Date Filed: October 05, 2026

**Witness: Patrick M. Quinn**
**Request from: Office of Consumer Counsel**

**Question:**

(Company Vehicles)

a. Please provide the Company's policies regarding provision of a Company vehicle to employees and/or employees' responsibilities regarding Company vehicles.;
b. Are employees permitted to drive Company vehicles after work hours?;
c. Are employees permitted to drive Company vehicles home?

**Response:**

a. Please refer to the following attachments for the Company's policies regarding provision of a Company vehicle to employees and/or employees' responsibilities regarding Company vehicles;

    i. OCC-753, Attachment 1 – Assignment Use of Company Vehicle

    ii. OCC-753, Attachment 2 – Corporate Fleet Use

    iii. OCC-753, Attachment 3 CONFIDENTIAL – SMS-POL-10.05 Motor Vehicle Policy Final

    iv. OCC-753, Attachment 4 – Vehicle Use Guidelines

b. Yes. Employees may operate Company vehicles outside normal working hours when such use is authorized and consistent with business requirements. All use of Company vehicles, including after-hours operation, must comply with Company vehicle use policies, safety requirements, and applicable motor vehicle laws.

    Yes. Employees may take vehicles home when authorized by their management in accordance with the company policies. This includes employees assigned approved to take-home vehicles due to operational requirements such as on-call responsibilities, emergency response duties, frequent field work, or other documented business needs.

Date Filed: October 13, 2026

**Witness: Sasha P. Lazor and Patrick M. Quinn**
**Request from: Office of Consumer Counsel**

**Question:**

(Company Vehicles) Please provide an unlocked Excel file listing for years 2023, 2024, and 2025: each Company vehicle assigned to a specific employee (i.e., the year, make, and model of the vehicle); the employee to which it was assigned; that employee's job title/position; if the employee is union or non-union; and if the employee was permitted to drive the vehicle home and/or use the vehicle outside of work hours. For any employee noted as permitting to drive the vehicle home and/or outside of work hours, please explain why the Company determined such permission was necessary.

**Response:**

Company vehicles are not typically assigned to individual employees. Some vehicles are assigned to executives of the Company, for take home-use. Please refer to OCC-754, Attachment 1, for a list of these vehicles.

The Company does not generally allow the use of Company fleet vehicles outside of work hours, except for certain employees that are then assigned a specific vehicle. Vehicle assignments to employees that are not regularly assigned to a specific vehicle are relatively rare and are only approved based on operational needs and certain business criteria, by a supervisor at the work center level.

During a work shift, vehicle assignments are made to specific employees for the following:

- Direct supervision of field or craft employees;
- Frequent on-call or emergency response responsibilities;
- Regular direct reporting to field locations or job sites;
- Transportation of tools, equipment, or materials necessary to perform assigned duties; and
- Other operational requirements approved through the Company's vehicle authorization process.

Employees that are assigned field vehicles include the following:

Field Operations Supervisors all groups may be assigned Company vehicles and authorized to retain those vehicles outside normal working hours due to their responsibility for overseeing field operations and responding to operational issues and emergencies. These employees are not permitted to use Company vehicles for personal errands  in vehicle, except to enable more rapid response time when on call.

- Overhead and Underground Crews, Response Specialists Electricians – No vehicles are allowed to be taken home except on a case-by-case basis.  Typically a "case-by-case" approval is granted only allowed when linemen/splicers are on call and during a blizzard type event where they are unsure of their ability to physically get to work when needed.

- Response Specialists Lineworkers – No vehicles are allowed for take-home trips during normal blue sky days.  During storm response, RSOs may be allowed to take their small bucket truck home to be available to work right away.  Normally, the RSOs are solo in a truck.

- Test Department – Test employees are assigned to Company vehicles when on call for a more rapid response time.

- Work Center Electricians – Work Center Electricians are allowed to take vehicles home when on call.

Date Filed: October 05, 2026

**Witness: Brendan J. O'Brien and Garrett J. Murray**
**Request from: Office of Consumer Counsel**

**Question:**

(Capital Structure) Is the Company's currently approved capital structure 53% Common Equity, 1.62% Preferred Stock, and 45.38% Long Term Debt?

