ratepayers should have the freedom to determine if they will donate to charity, which charities, and at which levels.[46] Mr. Defever recommends a disallowance of $236,000 in the Rate Year for employee payroll expense for time spent on volunteer activities, as calculated in the Company's response to Q-OCC-364.

Q. Please describe the Company's philosophy with respect to volunteer activities.

A. Public utilities are intrinsically linked to the communities they serve, and volunteering in those communities is a natural result of that relationship. Volunteerism has beneficial impacts in the community by helping to address social issues and provides

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45 Defever Testimony, at 21.

46 Id.

the Company's employees with the opportunity to engage directly with community members and stakeholders to better understand community needs and issues.

Specifically, volunteerism:

- Strengthens relationships with local stakeholders that provide critical services in our communities.
- Provides much needed support to under-resourced nonprofit organizations and contributes to the wellbeing of the community.
- Fosters a culture of social responsibility within the Company.

The Company is committed to volunteerism. As stated in the Company's response to Q-EOE-006, Eversource is proud to invest in organizations, initiatives, and services that provide broad, meaningful and sustainable change in the communities it serves. Notably, however, because Eversource's first priority is to deliver safe, reliable energy and superior service to customers, an employee's participation in a volunteer activity is dependent upon business and customer needs first and foremost.

PURA has also concurred that utility companies must be engaged in their communities. For example, PURA's Order No. 4 in Docket 24-05-01, Energy Affordability Annual Review, requires Eversource to "host a minimum of four in-person customer assistance events and two virtual customer assistance webinars in the 2024–2025 program year. In addition, Eversource and Avangrid shall provide a recording of each customer assistance webinar on their respective websites."

As per Docket No. 21-07-01, Arrearage Forgiveness Program 2021-2022, Order No. 37, PURA also requires Eversource to "submit a report summarizing the effectiveness

of the series of outreach and education events conducted and concluded in the preceding AFP program year (i.e., a report covering events conducted for the 2021–2022 [Arrearage Forgiveness Program] year shall be submitted on or before June 15, 2022, in the 2022–2023 Energy Affordability Annual Review docket)."

In addition, the Company's Order No. 37 compliance filing in Docket 24-05-01 (Joint Attachment 09, filed May 31, 2024) stated:

- Eversource held or participated in 12 in-person or virtual customer assistance events for the 2023-2024 program year.
  - Of the 10 in-person events held, 93 customers met with a customer service representative for one-on-one bill assistance. The event helped 37 customers enroll in an AFP.
  - In addition to helping customers enroll in an AFP, customers were prequalified or verified as financial hardship and enrolled in low-income discount rate, a flexible payment plan or had general account inquiries.
  - Of the 2 virtual events held, 158 customers attended the webinars and of those, 31 customers followed up with inquiries about financial hardship, protections, and energy efficiency programs.

Customers attending in-person events can receive similar assistance through their local Community Action Agency, ("CAA") online at Eversource.com, or by contacting an Eversource representative. As recently as November 2024, PURA has directed Avangrid's affiliate utilities to "deepen its interaction with community leaders and residents of Environmental Justice Communities ("EJC") to gain a better understanding of their specific needs and concerns" and to "establish a model of corporate responsibility and community engagement within the state."[47]

These initiatives reflect the importance of community engagement for Connecticut utility companies, especially within under-resourced and EJC populations. Employee volunteer activities also help to achieve these important goals. In 2025, 26 of the volunteer events Eversource supported were coordinated with non-profit organizations in EJCs providing much needed assistance to those communities and customers. This work equated to 1,968 volunteer hours. In addition to the volunteer support, Eversource employees often share information about our income eligible and bill assistance programs with the organizations' clients during volunteer activities.

The corporate volunteer program provides opportunities for employees to learn about organizations they might not have known about if it were not for their participation as an employee volunteer. The volunteer program provides employees two days each year to engage in community service, subject to manager approval, operational needs and

[47] CNG Decision dated November 18, 2024, in Docket No. 23-11-02, at 216; SCG Decision dated November 8, 2024, in Docket No. 23-11-02, at 232.

business requirements. During this time, they may feed individuals and families facing hunger and homelessness, beautify communities, clean rivers and parks, assemble hygiene kits, or engage students in exploring utility careers they may not otherwise know about or have access to. The volunteer program is about service, community, and making someone's life a little better. There are numerous occasions where employees have continued their work and support on their personal time with an organization they learned about through the volunteer program.

Additionally, the Company notes that Eversource's large signature employee volunteer events, such as the Eversource Hartford Marathon and the Special Olympics Winter Games, primarily occur over the weekend, outside of normal business hours.

Q. Has PURA previously ordered the Company to participate in charitable / civic commitments?

A. Yes. In PURA's Decision dated April 2, 2012, in Docket No. 12-01-07, Application for Approval of Holding Company Transaction Involving Northeast Utilities and NSTAR, PURA required that the merged Northeast Utilities must continue with certain charitable commitments and civic commitments for a period of no less than seven years. PURA found such commitments to be in the public interest.[48]

[48] Decision dated April 2, 2012, in Docket No. 12-01-07, at 11.

Q. As a practical matter, is the Company "requesting funds for volunteer activities"?

A. No. While employees may occasionally engage in volunteer work during normal business hours, this is subject to a determination that the Company's operational needs will not be affected, as well as manager support. In order to volunteer during normal business hours, an employee's duties and obligations for their role must be met first. In other words, employee volunteerism neither negatively impacts the provision of service to customers nor comes with an additional cost. Rather, time spent on volunteer activities is considered indivisible from other job-related activities for payroll purposes. CL&P hires the whole employee. As such, there is no dollar amount to remove from the revenue requirement.

Q. Are these volunteer activities analogous to charitable contributions?

A. No. In Docket No. 22-07-01, PURA denied a request to recover monetary donations made to non-profit enterprises in Aquarion Water Company of Connecticut's service area.[49] In contrast, the volunteer activities payroll expense cited by Mr. Defever do not constitute monetary charitable donations, but rather employee time during normal business hours that is subject to a determination that the Company's operational needs will not be affected, as well as manager support.

[49] Decision dated March 15, 2023, in Docket No. 22-07-01, at 82.

Q. Does Eversource Energy match actual charitable contributions for employees?

A. Yes, The Dollars for Doers, matching grant and pledge partner programs are funded through the Eversource Foundation, below-the-line, and are not included in the Company's cost of service.

Q. Please explain the types of activities Company employees do while volunteering?

A. Volunteerism is voluntary and encourages employees to engage with and provide additional resources, support, and expertise to organizations that are addressing critical community needs. Employees are encouraged to participate in company-sponsored volunteer activities and signature events that advance the well-being of communities in our service territory. Under Eversource's corporate volunteer program, employees may participate in a maximum of two Eversource-organized, weekday volunteer events each calendar year. These efforts have a beneficial impact with both community partners and employees who believe in giving back. Employees may participate in weekend events, if there is no concurrent weekend work obligation that would take priority (such as storm duty). In 2025, there were seven weekend events where 786 employees provided volunteer support, equating to 5,318 hours. Employees are not compensated for their time volunteering at weekend events, such as Special Olympics Winter Games, Wreaths Across America, and the Eversource Hartford Marathon.

