Date Filed: October 08, 2026

Witness: Jenifer B. Rizza and Ann Bulkley
Request from: ALLCO

Question:

(Capital asset pricing model inputs.) For each capital asset pricing model or empirical capital asset pricing model result presented by the ROE Witness, state: (a) the risk-free rate used, its source, whether it is a current or projected yield, the instrument and maturity, and the date; the actual yield on the 30-year United States Treasury bond on the date of the analysis and on the date of the Company's response; (b) the beta used for each Proxy Group company and for Eversource Energy, the source of each beta, the return interval and estimation period, the market index used, and whether each beta is a raw or adjusted (Blume or other) beta; if adjusted, provide the raw beta and the adjustment formula; (c) the market risk premium used, its source, whether it is a historical (arithmetic or geometric) or forward-looking estimate, the period over which any historical premium was measured, and the total-market return it implies; (d) each published forward-looking estimate of the long-term expected return on the United States equity market (including capital-market-assumption publications of institutional asset managers) that the ROE Witness reviewed or that the Company or Eversource Energy or their pension plan advisers use, with the estimate, publisher, and date; and (e) the expected long-term rate of return on plan assets, and the expected return assumed for the equity portion of plan assets, used in the most recent Eversource Energy pension and other post-retirement benefit accounting, the source of each assumption, and an explanation of any difference between the equity return assumed for the pension plans and the market return implied by the ROE Witness's market risk premium. (f) Compute the cost of equity that results from the capital asset pricing model using the actual 30-year Treasury yield in (a), the raw betas in (b), and the average of the forward-looking market-return estimates in (d), and produce the calculation.

Response:

a. Please see Exhibit CLP-ROE-5 for all assumptions used in Ms. Bulkley's CAPM analysis. Please refer also to Exhibit CLP-ROE-1, pages 33 through 34 for a discussion of the assumptions used in her CAPM analyses. Ms. Bulkley did not rely on Eversource Energy in her proxy group and therefore does not have the data that is requested for Eversource.

b. As noted in Ms. Bulkley's testimony, the betas relied upon are published by Value Line. Value Line calculates betas using a 5-year historical average and adjusts betas using the Blume adjustment.

c. Please refer to the response to subpart (a).

d. Please refer to the response to subpart (a). Please also refer to Exhibit CLP-ROE-6 for the calculation of the market return used to estimate the market risk premium used in Ms. Bulkley's CAPM analysis. Ms. Bulkley did not specifically review other estimates of the market return in the preparation of her direct testimony other than the calculation provided in the referenced exhibits. Please refer to ALLCO-139, Attachment 1, in response to part e of this question which provides support for the development of the long term expected return on assets.

e. Please refer to ALLCO-139, Attachment 1, pages 3 through 5, which provides support for the development of the long term expected return on plan assets used in the most recent Eversource Energy pension and other post-retirement benefit accounting. Ms. Bulkley has not evaluated the expected return on the Company's pension plan assets in the preparation of her direct testimony and does not have the requested information. It is a fundamental principle in finance that the expected return on an investment is based on the risk associated with the investment. The risk of investing in the assets of a regulated utility differ from the expected return on its pension plan. The pension plan return is an assumption of the prospective performance of the portfolio of assets held to fund the employee retirement obligation. The risk of investment in that portfolio differs from the risk of investment in the utility. The pension portfolio can diversify among asset classes to achieve a desired portfolio level risk/return profile. Therefore, the expected return on the utility investment differs from the expected return on the pension portfolio.

   Further, the use of the pension asset return as evidence of the utility's cost of equity could produce unreliable results, as the risk of the pension portfolio can be increased or decreased over time based on the investment policy of the plan, which, as noted previously, would correspond with a change in the investor-required return on the plan. Since the return on investment is based on the risk of the investment, relying on the pension plan returns, when the risk of that portfolio may differ from the underlying risk of investment in the utility could produce an ROE that is not consistent with the investor-required return on the investment in the utility assets.

f. Ms. Bulkley does not rely on raw betas in the development of her cost of equity analyses and does not have this information. Further, the requested analysis was not prepared in the development of the cost of equity analyses prepared by Ms. Bulkley and is not available.