**Response:**

The Company's current approved capital structure is 53% Common Equity, 1.62% Preferred Stock, and 45.38% Long Term Debt as authorized on page 16 of PURA's April 18, 2018, final decision in Docket No. 17-10-46.

Date Filed: October 05, 2026

**Witness: Matthew Fallon and Jonathan Kallen**
**Request from: Office of Consumer Counsel**

**Question:**

(Capital Structure) Referring to page 68, of Exhibit CLP-ROE-1. Is preferred stock more costly compared to common equity?

**Response:**

No. Preferred stock is not more costly than common equity. Preferred stock and common equity are distinct forms of permanent capital with fundamentally different contractual rights, priorities, and risk profiles. Consistent with fundamental finance principles, investors require returns commensurate with the risks they bear. Because preferred shareholders have greater protections and a higher claim on earnings and assets than common shareholders, preferred stock is generally less risky and therefore commands a lower required return than common equity.

The Company's three forms of permanent capital occupy different positions within the capital structure and are compensated accordingly:

- Long-term debt warrants the lowest return because debt holders possess contractual rights to interest and principal payments and maintain the most senior claim on utility assets.

- Preferred stock warrants an intermediate return because it combines certain debt-like and equity-like characteristics. Preferred shareholders rank behind debtholders but ahead of common shareholders and generally receive a stated dividend preference.

- Common equity warrants the highest return because common shareholders bear the residual financial risk of the utility, have the most junior claim on earnings and assets, and provide capital that remains at risk for an indefinite period.

This relationship is reflected in the characteristics summarized in Table 1, below. Relative to common equity, preferred stock benefits from a dividend preference, priority over common shareholders in liquidation, more limited return variability, and lower investor risk. These attributes support a lower required return than common equity.

Table 1

| Characteristic | Company Long-Term Debt | Company Preferred Stock | Company Common Equity |
|---|---|---|---|
| **Nature of Investment** | Borrowed capital represented by First Mortgage Bonds | Equity security with a stated dividend preference | Residual ownership interest in CL&P |
| **Priority in Bankruptcy** | Senior claim on assets | Senior to common equity; subordinate to debt | Residual claim on assets |
| **Voting Rights** | None | Generally limited or none | Ownership and voting |
| **Payment Obligation** | Contractual interest and principal payments | Stated dividend rate; generally not a contractual obligation. **Cumulative dividends owed must be paid before any common dividends** | No fixed payment obligation; returns depend on earnings and authorized ROE |
| **Financial Distress Consequences** | Failure to satisfy payment obligations may constitute default | Dividend deferrals generally do not constitute default | Suspension of dividends does not constitute default |
| **Risk to Investors** | Lowest | Moderate | Highest |
| **Expected Return** | Lowest | Intermediate | Highest |
| **Return Potential** | Limited to contractual interest payments | Generally limited to stated dividend payments | Unlimited residual downside and upside |
| **Rating Agency Treatment** | 100% Debt | 50% Debt | 0% Debt |

However, the fact that preferred stock generally has a lower cost than common equity does not imply that a utility should maximize its use of preferred stock. The objective is not to minimize the cost of any single source of capital. Rather, the objective is to maintain a reasonable and balanced capital structure that supports financial flexibility, credit quality and continued access to capital markets.

Common equity remains the strongest form of permanent capital because it fully absorbs the residual risks of the business and provides the greatest financial flexibility. Consequently, utilities generally maintain preferred stock, if any, as a relatively limited component of their overall capitalization and rely primarily on common equity as their principal source of permanent risk-bearing capital.

Therefore, while preferred stock is generally less costly than common equity, increasing the proportion of preferred stock beyond normal, reasonable levels would not necessarily reduce the Company's overall cost of capital and could diminish the financial flexibility and risk-bearing capacity that common equity provides. For that reason, a balanced capital structure, rather than maximizing any single source of financing, best serves both the Company and its customers.

