Date Filed: October 27, 2026

Witness: Brendan J. O'Brien and Garrett J. Murray
Request from: Office of Education, Outreach, and Enforcement

Question:

(ELECTRIC SYSTEM IMPROVEMENTS-ESI) Refer to Responses EOE-064 and EOE-158. Provide a discussion of the ESI's history, to include detail on the permitted capital funding levels by year, the requirements for annual submissions, the timing of changes to revenue requirements, how excess capital funding is handled, and other relevant information. Additionally, identify any changes to the ESI that resulted from subsequent dockets or settlement agreements.

Response:

The ESI was part of the Settlement Agreement approved in Docket No. 17-10-46. Specifically, the Settlement Agreement stated the following for 2017 Plant Additions in Section 3 (a) (i):

> (1) Core Capital and System Resiliency. Gross plant additions ("Plant Additions") of $400 million for calendar year 2017 shall be recovered in base distribution rates. If actual Plant Additions, for both core capital and system resiliency, are greater or less than $400 million, then the actual result for calendar year 2017 shall be reflected (in the form of a credit to the Company or a credit to customers, as appropriate) in a new rate tracking mechanism for capital Plant Additions and the associated O&M expense ("New Capital Tracker").

Further, the Settlement Agreement stated the following for Plant Additions in 2018, 2019, 2020 and thereafter, in Section 3 (a)(ii):

> (1) Core Capital. The Company's proposed capital expenditures for "core" capital projects for calendar years 2018, 2019 and 2020, as filed in the Application, are approved.
>
> > (a) Plant Additions for core capital projects of $270 million for calendar years 2018-2020 shall be recovered in base distribution rates. If Plant Additions for core capital projects are greater than $270 million per year for calendar years 2018-2020, then the Company shall recover "reliability" Plant Additions (which are a subset of core capital projects) for that time period through the New Capital Tracker up to the amount in excess of $270 million.
> >
> > (b) Plant Additions up to $300 million annually for core capital projects for the period commencing after the expiration of calendar year 2020 shall be recovered in the New Capital Tracker until the Company's distribution rates are adjusted in its

next distribution rate case. Plant Additions for core capital projects in excess of $300 million during this period shall be deferred for recovery to the Company's next rate case.

(2) New System Resiliency. The Company's proposed new system resiliency projects for calendar years 2018, 2019 and 2020, as filed in the Application, are approved. System resiliency Plant Additions for calendar year 2018 and thereafter, as filed in the Application, shall be recovered through the New Capital Tracker that shall be adjusted on a semi-annual basis commencing July 1, 2018.

(a) Annual plans of proposed system resiliency work and actual after-the fact results shall be filed with PURA each November 30th and May 31st, respectively, consistent with the current approach established in the most recent system resiliency decision in Docket No. 12-07- 06RE01.

(b) If the Company seeks approval and funding for any new system resiliency projects which are not currently in the evidentiary record in Docket No. 17-10-46, it must obtain prior approval for such new system resiliency projects from PURA.

(3) The Company's actual costs and collections under the New Capital Tracker will be reconciled in the Company's annual rate adjustment mechanism ("RAM") tracker reconciliation proceeding, which reconciles all of the Company's tracking rates at the same time for administrative convenience (see, e.g., Docket Nos. 18-03-01, 17-03-01, 16-03-01, PURA Annual Review of the Rate Adjustment Mechanisms of The Connecticut Light and Power Company).

(4) Grid Modernization. Any grid modernization Plant Additions and associated O&M approved by PURA in a separate, future docket shall also be recovered in the New Capital Tracker.

Lastly, the Settlement Agreement stated the following additional provisions related to the New Capital Tracker in Section 3 (a)(iii) Miscellaneous Provisions:

(1) This Settlement Agreement will not limit the Company's management's prerogative on necessary capital expenditures to maintain a safe and reliable system and will not be used as a basis to reduce Test Year capital expenditures in a future rate case.

(2) Although the Settlement Agreement does not address rate design – and each Settling Party will be able to litigate its respective position on rate design in this Docket No. 17-10-46 – the allocation of revenue responsibility and form of distribution rate design among

rate classes approved by PURA in this rate case shall be applied to rate design of the above-described New Capital Tracker.

(3) All capital recovery under this Settlement Agreement – in both base distribution rates and in the New Capital Tracker – for core capital projects and system resiliency projects will include recovery of the effect of plant, accumulated deferred income taxes ("ADIT"), and accumulated depreciation for the cumulative additional Plant Additions. Revenue requirements will include pre-tax return on investment, return of investment (depreciation), property taxes, gross earnings tax and uncollectible expense.

Since the approval of the Settlement Agreement in PURA's April 18, 2018, Decision in Docket No. 17-10-46, the "New Capital Tracker" was named the Electric System Improvements ("ESI") mechanism.

Consistent with the Settlement Agreement language above, the ESI reconciles revenue requirement calculations for calendar year capital recovery in the Company's annual RAM tracker reconciliation proceeding. Furthermore, the recovery of these revenue requirement calculations for calendar year capital recovery are shifted by four months to coincide with the timing of the new base rates for Rate Years 1, 2, 3 and thereafter that went into effect on May 1st of 2018, 2019 and 2020 as part of the approved Settlement Agreement in Docket No. 17-10-46.

Since the ESI resulted from the approved Settlement Agreement agreed to and signed by Eversource Energy, Office of Consumer Counsel and Public Utilities Regulatory Authority Prosecutorial Staff, there have been no changes made to the Settlement Agreement, and by extension the operation of the ESI, other than Amendment One to the Settlement Agreement. Amendment One to the Settlement Agreement was approved in PURA's April 18, 2018, Decision in Docket No. 17-10-46. This amendment did not make any changes to the operational aspects of the ESI. However, Amendment One did make some changes to certain System Resiliency/Vegetation Management costs recoverable through the ESI.