Date Filed: October 16, 2026

Witness: Sasha P. Lazor, Brendan J. O'Brien, Marianne H. Eichler and Garrett J. Murray
Request from: Public Utilities Regulatory Authority

Question:

(OFFICER VARIABLE COMPENSATION—NORMALIZATION OF ABOVE-TARGET 2025 INCENTIVE PERFORMANCE FOR THE RATE YEAR) Application, Sch. WP C-3.7, rows 21–27 and notes (a) and (b). State whether the Test Year or Test Year Pro Forma officer-variable-compensation amount in Schedule C-3.7 reflects a corporate or executive funding factor above 100% of target, including the 145% executive incentive funding level disclosed for 2025. If so:

a. quantify the portion of Schedule C-3.7 attributable to performance above 100% of target;
b. explain why an above-target Test Year performance result is an appropriate normalized basis for Rate Year 1;
c. provide the Schedule C-3.7 Test Year Pro Forma and Rate Year amounts assuming corporate performance at exactly 100% of target;
d. provide the corresponding amounts using the average corporate funding factor for 2021–2025; and
e. explain why the Company's chosen Rate Year methodology is more representative than either alternative (i) the normalization at exactly 100% of target described in subpart c, or (ii) the normalization using the average corporate funding factor for 2021-2025 described in subpart d.

In the response, address whether use of the 2025 historical pro forma amount followed by Rate Year escalation embeds extraordinary above-target 2025 performance into prospective rates.

Response:

a. The portion of Schedule WP C-3.7 funded at target in the Rate Year is $3.484 million ($1.571 million short-term variable compensation and $1.913 million for long-term variable compensation). Please refer to UPA-015, Attachment 1, (Line 85) Columns F and H for reference.

   This amount is slightly lower than the initial filing, which reflects variable compensation at the actual funded level for 2025 totaling $3.769 million ($2.438 million short-term variable compensation and $1.331 million long-term variable compensation). Please see Exhibit CLP-REVREQ-2 Sch WP C-3.7 and UPA -015, Attachment 1, Line 85 Columns D and E.

b. As referenced in the Company's response to information request UPA-002[i] and UPA-015[ii], the Company's original application incorporated variable compensation at the actual funding level for 2025. However, the Company agrees that the target level reflects an appropriate normalized basis for establishing rates. As such, in a future update of the revenue requirement in this proceeding the Company will update the variable compensation to reflect variable compensation at target levels, rather than at the actual payout percentage in 2025, which was above target levels.

c. Please refer to subpart (a) above and UPA-015, Attachment 1, column F for the short-term variable compensation at target and column H for the long-term variable compensation at target. As noted in subpart (b) these amounts will be reflected in a future cost of service update.

d. Per the table below, the five-year average performance score is 138%.

Please refer to Table 1 for a sample of our five-year trend of overall performance:

Table 1

Year	**Performance Factor**
2021	160%
2022	164%
2023	94%
2024	125%
2025	145%
Avg	138%

While 2023 performance was below target, it reflects a year in which the Compensation Committee utilized downward discretion to recognize financial outcomes in light of write-offs related to our offshore wind divestiture.

Therefore, based on the target amounts calculated within UPA-015, Attachment 1, the average corporate funding factor (i.e. 138% outlined above) would reflect the annual short-term and long-term variable compensation at approximately $2.168 million and $2.640 million, respectively.

e. As noted in subpart (b) above, the Company will update its proposed cost-of-service in this proceeding to incorporate the variable compensation payout at target (see amounts

referenced in subpart (a)). The initial application which was based on the actual funding in 2025, which, as noted above, was a reasonable proxy based on historical information.

Prior Referenced Responses:

[i] UPA-002 Question

(OFFICER VARIABLE COMPENSATION—RECIPIENT-LEVEL DATA) Application, Schs. C-3.5, C-3.6, and C-3.7. Provide an unlocked Excel workbook, with formulas intact, containing separate tabs for (i) non-officer employees included in Schedule C-3.6 and (ii) officers/executives included in Schedule C-3.7. For each anonymized individual included in the Test Year or used to develop the amount included in the Rate Year:

a. job title or position category;
b. employing entity;
c. business unit/department and cost center;
d. base salary or wage compensation;
e. target short-term variable-pay percentage and target dollar amount;
f. actual 2025 short-term variable-pay amount;
g. long-term variable-compensation expense, if any;
h. total variable compensation;
i. amount expensed;
j. amount capitalized;
k. amount directly charged or allocated to CL&P;
l. applicable allocation factor and basis; and
m. amount included in the Rate Year revenue requirement.