Date Filed: October 07, 2026

**Witness: Brendan J. O'Brien and Garrett J. Murray**
**Request from: Office of Consumer Counsel**

**Question:**

(WACC) Did the Company do any weighted average cost of capital analysis (WACC) which compared various debt percentages compared to equity. Such as 60% debt to 40% equity, 55% debt to 45% equity, and 40% debt to 60% equity.

**Response:**

There is no "test" that the Company can apply to try out different equity ratios in the capital structure relating to the weighted average cost of capital, such as 60% debt/40% equity, 55% debt/45% equity, or 40% debt/60% equity. The Company's capital structure reflects the actual capitalization of the Company, which is a critical input to the credit-rating process. To "test" out the effect of various capital structures on the Company's credit-rating outcome, it would be necessary to issue actual debt at different levels and see how the credit-rating agencies react, which means that the results of the "test" could be an actual credit action that the Company cannot then pull back.

The response below references Moody's June 30, 2026 credit opinion for the Company, provided here as OCC-757, Attachment 1.

The Company is proposing to use actual capital structure for determining the weighted average cost of capital (as adjusted for known financing activities) in order to reflect the financial realities of providing distribution service in Connecticut and the importance of maintaining credit quality to support ongoing access to capital on reasonable terms.

Although increasing debt may appear to reduce WACC in a purely arithmetic sense, capital structure decisions must also account for the effect of leverage on financial risk, credit quality, and long-term financing costs. In the Company's circumstances, maintaining an equity ratio of 53.86% supports the Company's ability to attract capital on reasonable terms and continue making the substantial investments required to provide safe and reliable electric distribution service. Accordingly, the Company's actual capital structure reflects a balance between financing costs and financial strength, rather than the results of a simple debt-versus-equity sensitivity analysis.
CL&P's capital structure should enable the Company to maintain or enhance financial integrity, thereby enabling access to capital at competitive rates under a variety of economic and financial market conditions.

As a regulated utility that relies on constant access to capital markets in order to finance necessary infrastructure investments, the Company does not have the option to avoid raising external funds during periods of capital market distress. Capital-intensive companies are financed in light of the risks and funding requirements associated with their assets and operations. Additionally, companies operating within a given sector are likely to have comparable financing requirements, face common financing constraints and, therefore, have comparable financing practices. As such, CL&P assesses its capital structure relative to prevailing industry practice, as compared to other utilities with similar financing requirements and business risks.

Currently, CL&P has a target capital structure with an equity ratio of approximately 53% to 54%. CL&P's assessment of its operating environment is that an equity ratio of approximately 53% to 54%, is consistent with those in place at other similar utilities and is necessary to enable the Company to maintain or enhance its financial integrity thereby providing access to capital at competitive rates under a variety of economic and financial market conditions. As noted in Exhibit CLP-ROE-1, Ms. Bulkley noted that CL&P's proposed equity ratio of 53.86 percent is well within the range of equity ratios of the utility operating subsidiaries of the proxy group, as supported by her capital structure analysis presented in Exhibit CLP-ROE-12.

In addition, as recognized by Moody's in its June 2026 report, the Company's credit profile remains heavily influenced by the Connecticut regulatory environment. Moody's stated that it would consider an upgrade if "the credit supportiveness of the Connecticut regulatory environment substantially improves with future regulatory decisions that are more predictable and enhance the timeliness of the recovery of costs and investments. In addition, an upgrade could be considered if we expect CL&P will be able to sustain a stronger financial profile on a consistent basis, including a ratio of CFO pre-WC to debt of 20% or higher." (OCC-757, Attachment 1, page 3) Moody's further stated that the Company "could be downgraded if Connecticut regulatory decisions continue to be contentious or unsupportive of credit quality or ***if CL&P's financial performance deteriorates such that its ratio of CFO pre-WC to debt falls below 17% on a sustained basis***." (OCC-757, Attachment 1, page 3, emphasis added)

A capital structure reflecting a 60% debt ratio, while holding other key assumptions constant, including assuming the Company's proposed 10.25% return on equity is approved in this proceeding as filed, would produce a Moody's CFO pre-working capital to debt ratio approaching 15% for the distribution business. That level would fall materially below the 17% threshold identified by Moody's as a potential basis for downgrade and would remain below that threshold beyond Rate Year 1.

