Date Filed: September 01, 2026

Witness: Sasha P. Lazor and Marianne H. Eichler
Request from: Office of Consumer Counsel

Question:

Incentive Compensation. Does the Company have any studies or analysis that show that its incentive compensation plan provides benefits to ratepayers? If so, please provide copies of all studies.

Response:

Essentially, the question is asking whether the Company has a study that would prove that customers benefit from a compensation approach that: (1) pays employees who are necessary to provide utility service; and (2) subjects those employees to a compensation structure that pays out *only a portion* of the employee's total compensation over the year, and puts the remainder of their pay at-risk for performance on a pre-determined set of goals specifically designed to benefit customers in relation to the job that the employee is performing. In this regard, it is not a question that the Company's variable pay model is benefitting customers – all day long, every day of the year. Market information shows that nearly 100% of utilities in the U.S. utilize a short-term incentive pay program implementing a bonus system or a variable pay incentive compensation program. By itself, this pervasive utilization of a mechanism that puts a portion of the employee's pay at risk demonstrates that the approach is an effective tool to motivate employee behavior to the outcomes a public utility needs to reach in serving its customers.

To this end, the fundamental purpose of Eversource's variable pay compensation program is to reach a level of total compensation (base salary + variably pay) that is sufficient to attract, retain and motivate a performance-oriented workforce through the use of tangible financial incentives, i.e. – to constitute an adequate compensation level to pay employees who are necessary to provide utility service – therein constituting a benefit to customers. Conversely, employees expect to participate in a variable pay plan – or to otherwise receive a form of incentive compensation, because these plans are widely prevalent in the utility industry, which has a persistent need to attract and retain employees with unique skill sets and consistent, conscientious commitment to the utility mission.

With respect to the inherent incentive, the Eversource plan revolves around an at-risk, performance-based payment that is designed to improve productivity, efficiency and other customer-centric goals, including reliability, safety, customer satisfaction, environmental compliance and other metrics that are vital to the provision of service to utility customers. The Eversource variable pay program is designed to send the message to employees that obtaining

"recovery" of the *full amount* of compensation that they are eligible for in their position is contingent upon meeting specific customer-oriented goals established for that employee.

Thus, the Company's variable pay program is designed to increase productivity, efficiency and performance, while reducing the costs and inefficiencies of employee turnover – all of which are outcomes that benefit customers.