Q. Has PURA previously commented on the importance of volunteering in the community?

A. Yes. In the Decision dated August 25, 2023, Application of The United Illuminating Company to Amend Its Rate Schedule, Docket No. 22-08-08, PURA referred to volunteering in the community as one The United Illuminating Company's "admirable and important corporate responsibility initiatives"[50] and in the Yankee Gas Decision PURA noted that "the Company's and EESCO's employees volunteering in Eversource organized events is commendable"[51]. Additionally, as noted above, in Docket No. 23-11-02, PURA stated that the Company's affiliates should "establish a model of corporate responsibility and community engagement within the state."[52]

Q. Do you agree with that assessment?

A. Yes. Community engagement is part of the Company's broader public responsibilities. Volunteering is one way the Company's employees interact with the communities the Company serves and provide meaningful community benefits. These everyday acts of kindness and service are just as meaningful and often leave an impact that lasts far beyond the day itself.

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50 Decision dated August 25, 2023, in Docket No. 22-08-08, at 129.

51 Yankee Gas Decision, at 98.

52 CNG Decision dated November 18, 2024, in Docket No. 23-11-02, at 216; SCG Decision dated November 8, 2024, in Docket No. 23-11-02, at 232.

Q. Do you have any concluding remarks on employee volunteer activities?

A. Yes. Although the dollar value associated with volunteer activities calculated by Mr. Defever is *de minimis* in light of the Company's overall revenue requirement, the truth is these costs represent actual employee payroll costs paid directly to employees and not a payment from the Company to a charitable organization, which would be classified below the line. The Company's position is that these activities are important and consistent with PURA's clear directive to utility companies to engage with the communities they serve.

F. Inflation

Q. What does Mr. Defever recommend regarding inflation?

A. Mr. Defever recommends the disallowance of all assumed inflation for a variety of accounts including audit fees, bank fees & debt service costs, computer services, corporate communications, facilities management, field operations, etc.[53] In total, Mr. Defever recommends a disallowance of $4.822 million in the rate year to remove any and all inflationary adjustments during the interim and rate year periods.[54] Mr. Defever states that "[a]ssumed inflation does not meet the known and measurable standard" and notes that in his view "none of the costs steadily increased over the five years but instead fluctuated over time and two categories even declined each year."[55] As a result,

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53 Defever Testimony, at 21 – 22.

54 Defever Testimony, at 22.

55 Defever Testimony, at 22.

Mr. Defever concludes that the assumption that costs will increase in the rate year is unsupported and unwarranted.

Q. Do you agree with Mr. Defever's conclusions?

A. No. To start, applying an inflation adjustment to operation and maintenance ("O&M") expenses is appropriate, as the purpose of setting the revenue requirement in a base distribution rate proceeding is to establish distribution rates that reasonably reflect the expected rate year costs needed to provide safe and reliable service to our customers. The Gross Domestic Product - Price Index ("GDP-PI") provides a reasonable, broad-based measure of changes in the prices of goods and services across the economy and, therefore, provides an objective basis for escalating historical O&M expenses to the rate year. Absent an inflationary adjustment, the revenue requirement would effectively assume that the Company can procure the labor, materials, contractor services, and other goods and services necessary to operate and maintain a complex distribution system during the rate year at historical test-year prices, notwithstanding the intervening effects of inflation.

This adjustment is particularly appropriate where there is a meaningful period between the historical test year and the rate year. For this case, the end of the rate year is thirty months after the test year (December 31, 2025 test year to June 30, 2028 end of the rate year). Inflation does not represent a new program, discretionary expenditure, or increase in the scope of work performed by the Company. Rather, it recognizes that the cost of performing substantially the same level of utility operations and maintenance increases over time. Applying GDP-PI, therefore provides a reasonable

mechanism for translating historical O&M costs into rate-year dollars and helps ensure that the revenue requirement reflects the economic conditions expected during the period in which the rates established will actually be in effect.

Mr. Defever relies on his review of Exhibit CLP-REVREQ-3, which presents five years of historical Schedule C-3.0 information, to assert that certain O&M account balances have fluctuated or declined from year to year. That observation does not provide a reasonable basis for rejecting the Company's inflation adjustment. First, as the Company has explained in this proceeding, the historical amounts presented in Exhibit CLP-REVREQ-3 are not directly comparable to the test year or proposed rate year amounts. The test year balances underwent a detailed review to remove non-recurring items, incorporate appropriate pro forma adjustments, and ensure that costs were properly categorized. Accordingly, simply comparing individual historical account balances does not provide an apples-to-apples measure of changes in the underlying cost of providing service.[56]

Second, the Company does not contend that it will incur precisely the same level of expense in every O&M account from year to year. Annual O&M expenditures will naturally fluctuate based on the timing and level of work performed, operating conditions, maintenance requirements, and various other factors. That variability is precisely why a representative test year, adjusted as appropriate, is used as the starting point for establishing just and reasonable rates. The fact that an individual O&M

[56] OCC-374.

account may increase or decrease from one year to the next does not mean that inflation has disappeared or that the prices the Company must pay for labor, materials, contractor services, and other operating inputs have remained unchanged.

Mr. Defever's analysis therefore conflates two fundamentally different concepts: changes in the quantity or timing of O&M expenditures and changes in the prices of the goods and services underlying those expenditures. Historical fluctuations in O&M account balances do not negate inflation. GDP-PI provides an objective, third-party measure of changes in the general price level and demonstrates that prices have increased over the historical period. Accordingly, applying GDP-PI to escalate a representative level of test year O&M expense to the rate year appropriately recognizes that the Company will be purchasing goods and services at rate-year prices, not historical test-year prices. Absent such an adjustment, the O&M established in rates would effectively assume that the Company can continue to procure the goods and services necessary to operate and maintain the electric distribution system at historical prices, thereby understating the level of O&M expense expected during the rate year. Simply stated, historical variability in O&M activity is not evidence that the price of performing that activity has remained constant. As noted above, Mr. Defever's analysis confuses these two concepts. The Company's inflation adjustment does not assume that historical spending patterns will remain exactly the same; rather, it appropriately converts a representative level of test year O&M expense into the dollars reasonably expected to be required during the rate year.

Q. Has the OCC acknowledged inflationary adjustments in other aspects of this proceeding?

A. Yes. Within Motion No. 88 of this proceeding (Docket No. 26-05-10), the OCC requested authority to exceed the statutory limit on consultant expenditures of $200,000 and increase that limit to $500,000 for this proceeding. In support of its request, the OCC cited, among other considerations, the volume and complexity of the information to be reviewed in this case, the Company's performance-based rate design and the fact that "consultant pricing has significantly increased over recent years in keeping with the general inflationary movement of the overall economy."[57] The OCC further observed that the $200,000 per-docket limit was established in May 1992 and had never been increased, noting that "the present inflation-adjusted value of $200,000 in May of 1992 is approximately $479,570."

The Company supported Motion No. 88 and did not object to the OCC's requested increase. The Company recognized both the significant level of work required in this proceeding and the simple economic reality underlying the OCC's request: that costs cannot reasonably be assumed to remain static over time when the prices of goods and services necessary to perform the underlying work continues to increase. That same principle also applies to the Company's O&M expenses. Just as the OCC has experienced increases in the cost of obtaining professional services, the Company continues to experience inflationary increases in the costs of labor, materials, contractor

[57] Docket No. 26-05-10 Motion No. 88, at 2.

services, and other goods and services necessary to operate and maintain the distribution system each and every day.