Date Filed: October 05, 2026

**Witness: Brendan J. O'Brien, Garrett J. Murray, Matthew Fallon and Jonathan Kallen**
**Request from: Office of Consumer Counsel**

**Question:**

(Retained Earnings) Referring to OCC-518 Response. Are ratepayers paying a cost of equity outlay for retained earnings?

**Response:**

The Company provides this comprehensive response to questions raised in OCC Interrogatories 758 through 766. Where this response references those interrogatories, footnotes have been provided for ease of reference.

1. Fundamental Ratemaking Principles

Two fundamental ratemaking principles apply here.

*First, retained earnings are not "included in rate base."* Only infrastructure assets are included in rate base and the only equity return that customers pay is the return on rate base. The largest components of a utility company's rate base is the net balance of infrastructure investments that the Company has had to finance via a combination of long-term debt and equity (meaning that it reflects the gross value of plant additions, less accumulated depreciation on those additions, less the accumulated deferred income tax ("ADIT" [1]) benefit). The Company collects a return on rate base through rates equal to the weighted average cost of capital times rate base. The weighted average cost of capital ("WACC") in a rate case reflects the utility's cost of money associated with debt and equity capital used to fund rate base. In a rate case, utility rates are set to reflect the utility's cost of service including its WACC on rate base, such that rates are set to provide revenues that cover i) the utility's annual operating expenses (including taxes, depreciation, and other annually recurring expenses), ii) the utility's annual cost of debt service on rate base such that iii) deducting the level of O&M and debt service from PURA-approved revenues results in a level of net income that reflects the authorized cost of equity (return on equity) established by PURA in the rate case. Customers pay only the return on rate base. There is no separate or additional payment by customers associated with retained earnings.

[1] The largest driver of ADIT for utility companies is generally the different between book depreciation and tax depreciation. Because tax depreciation is typically accelerated relative to the level of book accounting depreciation, utilities are able to deduct more depreciation expense for tax purposes than they do for book accounting depreciation, creating an ADIT timing difference that serves as a source of capital over the term the ADIT balance 'turns around'.

*Second, retained earnings reflects the net income that the utility has earned but has not distributed as dividends*. Net income is either returned to shareholders as a dividend, or is retained in the Company as retained earnings. In this manner, retained earnings represent owner's equity in the utility business, becoming part of the permanent capital supporting the Company's operations and investment in utility infrastructure assets. Retained earnings help to alleviate the need for incremental equity issuances (or contributions from the parent company, in the case of a regulated subsidiary) in order to finance ongoing investments.

2. Retained earnings are no different than other cash resources that investors contribute as equity; Ratepayers are not paying a separate (or second) amount for retained earnings (OCC-759)[2].

Customers pay rates designed to support the cost of providing utility service, including operating expenses, depreciation, taxes and the cost of capital (including the authorized return on equity) on the rate base invested in utility infrastructure. When earnings are retained in the Company rather than being distributed to investors as dividends those funds remain at risk to the investor and appropriately form part of the Company's equity capitalization, as "owner's equity."

Accordingly, equity derived from retained earnings is economically no different from other equity funds provided through direct investor contributions and, as such, its cost is the same authorized return on equity as all other sources of equity, when retained earnings are used to pay for utility infrastructure in lieu of other capital funding (OCC-759). In corporate finance, retained earnings come at the same cost, and thus have the same required return as externally supplied equity because investors retain ownership of those funds and continue to bear the same risks associated with the business. The source of the equity does not change the economic reality that investors have committed capital to the enterprise and could otherwise deploy that capital in competing investment opportunities were it not retained in the Company to fund additional infrastructure investments.

3. Retained earnings are not included in rate base; Retained earnings are invested capital that pays for rate base and must be repaid to investors, with a rate of return. (OCC-760)[3].

