Date Filed: October 22, 2026

Witness: Douglas P. Horton, Brendan J. O'Brien, Garrett J. Murray, and Matthew Fallon
Request from: ALLCO

Question:

(Follow-up to ALLCO-048 and ALLCO-051 — affiliate returns and earnings sharing.) ALLCO-048, Attachment 1, shows authorized returns of 9.50% on a 50.00% equity ratio for PSNH (DE 24-070, July 25, 2025) and 9.80% on a 53.21% equity ratio for NSTAR Electric (D.P.U. 22-22, November 30, 2022), each with an asymmetric earnings sharing mechanism, and ALLCO-048 states that the Company did not conduct any analysis comparing its business risk to those affiliates. (a) State each respect in which the Company contends that its business or regulatory risk exceeds that of NSTAR Electric and of PSNH, and identify the evidence for each. (b) State the earned return on common equity of NSTAR Electric and of PSNH for each year 2022 through 2025 and the amounts, if any, shared with customers under each affiliate's earnings sharing mechanism. (c) ALLCO-048 states that in the Company's experience earnings sharing mechanisms are "implemented in a one-sided manner – to the benefit of customers," while ALLCO-051(c) states that the Company "does not anticipate that it will over-earn during the term of the PBMRP." State whether the Company contends that the proposed earnings sharing mechanism has any expected value to customers and, if so, quantify it and produce the analysis; if the Company contends it has none, state why it is proposed. (d) State whether Ms. Bulkley or any other ROE Witness was asked to consider, or did consider, the authorized returns of the Company's affiliates in forming her recommendation, and produce any workpaper or correspondence in which the affiliates' returns are discussed.

Response:

a. The Company did not perform an analysis comparing its business or regulatory risk to that of PSNH or NSTAR Electric. Accordingly, the Company does not contend that its business or regulatory risk exceeds that of PSNH or NSTAR Electric in any specific respect based on an analysis performed in this proceeding. The Company's recommended ROE is based on the analyses presented in its pre-filed testimony and supporting workpapers, which evaluated the Company's required return on a stand-alone basis. Additionally, authorized returns on equity established in individual regulatory proceedings, while informative datapoints, should not be viewed as objective measures of the return required by investors. Authorized ROEs reflect the evidentiary records, issues presented, regulatory frameworks, and outcomes specific to those proceedings.

b. Please refer to the table for both NSTAR Electric and PSNH for 2022 through 2025. Neither regulated entity earned returns that have triggered the earning sharing mechanism.

	2022	2023	2024	2025
NSTAR Electric	6.77%	5.78%	6.30%	4.81%
PSNH	8.08%	6.40%	6.99%	7.24%

c. By design, PBR plans are multi-year plans during which the utility waives its right to file a full distribution rate case in order to increase rates. As a result, earnings sharing mechanisms (ESM) are a common feature of PBR to provide a guardrail in the event that rates become misaligned with costs over the course of the plan for reasons not anticipated at the inception of the multi-year plan. As a symmetrical guardrail, ESMs serve to protect both the utility and its customers during the course of the plan in the event that rates are set too high or too low (protecting the customer from any potential over-earning and protecting the utility from earning below an established threshold without the ability to file a rate case, given its commitment to waive such right as part of the PBR framework).

The Company has developed its proposed PBMRP in an effort to establish a regulatory framework that provides revenue support over the course of the PBR plan that aligns with the Company's costs over the same period, including the cost of equity capital. The Company's Proposed PBMRP is not designed to result in a scenario where the Company earns above its authorized ROE, thus triggering the ESM. In fact, the Company's analysis demonstrates that the PBMRP, if approved as proposed with no modification, the Company would earn below the authorized ROE.[1] In this way, the benefit to customers of an ESM that is triggered only in cases where the company over-earns, is that it ensures that the PBR plan will not inadvertently establish rates that are 'too high' during the course of the PBR plan, by operation of the ESM in that event. The ESM allows for a 'sharing' of any over earnings, as a means to retain the overarching incentive properties of PBR as well as the other administrative benefits of PBR as a framework.

d. No. Ms. Bulkley did not rely on the authorized returns of PSNH or NSTAR Electric in developing her ROE recommendation in this proceeding, nor was she asked to do so by the Company. Consequently, no such workpapers or correspondence exist.

[1] The analysis presented in EOE-156, Attachment 1, relied upon the currently authorized ROE of 9.25% and capital structure of 53% equity for illustrative purposes. As shown in EOE-156, Attachment 1, projected earned returns fall below the authorized return in each year, showing a steady decline over the course of the plan.