If the amount included in the Rate Year is not maintained at the individual level, provide the corresponding job amount in the Rate Year and explain the methodology used to derive it.

UPA-002 Response:

The Company did not construct Schedule C-3.6 to present Employee Variable Compensation at the individual employee level.

The Test Year Employee Variable Compensation in Schedule C-3.6 represents the amount of variable compensation accrued during the Test Year. The actual variable compensation payments are made in the first quarter of the following year, and the accrued liability is reviewed and trued up as necessary at that time to reflect the final, approved pay-out amounts. True-up adjustments are recorded and allocated proportionally as the original accrual was charged, ensuring the final costs are accurately reflected and consistently assigned. The final actual variable compensation payments made in the first quarter of 2026 account for the Test Year Pro Forma amounts.

To derive the Rate Year adjustment, the Test Year Pro Forma amounts are then escalated by the three-percent merit increases, as known and measurable changes for the period January 1, 2026 through June 30, 2028. The Test Year Pro Forma amount plus the Rate Year Adjustment derives the Rate Year level of variable compensation. Because these amounts were originally developed as described above, at the company level, the Company does not have an individual-by-individual itemization of variable compensation in the form contemplated by the question.

Upon review, the Company is preparing an updated Schedule C-3.6 that will provide the target level of variable compensation on an individual-employee basis, as requested in this question. Target-level variable compensation in 2025 was lower than the amount actually funded and paid out for 2025, which was above target. Target-level variable compensation is most representative of what the Company expects to pay out year-to-year over the longer term, as funding above target will vary year to year. Therefore, the Company plans to update the cost of service to incorporate the variable compensation pay-out at target, rather than as originally proposed in the Company's application, which will lower the cost of service.

Please refer to the Company's response to UPA-015, for the Officers' variable compensation methodology that derives the Rate Year amounts.

[ii] UPA-015 Question

(OFFICER VARIABLE COMPENSATION—RESIDUAL LONG-TERM OFFICER VARIABLE COMPENSATION) Application, Sch. WP C-3.7. After the exclusions described in Schedule WP C-3.7, the Rate Year still includes long-term officer variable compensation. For each anonymized recipient of the remaining long-term compensation, provide:

a. title and employing entity;
b. award type or instrument;
c. grant date;
d. performance and vesting period;
e. target and actual award;
f. performance or vesting metrics and weights;
g. accounting expense recognized in the Test Year, pro forma, and Rate Year;
h. amount allocated or charged to CL&P; and
i. an explanation of how the award and its performance metrics benefit CL&P customers. Identify whether any metric is based on total shareholder return, stock price, EPS, dividend growth, net income, return measures, relative market performance, regulatory outcomes, or another financial measure.

UPA-015 Response:

a. The population in Exhibit CLP-REVREQ-2, Schedule C-3.7 represents the officer at the Vice President level and above as of December 31, 2025 for whom a portion of their compensation is charged to the Company. Please see UPA-015, Attachment 1, which provides a reconciliation by officer for the Test Year, Test Year Pro-Forma and Rate Year. As shown in Attachment 1 columns (D) and (E) the Test Year expense consists of the accounting accrual of short-term and long-term variable compensation (see rows 11 through 79). The Company made pro-forma adjustments to (1) remove both the short-term and long-term variable compensation associated with the CEO, CFO and CL&P President (see row 82); (2) remove the long-term variable compensation associated with other named executive officers (see row 83); and (3) remove the 2024 true-up recorded in 2025 and add the 2025 true-up recorded in 2026 (see rows 84 and 85). Lastly, the Company made Rate Year adjustments to reflect the known merit increases of 3 percent for the period January 1, 2026 through June 30, 2028.

In summary, after these adjustments, the Company's proposed cost of service in this proceeding includes executive (i.e., those at the level of Vice President and above, excluding those components referenced above and removed on lines 82 and 83) variable compensation charged to CL&P as earned in the Test Year, 2025, based on the payouts associated with that performance year, as adjusted to Rate Year levels.