Within the regulated utility ratemaking framework, retained earnings are not "included in rate base," as OCC-760 suggests. Rather, retained earnings are a source of investor-supplied capital, while rate base consists of prudently incurred assets that are used and useful in providing service to customers. Rate-base assets must be financed with a combination of long-term capital (long term debt and shareholder equity) and retained earnings are one, cost-effective source of that financing. To the extent retained earnings fund utility plant comprising rate base, the retained

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[2] OCC-759: (Retained Earnings) Referring to OCC-518 Response. Is the equity related to retained earnings eligible to earn the authorized return on equity?

[3] OCC-760: (Retained Earnings) Referring to OCC-518 Response. Why is retained earnings eligible to be included in rate base?

earnings become part of the capital structure supporting those investments. Regulatory ratemaking acknowledges the cost of equity capital and provides an opportunity to earn a return on invested capital regardless of whether the equity originated from stock issuances or accumulated retained earnings. From a financial perspective, utility assets are indifferent to the source of financing used to acquire them. A dollar of utility plant funded through retained earnings is economically identical to a dollar of utility plant funded through newly issued common stock. Both retained earnings, excluding issuance costs, and the funds from newly issued common stock represent investor dollars committed to utility operations which are exposed to investment risk and other forces that determine the cost equity investors demand in order to provide the utility with its capital to invest.

In addition, retained earnings differ fundamentally from items that reduce rate base, such as ADIT. As described previously, for utilities, ADIT arises primarily from timing differences between tax and book depreciation and represents taxes effectively paid for by customers in advance of the time that the Company pays out those taxes to appropriate governments. Because ADIT generated in this manner is generally viewed as cost-free capital supplied through the ratemaking process rather than by investors, it appropriately reduces rate base and correspondingly reduces the amount of investor-supplied capital upon which shareholders are permitted to earn a return. In this way, rate base is reduced by ADIT, such that the WACC applied to rate base reflects the cost of capital required to finance rate base, being sourced by long-term debt and shareholder equity.

By contrast, retained earnings ***belong to investors*** and represent earnings that have been reinvested in the business rather than distributed as dividends. In other words, retained earnings are investor capital that are used to fund new rate base assets rather than being distributed immediately as a dividend. This is economically equivalent to a circumstance where 100 percent of net income were to be distributed to shareholders as a dividend, and then reinvesting the portion that would otherwise have been retained as retained earnings back in the Company. Consequently, retained earnings are properly treated as investor-supplied equity capital and are eligible to earn the authorized return on equity when supporting utility investments.

The differing treatment of retained earnings and ADIT reflects a fundamental principle of utility ratemaking, which is that investor-supplied capital that remains at risk in the utility business comes at the cost of equity, and the utility is thus afforded an opportunity to earn a return on the balance of equity that is financing rate base, including retained earnings. Conversely, customer-supplied or cost-free sources of financing (such as ADIT) are generally used to reduce the amount of investor capital *upon which* a return may be earned. The regulatory ratemaking framework acknowledges that investors must be compensated for supplying capital and bearing financial risk and also that customers should not pay more than cost of capital that is required in order to finance rate base, by ensuring that cost-free funding sources, such as ADIT, lower rate base.

4. <u>Ratepayers are not "double paying" for retained earnings</u> (OCC-761).

For the same reason, ratepayers are not "double paying" for retained earnings, as contemplated by OCC-761[4]. The earnings that were "retained" in the utility were previously earned by investors through rates charges to customers and became investor property once earned. To articulate this point, it is important to point out that the amount of retained earnings in any given year has no impact on the value of rate base in that year. In general, utility rate base is a function of the net value of infrastructure (assets), whereas shareholder equity is a source of funds utilized to pay for those rate base assets. The dividend payout ratio (or the inverse being the retention ratio) has no direct bearing on rate base. As explained above, retained earnings as a source of capital to fund rate base is economically equivalent to an investor receiving a dividend and then choosing to purchase additional shares in the Company in the same amount. Both are shareholder equity used to finance rate base, and both come at the cost of equity.