Therefore, Motion No. 88 highlights the inconsistency from the OCC in recognizing inflation when evaluating their own cost requirements, while rejecting an inflation adjustment when determining the Company's rate year O&M expenses. The Company's use of GDP-PI applies that same fundamental economic principle incorporated into Motion No. 88, translating a representative level of test-year O&M expense into future rate-year dollars. As a result, PURA should reject Mr. Defever's broad inflation adjustment of $4.822 million, which is roughly 6 percent of his total O&M adjustments suggested.

G. SERP and Non-SERP

Q. Has the Company included SERP and Non-SERP expense in the Rate Year?

A. Yes. The Company has requested $405,000 and $252,000 in the Rate Year for Supplemental Executive Retirement Plan ("SERP") and Non-SERP expense respectively.[58]

Q. What did Mr. Defever recommend in terms of the Company's SERP and Non-SERP expense?

A. Mr. Defever recommended a 100 percent disallowance of SERP and Non-SERP expense ($657,000).[59]

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[58] Exhibit CLP-REVREQ-2, Work Paper C-3.12, lines 26 and 27; Q-OCC-356.

[59] Defever Testimony, at 27.

Q. What does Mr. Defever claim as the basis for his proposed reduction?

A. Mr. Defever argues that ratepayers should not be responsible for these benefits but does not provide any basis for his argument other than referencing PURA's denial of recovery in the Yankee Gas Decision.[60]

Q. Please describe the Company's SERP and Non-SERP.

A. As described in the Company's response to interrogatory RRU-115, the SERP is a non-qualified plan that provide executive management with a benefit that addresses the limits on pensionable earnings that the Internal Revenue Service imposes on qualified pension plans. The objective is for these employees to receive a pension that is similar to non-executive pensions relative to their pay. As described in the Company's response to interrogatory OCC-938, the Non-SERP account is used to record expenses related to specifically negotiated post-employment benefits, including pension enhancements not covered by the Eversource Retirement Plan or the SERP. Such enhancements are provided in some employment agreements to make up for benefits lost at previous employers by some mid-career hires or as part of a separation agreement with Eversource. As with the SERP, Non-SERP benefits help to attract and retain qualified personnel. It is common practice among companies with qualified defined benefit pension plans to offer both SERP and Non-SERP.

[60] Defever Testimony, at 27 and 28.

Q. Do SERP and Non-SERP provide benefits to customers?

A. Yes. Eversource Energy must be competitive with other employers seeking to retain individuals of the caliber of Named Executives, including the overall compensation package. The Company has carefully and deliberately constructed its compensation package, consistent with industry norms, to ensure that it can attract and retain employees who will advance the Company's overall corporate mission to provide customers with high-quality, safe, and reliable service and that it has the means to retain these employees. Were the Company to fail to offer employees those compensation components that are regularly offered in the marketplace for similar positions, it is likely that employees would accept an employment offer elsewhere that included a complete, as opposed to piecemeal, compensation package. The overall executive compensation levels are in line with industry peers. Given the importance of this obligation, which is a cornerstone of Eversource Energy's operating companies' corporate mission, it is in customers' interest that they be served by highly qualified and skilled individuals, with long-term ties to the utility industry.

Q. Based on the above-mentioned considerations, is full recovery of the SERP and Non-SERP expense reasonable?

A. Yes, full recovery of both SERP and Non-SERP expense is warranted as it is a necessary expense incurred to attract and retain qualified executives responsible for providing customers with high-quality, safe, and reliable service they expect.

H. Paid Employee Rest Time

Q. What does Mr. Defever recommend regarding paid employee rest time?

A. Mr. Defever recommends the disallowance of all paid "rest time worked" which is a recommended reduction of $759,000 in the rate year.[61]

Q. What is Mr. Defever's reasoning behind this reduction?

A. Mr. Defever argues that "[a]s these workers are already paid when they are working, it is inappropriate for ratepayers to be responsible for costs related to paying them for rest as well."[62]

Q. Are Mr. Defever's representations regarding "Rest Time Worked" correct?

A. No. Mr. Defever's understanding of "paying them for rest" is incorrect, and in fact these costs represent the exact opposite. The "Rest Time Worked" premium is provided to union employees, through negotiated union contracts, to compensate them for work performed outside of their normal working hours where they would otherwise be resting. For example, hypothetical employee 1 has normal working hours from 8AM through 4PM of any given day, and they were called in to perform work at 3AM and then proceeds to work their normal 8-hour workday. Per the union contract, hypothetical employee 1 would receive compensation for the hours performing work during the five hours from 3AM – 8AM. Then from 8AM – 1PM (five hours) would receive the "Rest Time Worked" premium to compensate them at a premium rate for

61 Defever Testimony, at 29.

62 Id.

the hours they worked outside of their normal working hours. Then from 1PM – 4PM hypothetical employee 1 would receive straight time labor. At no point did hypothetical employee 1 receive any compensation for resting and not performing work on the system.

Q. Is the Rest Time Working rate required by Union Contracts?

A. Yes. Earning rest time for working during the eight-hour period prior to the start of an employee's regular shift and being paid a premium for working through that earned rest time during the regular shift is a negotiated benefit that has been in the collective bargaining agreement with the IBEW since the 1950s. This provision recognizes that emergencies occur outside of normal working hours and employees will be asked to report to work in the middle of the night and continue working through their normal shift to meet customer needs. It balances operational flexibility and worker safety with servicing customers promptly. If there was no difference in pay between working through rest time and taking the earned rest time, employees would likely take the earned rest time, potentially resulting in delays to customer restoration efforts, system needs, etc. as well as scheduled customer work. Rest Time Working is a longstanding contractual provision and any attempt to take away this benefit would be considered a strikable issue by the union.

For example, OCC-046 Attachment 1 provides for an excerpt from Union Local 457 which states that "[i]f an employee is required to work overtime outside of his/her normal schedule, without twenty-four (24) hours notice, during the eight-hour period

immediately preceding the starting time of his/her next normal schedule, best efforts will be made to allow rest time during that normal schedule without loss of normal wages."[63] Attachment 1 further states that "[w]hen service requirements will not permit allowing all of the earned rest time off during normal schedule, that part worked will, except for holidays, be paid for at double straight-time rates."[64]

Q. Do you have any concluding remarks on paid Rest Time Working rates?

A. Yes. As noted above, Mr. Defever has incorrectly concluded that this premium rate is to pay for employees to rest, while in fact this premium rate is to pay for union employees who have done the exact opposite giving up their rest time to perform work on the system and per the union contract are entitled to compensation for such work time at premium rates. Therefore, PURA should not accept the recommended disallowance from Mr. Defever.

I. Payroll Expense

Q. What is the Company's computation of payroll expense in the Rate Year?

A. The Company's initial application computed $149.821 million in the Rate Year for payroll expense, which includes an actual Test Year expense of $134.683 million, a pro-forma adjustment of $2.778 million, and a Rate Year adjustment of $12.360 million which includes escalations for merit increases and an initial incremental FTE

63 OCC-046 Attachment 1, at 4.

64 Id.

adjustment for 58 FTEs.[65] The Company subsequently updated the number of incremental FTEs requested in the rate year to 41 which resulted in a reduction to the rate year adjustment and cost of service of $960,000.[66] The Company provided the details supporting the calculation of payroll expense in its response to interrogatory OCC-332.

