Date Filed: November 03, 2026

Witness: Matthew P. Fallon
Request from: Public Utilities Regulatory Authority

Question:

(FINANCIAL) Regarding the Company's cash flow:

a. Provide the Company's Statement of Cash Flow for periods ended December 31, 2024, through YTD, 2026.
b. Provide a narrative characterizing the Company's cash flow over the period identified in subpart a., above and explain if the Company has been able to service its long-term debt.

Response:

a. Please refer to RRU-133, Attachment 1, which provides CL&P's Statements of Cash Flows for the years ended December 31, 2024 and December 31, 2025, and its Statement of Cash Flows for the six months ended June 30, 2026.

b. Table 1, below, provides CL&P's sources and uses of cash over the last nine years. As Table 1 shows, CL&P has invested $8 billion in electric infrastructure (line 6) and approximately $1 billion in financing catastrophic storm events, net of customer contributions (line 7) over this time frame. To support these investments, Table 1 shows that CL&P has contributed $3.21 billion of equity capital (line 18), combined with $2.34 billion of net long-term debt issuances in the form of first mortgage bonds (line 19). At the same time, CL&P's short-term debt usage (line 20) has *decreased* since December 31, 2016, showing that short-term debt has not funded the cumulative increase in the Company's distribution system investment or, for that matter, deferred catastrophic storm costs.

   Importantly, over the last nine years, CL&P's uses of funds have exceeded its sources of funds, excluding financing, by $5.389 billion (line 10), or by $599 million annually, on average. That is, over the last nine years, CL&P has required approximately $5.4 billion of debt and equity capital to fund the difference between the cash generated by the business and cash needed to operate, maintain and enhance the electric grid, including responding to catastrophic weather events.

Table 1
($ Millions)

Line	Description	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
1	**Connecticut Light & Power Operating Activity**										
2	Operating Revenue, excluding earnings	2,519	2,775	2,792	3,075	3,261	4,274	4,025	4,088	4,732	31,541
3	Purchased Power, Transmission, & All Other	(1,357)	(1,936)	(1,794)	(2,003)	(1,827)	(3,033)	(2,741)	(2,644)	(2,881)	(20,215)
4	O&M	(488)	(482)	(522)	(549)	(625)	(718)	(740)	(809)	(844)	(5,777)
5	Property Taxes	(144)	(154)	(167)	(189)	(182)	(202)	(201)	(211)	(226)	(1,676)
6	Capital Investment	(824)	(864)	(917)	(833)	(790)	(876)	(1,093)	(979)	(868)	(8,043)
7	Storms (unapproved & deferred only), net funding	(31)	(105)	97	(321)	(225)	(131)	(131)	(99)	(32)	(979)
8	Distribution Trackers, (Under)/Over	6	56	(11)	(136)	(211)	360	(305)	(81)	539	216
9	Working Capital, net receipt/(payment)	(60)	49	(68)	57	15	(212)	15	(81)	(169)	(456)
10	Subtotal, Source/(Use) of Cash	(380)	(661)	(589)	(899)	(584)	(539)	(1,171)	(817)	251	(5,389)
11	Retained Earnings (i.e. reinvested equity capital)	116	312	63	383	55	235	183	173	116	1,636
12	Capital contributions from ES Parent		300	125	275	200	250	124	300		1,574
13	Short-term borrowing	(11)	(70)	64	(64)		(0)	457	(177)	(280)	(80)
14	Long-term debt issuance	525	500	500	400	425		800	650	400	4,200
15	Long-term debt maturity	(250)	(300)	(250)		(121)		(400)	(140)	(400)	(1,860)
16	Total Increase/(Decrease) in Cash	1	82	(87)	95	(25)	(54)	(8)	(10)	87	80
17	*Totals included above*										
18	Net equity capital (line 11 + line 12)	116	612	188	658	255	485	306	473	116	3,210
19	Long-term debt issuance, net maturity (line 14 + line 15	275	200	250	400	305		400	510		2,340
20	Increase/(Decrease) short-term debt (line 13)	(11)	(70)	64	(64)		(0)	457	(177)	(280)	(80)
21	Total Debt & equity capital funding	381	743	502	994	559	485	1,163	806	(164)	5,469
22									Equity % of capital		58.7%
23									Debt % of capital		42.8%

24	**Note:**	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
25	Average monthly short-term notes payable balance		51	60	130	237	21	21	296	330	
26	Ending short-term notes payable balance	80	70		64				457	280	

A utility's financial capacity depends on the relationship among the cash generated by the business, the cash required to operate and invest in it, and the debt and equity capital necessary to fund the difference, evaluated over time. When capital requirements exceed internally generated cash, the difference must be financed. How much capital is required, how long it must remain committed, and the timing and predictability of its recovery and return are fundamental to the financial capacity of the business.