Because investors continue to bear the risks associated with utility operations, retained earnings exist as investor-supplied capital supporting the rate base, on which the Company is entitled to earn a return on equity. The authorized return compensates investors for providing and maintaining that capital in the business, regardless of whether it originated from a stock issuance or retained earnings. Retained earnings are therefore properly treated as investor capital, unlike ADIT, which is generally considered customer-supplied, cost-free capital that reduces the amount of investor-supplied capital required to support utility operations. The use of retained earnings as opposed to new stock issuances is a slightly lower cost source of funds, as there are no issuance costs associated with the use of retained earnings to fund new investments.

Characterizing retained earnings as a second payment by would miss the fundamental point that the opportunity to earn a return on invested capital and the passage of time are inextricably linked because capital that remains invested continues to have value to investors. Investors could have received those earnings as dividends and invested those dollars elsewhere and had those funds not been reinvested in the Company. As a result, retained earnings continue to represent investor capital that is contributed to the business, is at risk, and carries an ongoing opportunity cost, thereby remaining subject to the authorized return on equity.

Similarly, rate base would not be reduced by retained earnings simply because customers previously paid rates that enabled the Company to generate those earnings, as OCC-762 suggests[5]. Once earned, retained earnings belong to investors. The fact that those funds were retained in the business rather than being distributed as dividends does not change the fact that those funds remain investor-supplied capital supporting utility operations – just the same as any other contribution – with the contributions subject to continuing exposure to business risk and coming at the cost of equity.

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[4] OCC-761: (Retained Earnings) Are ratepayers double paying for retained earnings because they paid the Company to create the earnings which were retained and later on pay a cost of equity on the retained earnings?

[5] OCC-762: (Rate Base) Should the rate base be subtracted by amount of customer already paid for retained earnings?

As an example, consider a prudent, used-and-useful substation costing $50 million that is financed at the capitalization ratio proposed in this proceeding comprised of 53.86% equity. If the Company raises the equity through new share issuances, the substation would be financed with approximately $23 million of debt and $27 million of newly issued equity. Alternatively, investors could reinvest $27 million of previously earned profits rather than receive those funds as dividends. Under OCC-762's proposition, the second scenario would result in a lower rate base simply because those earnings were reinvested in the Company rather than being received first as a dividend and then reinvested through the purchase of newly issued shares. Yet, the underlying asset is identical; the service provided to customers is identical; and the investment decision facing investors is identical, i.e., ***choose*** to invest capital in the Company or ***choose*** to invest it elsewhere.

There is no economic or financial basis for treating these two financing sources differently (i.e., retained earnings versus investment in newly issued shared) for purposes of determining the financing costs associated with rate base assets providing service to customers. Relying on retained earnings is slightly lower cost since the use of these funds eliminates the need to go to market and the incremental costs associated with the issuance of new equity. Treating these two sources of funds differently would create a financing bias that favors externally raised equity over internally generated equity, even though both sources of capital reflect investment dollars provided by investors. Such a result would disconnect ratemaking outcomes from the financial principles used to set the return on equity. Establishing different returns for different sources of equity funding violates the basic financial principle that the return on an investment is based on the risk of the investment, not the source of the funding.

5. Retained earnings are an important source of internally generated capital (OCC-763).

Retained earnings are an important source of internally generated capital. Retained earnings strengthen the Company's financial position, support credit quality, reduce reliance on external financing, and help fund ongoing infrastructure investment. Recovery of financing costs does not eliminate the need for utilities to maintain adequate equity capital in the capital structure financing rate base. OCC-763 appears to imply that the Company merely serves as an intermediary between utility assets and the owners of those assets[6]. In reality, the owners of the Company and the owners of the utility assets are one and the same. Importantly, customers do not bear the risk of supplying capital to fund utility assets; investors do. Customers pay rates that include the cost of debt and equity capital; however, the capital itself is supplied by investors, not customers. Whether the source of equity capital is retained earnings or proceeds from newly issued shares does not alter this fundamental relationship and therefore does not change the cost of service because, in either case, investors have chosen to commit capital to utility operations and the return on that capital is based on the risk of the investment, not the source of the capital. Indeed, one purpose of maintaining a reasonable level of retained earnings is to preserve financial flexibility,

[6] OCC-763: (Retained Earnings) Should utility companies have any retained earnings if ratepayers are paying for the Company debt and equity costs on the entire rate base?

support credit quality, and enhance access to capital markets. These attributes ultimately benefit both customers and investors by helping ensure that the utility can continue to attract capital at reasonable cost and provide safe and reliable service.