Q. What does Mr. Defever recommend?

A. Mr. Defever recommends the removal of the 58 FTEs in the Company's original application which results in a decrease of $3.328 million.[67]

Q. What is Mr. Defever's reasoning behind this reduction?

A. Mr. Defever argues that the Company has had an average vacancy rate of 4% from 2021 – 2025 and that the Company has consistently failed to meet its budgeted level of FTEs, it cannot be assumed the Company will hire and retain the 41 new employees.[68] Further, Mr. Defever argues that the Company has not posted nor filled any of the 41 positions and therefore, again, it cannot be assumed the Company will hire and retain the 41 new employees.[69]

Q. Does the Company agree with the recommendation of Mr. Defever with regards to Payroll Expense?

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65 Exhibit CLP-REVREQ-2, Schedule C-3.5, page 3 of 3.

66 OCC-333.

67 Defever Testimony, at 33.

68 Defever Testimony, at 31-32.

69 Defever Testimony, at 33.

A. No. The Company first addresses Mr. Defever's contention that because the Company has not posted, nor filled any of the 41 positions, it cannot be assumed the Company will hire and retain the 41 new employees. Included in the forty-one positions are twenty-one in Vegetation Management. While the twenty-one (21) Vegetation Management positions appear to be incremental, in reality there is only 1 incremental resource. Of the twenty-one (21), eight (8) of the FTEs are the result of sixteen (16) employees who currently split their time 50%/50% between O&M and capital work shifting to solely working on the proposed combined O&M program, if approved, results in the equivalent of 8 incremental employees working on the O&M program; twelve (12) resources would be converted from contracted resources to internal resources of which the Company's proposed vegetation management expenses in Exhibit CLP-REVREQ-2, Work Paper C-3.31 reflect the reduction in outside contractor services; and one (1) resource would be truly incremental.[70] To the extent the Company's proposal regarding Vegetation Management is modified in PURA's final decision in this rate proceeding, the FTEs distribution between capital and O&M expense would need to be adjusted accordingly. In addition, the Company is proposing to add five FTEs in Power Quality, two FTEs in Distribution Planning & Forecasting and one FTE in Asset health. These positions are contingent on PURA's approval of the positions in this case.[71] In addition, the Company noted that the Company's target time to fill an open position from the commencement of recruiting activities is

[70] OCC-333.
[71] OCC-333.

approximately 90 days although actual time-to-fill may vary depending on the nature of the position, labor market conditions, and candidate availability.[72] As such, the Company's cost of service utilizes a conservative hiring date of January 1, 2028, which provides for 6 months from the Final Decision in this case to post the positions and complete the recruiting activities through hire date. The Company would not post those positions, nor fill them prior to a PURA decision.

For the remaining twelve positions, the intent of the Company's response to OCC-333 was to note that the Company would consider hiring those positions based on business needs and changing requirements as necessary even if PURA did not approve the positions in this case, however, if PURA did approve the positions, the Company would fill them. Similar to the 29 positions discussed above the Company's cost of service utilizes a conservative hiring date of January 1, 2028, which provides for 6 months from the Final Decision in this case to post the positions and complete the recruiting activities through hire date.

Finally, the Company addresses Mr. Defever's assertion that "[b]ecause the Company has consistently failed to meet its budgeted level of employees, it cannot be assumed that it will hire and retain the number of budgeted employees in the current case."[73] As described in our initial testimony, the Company's annualized test year pro-forma

72 OCC-327.

73 Defever Testimony, at 31-32.

expense excludes all unfilled and inactive positions as of December 31, 2025 which equates to an imputed vacancy rate of approximately two percent for CL&P and six percent for ESC already reflected in the cost of service.[74] It is understood that the Company would never have 100 percent of its budgeted work force filled and active. By utilizing only the filled and active positions to calculate the Company's cost of service, it ensures customers are not paying for the avoided costs associated with vacant positions.

Utilizing the Company's past vacancy as an argument to disallow 100 percent of the proposed future positions is invalid. By disallowing 100 percent of the positions, that would assume that the Company would not be able to fill any of the positions, when Mr. Defever's own analysis shows that the Company has consistently been able to fill and maintain 98 percent of CL&P employees and 94 percent of ESC employees. If PURA does believe an imputed vacancy should be applied to the Company's proposed incremental cost of the 41 FTEs, PURA should apply the actual vacancy rates to the costs of those positions. This would result in a reduction to the cost of service of $98,520 (CL&P Employees: $954,000 * 2% = $19,080; and EESCO Employees: $1,324,000 * 6% = $79,440).

74 Exhibit CLP-REVREQ-1, at 71

Q. Is there an opportunity for an after-the-fact review of the 41 positions?

A. Yes. The Company's proposals in this case include a Performance-Based Multi-Year Rate Plan ("PBMRP") where the Company would have annual rate adjustments prospectively. If there are concerns with the Company's ability to hire the 41 incremental positions, PURA could implement an after-the-fact review of the positions as part of PBMRP. PURA could review the status of the 41 positions and make a downward adjustment to the PBMRP rate change if the Company has not filled all of the positions. This has been utilized by PURA in multiple rate cases such as Docket Nos. 17-10-46 and 18-05-10. In Docket No. 17-10-46. In Docket No. 17-10-46 PURA directed the Company to "submit annual compliance filings demonstrating that it actually hired up to 33 incremental FTEs in 2018, up to 33 incremental FTEs in 2019; and up to 34 incremental FTEs in 2020."75 Similarly, in Docket No. 18-05-10 PURA ordered Yankee Gas to "file a report demonstrating that the Incremental LNG FTEs have been hired and confirms that the incremental LNG FTEs are in addition to the 354 Yankee FTEs as of June 30, 2018."[76]

Additionally, it is important to stress again that the Company has only included in the revenue requirement at issue in this proceeding half of the salary expense for these 41 positions as the projected hire date is the mid-point of the rate year (January 1, 2028). Said differently, the Company is only including 50% of the salary expense for these 41

75 Final Decision dated April 18, 2018 in Docket No. 17-10-46, at 20.

76 Final Decision dated December 12, 2018 in Docket No. 18-05-10, at 41.

positions in the rate year. As a result, that means if the Company is successful in hiring all 41 employees, distribution rates will only reflect 50% of the salary expense for these employees for the remainder of the PBRMP.

J. Non-Catastrophic Storm / Non-Pre-Staging Event Incremental Expense

Q. What is the Company's request for its non-catastrophic storm / non-pre-staging event incremental expense?

A. The Company has proposed the inclusion of $38.000 million of non-catastrophic storm / non-pre-staging event expense in the Rate Year which reflects the five-year average (2021 – 2025) level of actual incremental non-catastrophic storm / non-pre-staging event expense inflated through the rate year using factors based on GDP-PI.[77]

Q. What does Mr. Defever recommend for the non-catastrophic storm / non-pre-staging event incremental expense and why?

A. Mr. Defever recommends using the five-year average of uninflated amounts which yields a reduction of $6.143 million to the rate year.[78] Mr. Defever notes that "[t]he Company has not justified using an average of inflated historical amounts to derive the rate year level."[79] Mr. Defever does not offer any additional reasoning for his recommended adjustment.