The Company recognizes that the variable compensation accruals and payouts vary from year to year and may be more (or less) than target levels. For instance, as shown in UPA 15, Attachment 1, the amount of cash variable compensation accrued in the Test Year, and which serves as the basis for Rate Year amounts is above target levels (see, e.g., Column D as compared to Column F). Conversely, the Test Year accrual for LTI variable compensation is below target (see, e.g., Column H as compared to Column E). The Company's experience in Massachusetts is to reflect the amount of variable cash incentive at target levels, rather than at accrued amounts. As shown in Attachment 1, using the target short-term and long-term variable compensation, the Company's Rate Year amounts would be $1.571 million and $1.913 million respectively as compared to $2.438 million and $1.331 million.

b. Long-term officer variable compensation awards is recognized over a three-year vesting period in the form of two vehicles:

   1. Restricted Share Units ("RSUs") vest by one-third typically on the 1st of February in each of the three years following the calendar year of the grant.

   2. Performance Shares ("PSUs") vest at the end of the three-year performance period (December 31st).

   3. The Company recognizes compensation expense in accordance with Generally Accepted Accounting Principles ("GAAP"), specifically Accounting Standards Codification 718, *Compensation - Stock Compensation*

c. Please refer to the table below for the long-term officer variable compensation grant date and payment dates for the last three plan years:

Long-Term Variable Compensation Awards

Officer RSUs:	Award - Grant Date	Payment - Distribution Date
2023-2025 Plan	2/1/2023	Year 1: 2/12/2024 Year 2: 2/18/2025 Year 3: 2/12/2026
2024-2026 Plan	1/31/2024	Year 1: 2/18/2025 Year 2: 2/12/2026 Year 3: 2/18/2027
2025-2027 Plan	1/29/2025	Year 1: 2/12/2026 Year 2: 2/18/2027 Year 3: 2/17/2028
Officer PSUs:	Award - Grant Date	Payment - Distribution Date
2023-2025 Plan	2/1/2023	2/12/2026
2024-2026 Plan	1/31/2024	2/18/2027
2025-2027 Plan	1/29/2025	2/17/2028

d. Please refer to subpart (c) for payment dates.

e. Please refer to UPA-015, Attachment 1, for the CL&P-related component for target and actual awards.

f. Long-term officer variable compensation is awarded with the following weights:

1. 75% of the grant in the form of PSUs
2. 25% of the grant in the form of RSUs.

g. Please refer to UPA-015, Attachment 1.

h. Please refer to UPA-015, Attachment 1.

i. Variable compensation is comprised of short-term and long-term incentives that pay out based on the performance of the individual employee. Long-term incentives are based on the metrics shown below, which are appropriate given that customers benefit from lower operating costs, lower capital costs and other areas of good fiscal management, which are the outcomes that are promoted through this compensation.

Long-Term Incentive Program Performance Share Potential Payout

Three-Year Average EPS Growth	Three-Year Relative Total Shareholder Return Percentiles									
	Below 10th	20th	30th	40th	50th	60th	70th	80th	90th	Above 90th
10.0%	100%	110%	130%	140%	150%	160%	170%	180%	190%	200%
9.0%	90%	100%	120%	130%	140%	150%	160%	170%	180%	190%
8.0%	80%	90%	110%	120%	130%	140%	150%	160%	170%	180%
7.0%	70%	80%	100%	110%	120%	130%	140%	150%	160%	170%
6.0%	60%	70%	90%	100%	110%	120%	130%	140%	150%	160%
5.0%	40%	60%	80%	90%	100%	110%	120%	130%	140%	150%
4.0%	30%	40%	60%	80%	90%	100%	110%	120%	130%	140%
3.0%	—	20%	40%	70%	80%	90%	100%	110%	120%	130%
2.0%	—	—	20%	60%	70%	80%	90%	100%	110%	120%
1.0%	—	—	—	30%	50%	60%	70%	80%	100%	110%
0.0%	—	—	—	10%	20%	30%	40%	50%	60%	70%
Below 0%	—	—	—	—	10%	20%	30%	40%	50%	60%