As shown in Table 1, above, and described below, CL&P's operating cash flow improved significantly in 2025. The 2025 improvement, while substantial and meaningful as compared to years prior, was largely driven by prior period activities. In 2023, uses of cash exceeded sources by nearly $1.2 billion, or more than $630 million worse than in 2022. In 2024, though beginning to show improvement relative to 2023, cash uses still exceeded sources by approximately $817 million. 2025 showed continued improvement as sources exceeded uses by approximately $251 million. Therefore, to gain an accurate understanding of the Company's current financial circumstances, a review of a longer period is required.

The improvement in 2025 reflected several significant changes in the amount and timing of CL&P's cash receipts and expenditures. Cash payments to storm vendors declined by approximately $321 million, higher collections through CL&P's System Benefits Charge mechanism improved cash flow by approximately $113 million, and CL&P received approximately $108 million of State of Connecticut bond proceeds reimbursing hardship and electric-vehicle charging-program costs. The timing of customer collections, vendor payments, and other working-capital items also favorably affected operating cash flow. Two of the largest sources of improvement represented the collection or reimbursement of costs previously incurred, while the largest expenditure-side change reflected lower storm restoration costs than in 2024. The stronger 2025 cash flow was therefore financially beneficial, but should not be interpreted as an equivalent increase in CL&P's recurring cash-generating capacity.

The longer history also shows that regulatory recovery can move cash flow materially in the opposite direction. In 2023, through its RAM proceeding, CL&P was ordered to increase amounts returned to customers from long-term state-approved energy contracts through the NBFMCC retail rate and maintain the rate below then-expected costs, beginning a massive buildup of under-recovered costs by year-end that continued into 2024. That change resulted in an approximately $802 million year-over-year reduction in cash flow. Other factors, such as the timing of customer collections and deferred taxes, for example, played a role in year-over-year variance. However, the contrast is instructive in that regulatory activity materially reduced cash flow in 2023, while recovery of prior-period costs became an important source of cash in later periods. Therefore, the annual results are connected and informed through time rather than independent snapshots of CL&P's financial condition.[1]

Rating agencies likewise consider the underlying drivers of year-to-year changes in cash flow. Moody's, for example clearly recognized that a meaningful portion of the cash flow improvement resulted from the collection of prior-period costs and under-recovery: “some of this improvement is due to the catch-up of under-recoveries from the 2023/24 timeframe.” The contrast between the earlier under-recovery and later recovery is important. Those collections strengthened cash flow when received, but the expenditures giving rise to them had already required funding and the associated capital had already been committed. The 2025 improvement therefore demonstrates the financial value of timely cost recovery and its impacts on the Company’s financial standing.[2]

As the amount of required financing increases or the period before cost recovery lengthens, more capital must be committed for longer, and that capital is unavailable to meet other

[1] The Connecticut Light and Power Company, Annual Report on Form 10-K for the year ended December 31, 2023, at 34.

[2] Moody’s Ratings, Connecticut Light and Power Company (The): Update to Credit Analysis, June 30, 2026, at 6.

requirements. Where internally generated cash is insufficient, CL&P must obtain additional debt or equity capital to fund the difference. Investors providing CL&P their capital have alternative uses for their capital and require compensation for committing it to the business and bearing the associated risk. Greater uncertainty as to the timing, amount, or treatment of recovery therefore affects not only near-term cash requirements, but the expectations under which future capital is made available. The longer capital remains committed and the less certain its recovery and return, the more consequential these considerations become to the financial terms on which the business can be financed. These considerations also inform investor and rating-agency assessments of the broader regulatory climate in which CL&P operates. That is why the outcome of this proceeding matters so significantly to the Company's sustainable future financial capacity. Moody's states that the rate-case outcome will be "an important barometer of the degree of regulatory support in the state, for CL&P's overall cost recovery."[3]

CL&P nevertheless continued to meet its principal and interest obligations while funding its broader cash requirements. That is an important financial strength, but it does not end the analysis since continued access to external financing is necessary in order to support necessary infrastructure investments, particularly in times of increasing system needs. S&P identifies "negative discretionary cash flow (DCF) forecast, indicating future external funding needs" among CL&P's key risks. The forward-looking question from the rating agency perspective is whether CL&P can continue to meet its debt service obligations while continuing to obtain the capital required to finance the Company's Distribution requirements going forward on reasonable terms and in line with critical credit metrics, such as funds from operations (FFO) to debt.[4] Accordingly, the timing and predictability of cost recovery, and the overall outcome of this proceeding, matter to the Company's sustainable financial capacity.

[3] Moody's Ratings, Connecticut Light and Power Company (The): Update to Credit Analysis, June 30, 2026, at 5.

[4] S&P Global Ratings, Connecticut Light & Power Co., July 23, 2026, at 1.