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77 Exhibit CLP-REVREQ-1, at 108 - 109.

78 Defever Testimony, at 40.

79 Id.

Q. Does inflation impact the costs incurred by CL&P during storm events?

A. Yes. Please refer to the Company's analysis regarding inflation above for additional information. Storm expenses is certainly something that is directly impacted by inflation.

Q. Has PURA previously concluded that inflation impacts storm costs?

A. Yes. In the Final Decision dated August 25, 2023, Application of The United Illuminating Company to Amend Its Rate Schedule, Docket No. 22-08-08, PURA recognized that "[t]he Handy-Whitman Index is an industry-standard index used to reflect prior utility construction costs in current dollars and is appropriate to both capital projects and O&M costs, ***such as those costs incurred during storms***." (page 152, emphasis added). PURA further states that "[t]o ensure the major storm threshold remains reflective of actual utility costs and captures only catastrophic storms, the ***Authority will increase the major storm threshold by using the Handy-Whitman Index for utilities in the North Atlantic region to convert July 1, 2013 dollars to July 1, 2022 dollars***." (page 152, emphasis added)

Q. Has the Company increased the current storm threshold to reflect inflation from 2017 through the Rate Year?

A. Yes. As noted in Exhibit CLP-REVREQ-1, pages 104-105, "[t]he Company is also proposing in this proceeding to revise the threshold for a catastrophic storm to $5.4 million beginning in the Rate Year. This threshold was calculated by inflating the current catastrophic storm threshold of $4 million using the GDP-PI (Gross Domestic Product Price Index) from 2018 through the Rate Year (see table below)."

Table 10
Catastrophic Storm Threshold Escalation Calculation

	Docket No. 17-10-46	2018 – 2028 GDP-PI Inflation	Docket No. 26-05-10
Catastrophic Storm Threshold	$4 million	34.2%	$5.4 million

Q. Were the same GDP-PI inflation values utilized to escalate the 2021 – 2025 non-catastrophic storm / non-pre-staging event expenses to the rate year?

A. Yes. The same underlying GDP-PI values were utilized to escalate the 2021 – 2025 non-catastrophic storm / non-pre-staging event expenses to the rate year.

It would be asymmetrical to adjust the catastrophic storm threshold by inflation without considering the historical storm costs used to set base distribution rates. Mr. Defever offers no adjustment or recommendation to the Company's catastrophic storm deferral threshold, which is adjusted for inflation, while suggesting the underlying storm costs used to set base distribution rates should be "uninflated amounts."

Q. What is the value of non-catastrophic storm / non-pre-staging event incremental expense that PURA should approve in base distribution rates?

A. PURA should approve the Company's proposal as filed utilizing the five-year average (2021 – 2025) of actual incurred non-catastrophic storm / non-pre-staging event incremental expense, inflated to the rate year. As noted above, PURA has already determined that storm O&M costs are impacted by inflation and therefore PURA should reject Mr. Defever's recommendation to eliminate the inflation adjustment.

K. Pre-Staging Reserve Accrual

Q. What is the Company's request for its pre-staging reserve accrual?

A. The Company has proposed the inclusion of $4.000 million for the pre-staging reserve accrual in the Rate Year which reflects the five-year average (2021 – 2025) level of actual incremental pre-staging event expense inflated through the rate year using factors based on GDP-PI.[80]

Q. What does Mr. Defever recommend for the pre-staging reserve accrual and why?

A. Mr. Defever recommends using the five-year average of uninflated amounts which yields a reduction of $605,000 to the rate year.[81] Mr. Defever notes that "[t]he Company's method is not supported."[82] Mr. Defever does not offer any additional reasoning for his recommended adjustment.

Q. Contrary to Mr. Defever's assertion, has the Company supported its inflation of the pre-staging reserve accrual?

A. Yes. As noted above PURA has previously concluded that inflation does impact storm costs. The Company's proposal aligns with PURA's conclusions whereas the Company inflated the catastrophic storm threshold to "ensure the major storm threshold remains reflective of actual utility costs and captures only catastrophic storms"[83] and

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80 Exhibit CLP-REVREQ-1, at 107.

81 Defever Testimony, at 42.

82 Id. at 41.

83 Final Decision dated August 25, 2023, Application of The United Illuminating Company to Amend Its Rate Schedule, Docket No. 22-08-08, at 152.

accordingly inflated the pre-staging event costs to ensure base distribution rates have a representative level to fund the pre-staging reserve.

Q. What level of pre-staging reserve accrual should PURA approve in base distribution rates?

A. PURA should approve the Company's proposal as filed utilizing the five-year average (2021 – 2025) of actual incurred pre-staging event incremental expense, inflated to the rate year. As noted above, PURA has already determined that storm O&M costs are impacted by inflation and therefore PURA should reject Mr. Defever's recommendation to eliminate the inflation adjustment.

L. Defined Benefit Pension Plan Employee 401(k) Expense

Q. What is the Company's request for defined benefit pension plan employee 401(k) expense?

A. The Company has proposed the inclusion of $1.429 million associated with 401(k) expense for employees whom are eligible for the qualified defined benefit pension plan.[84]

Q. What does Mr. Defever recommend and why?

A. Mr. Defever recommends a 100 percent disallowance ($1.429 million) of the 401(k) costs associated with employees whom are eligible for the qualified defined benefit pension plan. Mr. Defever claims that if these costs are included in rates, ratepayers

[84] OCC-302.

will be paying for two retirement plans for certain employees.[85] Mr. Defever further states that PURA disallowed these expenses in the Yankee Gas Decision.[86]

Q. Do you agree with Mr. Defever's statement that ratepayers would be "paying for two retirement plans"?

A. No. As stated in the Company's response to interrogatory OCC-302, the Company's 401(k) plan and defined benefit pension plans are serving two different purposes and each represent only a portion of an employee's overall personal retirement plan. The 401(k) plan is designed to incentivize employees to contribute more of their own pay toward their retirement. Within the 401(k), employees are able to manage their own investments and this provides employees with control and portability of their benefit. Conversely, the qualified defined benefit pension plan provides a portion of the employee retirement benefit as guaranteed income eliminating market volatility at the employee level for a portion of their retirement benefit. With the qualified defined benefit pension plan, the employer is responsible for annual funding and bears the investment risk. Saving for retirement is a high priority for the Company's employees and it is critical that Eversource remains competitive with other utility industry employers in this regard.

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85 Defever Testimony, at 42.

86 Id.

Q. Is there a customer benefit to providing employees with retirement benefits?

A. Yes. As noted above, saving for retirement is a high priority for the Company's employees and it is critical that Eversource remains competitive with other utility industry in order to attract and retain highly skilled employees. Eversource's electric (and natural gas) utility employees typically possess very specialized skills sets that are a commodity in high demand in the marketplace and, in addition, the roles that employees fill are often physically demanding and hazardous jobs, providing an essential service on a 24/7/365 basis. By offering adequate retirement plans, Eversource is enabled to recruit and retain engineers, experienced linemen, operators, technicians, managers, and other highly skilled workers. If the Company's retirement plan offerings were to fail to be competitive with other utility industry employers the Company would not be able to hire and retain these skilled workers and customers would see a reduction in service quality and reliability.

Q. Based on the above-mentioned considerations, is full recovery of the defined benefit pension plan employee 401(k) expense warranted?

A. Yes, full recovery of the defined benefit pension plan employee 401(k) expense is warranted as it is a necessary expense incurred to attract and retain qualified skilled workers responsible for providing customers with high-quality, safe, and reliable service they expect. These costs are appropriate and in line with past PURA precedent indicating that Eversource should provide a competitive level of retirement benefits. For example, in Docket No. 17-10-46 PURA recognized Eversource's "work to minimize the costs of its retirement benefits while still providing a competitive level of

pension and health care benefits."[87] Thus, PURA has encouraged Eversource to provide competitive retirement benefits within reason and for the reasons mentioned above, PURA should allow full recover of these costs.

M. Rate Case Expenses

Q. What is the Company's computation of its rate case expense?

A. The Company has included $3,100,000 for forecasted rate case expenses which "are associated with the Company's preparation of, participation in and attendance at anything connected with this rate case proceeding including the cost associated with external attorney's fees and fees incurred to engage expert witnesses, consultants and incremental supporting personnel."[88] Amortizing this amount over 4 years results in a recommended annual amortization expense of $775,000.

Q. Is the Company proposing to update its rate case expense during the proceeding to reflect actual costs incurred?

A. Yes, as noted in Exhibit CLP-REVREQ-1, at page 58, the Company is "proposing to update the rate case expense during the proceeding for costs incurred by PURA, the OCC and other state agencies to participate in the rate proceeding that are passed through to the Company."[89]

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87 Final Decision dated April 18, 2018 in Docket No. 17-10-46, at 20.

88 Exhibit CLP-REVREQ-1, at 57. Also, Exhibit CLP-REVREQ-2, Schedule B-6.2 and Work Paper C-3.36, page 10.

89 Id. at 58.

Q. What does Mr. Defever recommend and why?

A. Mr. Defever recommends a reduction of the entirety of the $775,000 expense in the Rate Year, arguing that SB7 prohibits the recovery of rate case expenses from ratepayers and that PURA disallowed all rate case expenses except for OCC and PURA's consultant fees in Docket No. 24-12-01.[90]

Q. Does the Company agree with Mr. Defever's argument?

A. No. The Company can only charge rates, including operating expenses, authorized by PURA. Conn. Gen. Stat. §16-19(a). The Company can only update its base rates and right-set its charges through the preparation and filing of a rate case, which includes internal and external expert testimony, time and attention. Additionally, PURA is routinely expecting more and more detailed information as part of its filing, including requirements to submit and file required resiliency and reliability plans, climate change plans among others, and its ever-shifting delineation of what exactly will satisfy the Company's burden of proof under Conn. Gen. Stat. §16-22. Additionally, under Conn. Gen. Stat. § 16-19(e)(a)(4):

> [t]he level and structure of rates be sufficient, but no more than sufficient, to allow public service companies to cover their operating costs including, but not limited to, appropriate staffing levels, and capital costs, to attract needed capital and to maintain their financial integrity, and yet provide appropriate protection to the relevant public interests, both existing and foreseeable…

[90] Defever Testimony, at 44.

Put simply, operating costs include the necessary costs, both internal and external, of preparing and litigating a rate case. The Connecticut Supreme Court has held that Conn. Gen. Stat. § 16-19e(a)(4) (the governing statute for utility rates) sets forth a test for establishing proper rates of public utilities incorporating the constitutional requirements affirmed by the U.S. Supreme Court in Hope for review of public utility rate-making cases based on claims of unconstitutional confiscation.[91] A confiscatory rate can result from the improper exclusion of a cost or item from rates. See, e.g., Boston Gas Company v. Department of Public Utilities, 367 Mass. 92, 97-98 (1975); cf. Fitchburg Gas & Elec. Light Co., 371 Mass. at 884 n.5, 359 N.E.2d 1294 ("A utility's income can be increased either by increasing its rate base or by increasing its permissible rate of return"). Here Mr. Defever's recommendation and the effect of Conn. Gen. Stat. §16-243p(b) is to exclude prudently incurred and necessary costs in clear conflict with Conn. Gen. Stat §16-19(e)(a)(4).

Q. Based on the above-mentioned considerations, is full recovery of the rate case expense reasonable?

A. Yes, based on the discussion above, full recovery of the rate case expense is reasonable and appropriate.

N. Depreciation Expenses

Q. How does the Company compute its rate year depreciation expense?

A. The Company calculated rate year depreciation expense in this case using the projected average rate year utility plant in-service balance by plant account and multiplying those

[91] CL&P v. DPUC, 216 Conn. 627 at 633 (1990)

balances by each plant account's depreciation accrual rate, which was proposed by Company witness Mr. Ned Allis. As a result, the Company calculated rate year depreciation expense of $365.917 million, based on the projected average rate year utility plant.[92]

The Company provides detailed information on this request in Exhibit CLP-REVREQ-2, Schedule WP C-3.34, the Revenue Requirement Panel's pre-filed testimony, Exhibit CLP-REVREQ-1, at 118-119 and Exhibit CLP-DEPRECIATION-1.

Q. Did Mr. Defever make any adjustments to depreciation expense?

A. Yes, although Mr. Defever did not make any direct recommendations or provide any specific testimony regarding his adjustments to depreciation expense, he did recommend a reduction to depreciation expense of $102.497 million.[93]

In our review of Exhibit JD-1, it appears Mr. Defever made two depreciation adjustments. First, Mr. Defever incorporated the "OCC Depreciation Rate" adjustment calculated by Mr. Garrett at Exhibit DJG-17, which totaled $71.060 million.[94] Second, Mr. Defever calculated an additional depreciation adjustment for the plant adjustments identified by Mr. Balakumar totaling $31.437 million.[95]

Q. Does Mr. Defever provide any testimony supporting his calculations?

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92 Exhibit CLP-REVREQ-2 Schedule C-3.34 Line 24.
93 Exhibit JD-1, Schedule C page 2, Lines 21 & 22
94 Exhibit JD-1 Schedule C, page 2, Line 22
95 Exhibit JD-1 Schedule C, page 2, Line 21

A. No. Mr. Defever does not offer any testimony supporting the depreciation expense adjustments or calculations included in Exhibit JD-1. Although Mr. Defever does not expressly explain these calculations in his testimony, he states that his revenue requirement incorporates recommendations from other OCC witnesses, including Mr. Garrett with respect to depreciation and Mr. Balakumar with respect to capital additions. Accordingly, the Company understands these adjustments to represent Mr. Defever's attempt to reflect the depreciation expense impacts associated with his adoption of those witnesses' recommendations.

Q. How did Mr. Defever calculate the depreciation expense adjustment for the plant adjustments recommended?

A. To calculate the estimated depreciation expense impacts of the OCC's recommended plant reductions, Mr. Defever utilized the composite depreciation rate recommended by Mr. Garrett of 3.10 percent[96], which he multiplied by the total plant adjustment included in his revenue requirement calculation.

Q. Does the Company agree with Mr. Defever's depreciation expense calculation?

A. No. As discussed above, the Company has identified multiple material errors and inconsistencies in Mr. Defever's calculation of utility plant in-service. Given rate year depreciation expense is calculated based on average rate year utility plant in-service, those errors flow directly through to and materially overstate Mr. Defever's proposed reduction to depreciation expense.

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96 Exhibit JD-1 Schedule B-4 Lines 12-14 and Schedule B-5

First, as summarized above, Mr. Defever appears to have removed the entire $145.4 million of Peak Load / Capacity capital additions identified in Mr. Balakumar's testimony. Mr. Balakumar, however, does not yet recommend a disallowance on these capital additions, instead he requests additional information and recommends PURA not find a project prudent where non-wires alternatives were not considered and the disallowance should only reflect "the cost above the least-cost alternative where one was available."[97] The inclusion of the total $145.4 million results in a recommended reduction to depreciation expense of $4.507 million ($145.4 million * 3.10% = $4.507 million). Thus, Mr. Defever is reducing depreciation expense for a capital disallowance that Mr. Balakumar has not yet recommended.

Second, and more significantly, Mr. Defever compounds the mathematical error in implementing Mr. Balakumar's recommendation to remove all rate year capital additions. The Company only included an average of these capital additions in both rate base and the calculation of depreciation expense. By not averaging the total rate year capital additions of $664.9 million, Mr. Defever is overstating the capital disallowance for purposes of his revenue requirement by approximately $332.5 million. This mathematical error in the calculation of the average utility plant in-service for the rate year results in an overstated depreciation expense reduction of approximately $10.308 million ($332.5 million * 3.10% = $10.308 million).

[97] Balakumar Testimony, at 92-93.

Third, Mr. Defever's calculation fails to account for the estimated retirements associated with the projected interim period and rate year capital additions he removed. As demonstrated in Exhibit CLP-REVREQ-2, Schedule B-2.1, Columns (E) and (H), the Company's forecast of utility plant in-service reflects not only projected capital additions, but also the estimated retirements expected during both the interim and rate-year periods. Mr. Defever removed the projected capital additions suggested by Mr. Balakumar but does not make any corresponding adjustment for the retirements embedded in the Company's forecast.

Although this omission does not directly affect rate base because the estimated retirements reduce both utility plant in-service and accumulated depreciation by equal amounts, it does affect depreciation expense. By removing the gross projected capital additions while retaining the corresponding estimated retirements, Mr. Defever effectively assumes that assets will be retired in connection with capital investments that, under his methodology, are not reflected in rates. This inconsistent and asymmetrical treatment creates an artificial reduction in utility plant in-service and overstates the proposed reduction to depreciation expense.

The Company estimates that Mr. Defever failed to recognize approximately $36.396 million of interim-period retirements, based on the proportion of interim-period capital additions he removed ([$202.5 million / $847.8 million] * $152.367 million = $36.396 million), as well as the $115.758 million of projected rate-year retirements. After appropriately averaging the rate-year retirements, the resulting adjustment to average

rate year utility plant in-service is approximately $94.275 million ($36.396 + ($115.758 * 50%) = $94,275). Applying the 3.10 percent composite depreciation rate results in an additional $2.923 million overstatement of Mr. Defever's depreciation expense reduction.

Collectively, these errors overstate Mr. Defever's proposed depreciation expense reduction by approximately $17.7 million or 17 percent. Again, these are not differences in judgment regarding depreciation methodology or rates, which is addressed separately within Mr. Ned Allis' rebuttal testimony at CLP-DEPRECIATION-REBUTTAL-1; they are the direct consequence of errors and inconsistencies in Mr. Defever's implementation of the OCC's capital recommendations. Moreover, because the same underlying utility plant in-service errors flow through multiple components of the revenue requirement, their effects are compounded rather than isolated.

Q. Does the Company have any additional comments regarding the depreciation expense reflected in the annual revenue requirement?

A. As noted above, the Company's response to the depreciation rates suggested by Mr. Garrett are addressed by Mr. Ned Allis within Exhibit CLP-DEPRECIATION-REBUTTAL-1. The Company would like to highlight that any depreciation expense adjustment adopted in a final decision would need to reflect the final approved utility plant in-service by plant account multiplied by the approved depreciation rates for each asset classification, as has consistently been the case in previous rate cases. This

calculation will ensure that depreciation expense set in base distribution rates is appropriately calculated to reflect the utility plant in-service approved.

O. Property Tax Expense

Q. What is the Company's computation of its property tax expense?

A. The Company's calculation of property tax expense for the rate year was based on four components: (1) base historical actual property taxes (2023 and 2024); (2) a reduction to reflect depreciation on those historical assets; (3) additional property taxes on new capital additions for 2025 and 2026 and (4) a reduction for property taxes on retired assets in 2025 and 2026. This resulted in a rate year property tax expense of $158.561 million.[98]

The Company provides detailed information on this request in Exhibit CLP-REVREQ-2, Schedule WP C-3.37 pages 1 – 21 and the Revenue Requirement Panel's pre-filed testimony, Exhibit CLP-REVREQ-1, at 122-124.

Q. Did Mr. Defever make any adjustments to property tax expense?

A. Yes, although Mr. Defever did not make any direct recommendations or provide any specific testimony regarding his adjustments to property tax expense, he did recommend a reduction to property tax expense of $16.411 million.[99]

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98 Exhibit CLP-REVREQ-2 Schedule C-3.37 Line 24.

99 Exhibit JD-1, Schedule C page 2, Line 23

In our review of Exhibit JD-1, it appears Mr. Defever calculated this adjustment by applying a property tax ratio of 1.62 percent to the total plant reductions recommended by the OCC. Mr. Defever calculated the property tax ratio by dividing the Company's rate year property tax expense by the Company's rate year utility plant in-service.[100]

Q. Does Mr. Defever provide any testimony supporting his calculations?

A. No. Mr. Defever does not offer any testimony supporting the property tax expense adjustment or calculations included in Exhibit JD-1. Although Mr. Defever does not expressly explain these calculations in his testimony, he states that his revenue requirement incorporates recommendations from other OCC witnesses, including Mr. Balakumar with respect to capital additions. Accordingly, the Company understands these adjustments to represent Mr. Defever's attempt to reflect the property tax expense impacts associated with his adoption of those witnesses' recommendations.

Q. How did Mr. Defever calculate the property tax expense adjustment for the plant adjustments recommended?

A. To calculate the estimated property tax expense impacts of the OCC's recommended plant reductions, Mr. Defever utilized the property tax ratio outlined above, which he multiplied by the total plant adjustment suggested by the OCC of $1.014 billion.

Q. Does the Company agree with Mr. Defever's property tax expense calculation?

A. No. As discussed above, the Company has identified multiple material errors and inconsistencies in Mr. Defever's calculation of utility plant in-service. Given rate year

[100] Exhibit JD-1 Schedule C, page 2, Line 21

property tax expense is directly impacted by utility plant in-service, those same errors flow directly through to and materially overstate Mr. Defever's proposed reduction to property tax expense.

Specifically, the Company identified three errors in Mr. Defever's property tax expense calculations: (1) property tax expense related to the removal of $145.4 million of Peak Load/Capacity capital additions that Mr. Balakumar has not recommended be disallowed yet; (2) the failure to recognize that the property tax on January 1, 2027 – June 30, 2028 capital is not included in the cost of service[101]; and (3) property tax expense related to the removal of the $26.5 million of DB cable was calculated on the gross balance, rather than the current actual net book value of the capital.

Given Mr. Defever applies a 1.62 percent property tax rate to his calculated reduction in utility plant in-service, each of these underlying errors directly overstates his proposed reduction to property tax expense. First, using Mr. Defever's approach of applying the 1.62 percent rate to the $145.4 million Peak Load / Capacity adjustment results in an approximately $2.355 million overstatement of the property tax reduction. In addition, using Mr. Defever's approach of applying the 1.62 percent rate to the $867.4 million future plant adjustment results in an additional $14.051 million overstatement.

[101] See Exhibit CLP-REVREQ-2, Work Paper C-3.37, page 21 of 21 which shows the last year of capital included in property taxes is calendar year 2026 which is billed over the fiscal year July 1, 2027 through June 30, 2028.

Collectively, these errors overstate Mr. Defever's proposed reduction to property tax expense by approximately $16.406 million, or 99.9 percent. Importantly, these are not independent differences in judgment or property tax methodology. Rather, they are the direct consequence of the same mathematical errors and inconsistencies in Mr. Defever's implementation of the OCC's capital recommendations discussed above. Those errors originate in his calculation of utility plant in-service and compound as the incorrect plant balance flows through other components of the revenue requirement calculation, including depreciation expense, accumulated depreciation, ADIT, and property tax expense. Accordingly, a single error in the underlying plant calculation can have multiple and cumulative effects on the OCC's ultimate revenue requirement recommendation, which when corrected will materially increase their proposed revenue requirement.

IV. ERRORS, DUPLICATIVE DISALLOWANCES AND METHODOLOGICAL INCONSISTENCIES

Q. What conclusions does the Company draw from the mathematical errors and inconsistencies identified in the OCC's proposed revenue requirement?

A. The Company has significant concerns regarding the reliability of the OCC's proposed revenue requirement. As discussed above, in the relatively short period available to review the OCC's and all other intervenor's testimony and prepare rebuttal testimony, the Company identified multiple material mathematical errors, inconsistencies, and apparent misapplications of other OCC witnesses' recommendations within Mr. Defever's revenue requirement calculation. These are not simply differences in

ratemaking judgment or disagreements regarding reasonable assumptions. Several are mathematical or computational errors that have a direct and material effect on the OCC's proposed rate base and revenue requirement.

For example, the Company identified that Mr. Defever:

1) Removed the full $664.9 million of projected rate year capital additions, even though the Company's average rate year calculation included only approximately $332.5 million of those additions. As a result, Mr. Defever effectively removed approximately $332.5 million of utility plant in-service that was never included in the Company's proposed average rate base for the rate year to begin with.
2) Applied the ADIT adjustment associated with the approximately $1.014 billion reduction to utility plant in-service in the wrong direction. Rather than reducing the associated ADIT liability, Mr. Defever increased it by approximately $130.759 million. Correcting the direction of that adjustment would increase his calculated rate base by approximately $261.518 million.
3) Removed historical plant balances without removing all prior accumulated depreciation associated with those assets. Certain projects subject to Mr. Defever's adjustments have been in service and depreciating since 2022. Removing the gross plant associated with those projects while retaining

accumulated depreciation previously recorded on those same assets produces an asymmetrical and overstated reduction to net plant in service.

4) Applied the treatment adopted by PURA in the Yankee Gas Decision, other recent rate cases (UI Final Decision in Docket No. 24-10-04, CNG and SCG Remand Decisions in Docket Nos. 25-11-13 and 25-11-14 respectively) and proposed herein by Mr. Balakumar inconsistently. While the OCC relies on a cutoff at the close of the evidentiary record to exclude subsequent projected plant additions, Mr. Defever does not apply a corresponding cutoff to the projected accumulated depreciation. Based on the Company's analysis, applying that treatment consistently would reduce forecasted accumulated depreciation by approximately $100 million, thereby materially increasing rate base relative to Mr. Defever's calculation.

5) Appears to have incorporated the full $145.4 million of Peak Load / Capacity investments as a disallowance, notwithstanding that Mr. Balakumar's recommendation did not simply disallow those investments. Instead, Mr. Balakumar proposed additional review and, where the required showing could not be made, a potential disallowance based on costs above an available least-cost alternative.

6) Double-counted the disallowance of investor relations costs. Mr. Defever recommends the removal of all investor relations costs totaling $480,000 and immediately following this proposal applies a separate $217,000 reduction for costs he identifies as "investor relations costs." His recommended disallowance

represents another error, where Mr. Defever is proposing a duplicative disallowance removing $217,000 of investor relations costs twice, which again understates the Company's revenue requirement.

These errors and inconsistencies are material individually and even more significant in the aggregate. Most importantly, they were identified within the limited time available to review the testimony and supporting workpapers of the OCC and all other intervenors and prepare rebuttal testimony, while Company witnesses also respond to hundreds of discovery responses, participated in on-site audits and performed their typical day-to-day responsibilities. The Company therefore does not believe it would be reasonable to assume that the errors identified herein necessarily represent all errors or inconsistencies within Mr. Defever's revenue requirements calculation.

To be clear, the Company is not suggesting that every disagreement with an OCC witness or any party constitutes an error. There are legitimate areas in this proceeding where the Company and OCC witnesses simply disagree regarding assumptions, methodologies, or appropriate ratemaking treatments, and the Company addresses those substantive disagreements above and throughout our collective rebuttal testimonies. Many of the issues identified above however are different. They include mathematical errors, inconsistent and asymmetrical calculations, duplicative

adjustments and instances in which Mr. Defever's model does not appear to accurately implement the recommendations on which he is relying upon.

This distinction is particularly important because the OCC's overall recommendation would move the Company from a calculated base revenue deficiency, excluding storms, of approximately $451 million to an approximately $10 million *reduction* in base distribution rates. As outlined in the introduction above, such a decrease to base distribution rates is mathematically at odds with the Company's actual test year ROE of 6.51%[102] and such a consequential recommendation should rest on a revenue requirement calculation that is mathematically sound, consistent, symmetrical and accurately reflects the underlying recommendations of the OCC's other witnesses. These errors identified by the Company demonstrate that Mr. Defever's calculation does not presently satisfy that standard.

Accordingly, the Company respectfully submits that caution is warranted before relying on Mr. Defever's proposed revenue requirement. The magnitude and nature of the errors identified during the Company's limited rebuttal review demonstrate that individual adjustments cannot be evaluated in isolation. PURA should consider whether the OCC's proposed revenue requirement, taken as a whole, has been demonstrated to be mathematically reliable and internally consistent before using it as a basis for establishing the Company's just and reasonable rates.

[102] March 6, 2026 compliance filing in Docket No. 76-03-07RE01, tab "Exhibit 1 (C) (1a) – 5 Qtr".

V. CONCLUSION

Q. Does this conclude your testimony?

A. Yes, subject to reserving the Company's right to respond to additional issues raised in discovery, surrebuttal and at hearings.