The Company does not distribute all earnings as dividends (OCC-764) because doing so would eliminate an important source of internally generated equity capital[7]. If retained earnings were fully distributed each year, the Company would need to replace that capital through additional common equity, debt, or both, in order to fund utility investments and maintain its target capital structure. This financing could be more costly and could expose both investors and customers to additional financing and market risks.

6. Retained earnings are a cost-effective financing resource.

Retained earnings provide financing benefits by avoiding flotation costs (OCC-766)[8], including underwriting, legal, registration, and administrative expenses associated with issuing new securities. Although the Company can elect to distribute 100% of earnings to investors and can subsequently raise replacement capital in the financial markets (OCC-765), doing so presents several drawbacks[9].

First, given the capital-intensive nature of the utility industry, replacement capital would likely be required almost immediately, exposing the Company to prevailing market conditions and unnecessary financing risk.

Second, retained earnings provide a financial cushion during adverse events, including market disruptions and broader economic downturns.

Third, if investors expected the Company to distribute all earnings as dividends, earnings volatility would translate directly into dividend volatility, including potential dividend reductions, which can be viewed negatively by capital markets.

Fourth, replacing retained earnings with externally raised equity would introduce flotation costs that could otherwise be avoided. From a capital formation perspective, retained earnings represent the most efficient source of common equity because they allow the utility to finance investment without incurring transaction costs, market issuance risk, or potential dilution associated with new share offerings.

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[7] OCC-764: (Special Dividend) Why does the Company not pay out a special dividend every year to remove the retained earnings?

[8] OCC-766: (Retained Earnings) What is the relationship between retained earnings and lack of flotation costs for retained earnings?

[9] OCC-765: (Retained Earnings) If all retained earnings were paid out in the form of a special dividend yearly could the Company get the necessary common equity and debt investment to fund the Company?

By retaining earnings instead of issuing equivalent new equity, the Company obtains equity financing without incurring flotation costs. As a result, retained earnings are often a lower-cost source of equity capital than newly issued common stock.

7. Summary

In summary, retained earnings are investor-owned capital resources that remain invested in the utility business. The earnings constitute investor-supplied equity capital, are appropriately used to pay for utility infrastructure, while reducing the need for external financing and associated flotation costs.

In contrast, ADIT is generally treated as customer-supplied, cost-free capital and therefore serves to reduce the amount of investor-supplied capital upon which a return may be earned. This distinction reflects a foundational principle of utility ratemaking: customers should receive the benefit of cost-free sources of capital (ADIT), and only pay the cost of capital necessary to finance rate base assets that in service, used and useful, and prudently incurred. The flip side of this same coin is that utility investors should have the opportunity to earn a fair return on capital they supply and place at risk, whether or not that equity capital is contributed in the form of a purchase of newly issued stock or in the form of retained earnings by the company. The treatment of retained earnings reflects the fundamental principle that capital left invested in the business continues to have value and an opportunity cost to investors, even when that capital originated from previously earned income. Fundamentally, retained earnings are the result of investment retained in the business rather than being distributed as dividends, and utility ratemaking has long recognized such retained earnings as investor-supplied equity, no different in substance from newly invested common equity.

Accordingly, retained earnings are not a source of customer-supplied capital, nor do they represent a basis for reducing rate base. Rather, retained earnings are investor-owned funds that are reinvested in utility operations and continue to perform the same economic function as any other form of common equity.

Date Filed: October 05, 2026

**Witness: Brendan J. O'Brien, Garrett J. Murray, Matthew Fallon and Jonathan Kallen**
**Request from: Office of Consumer Counsel**

**Question:**

(Retained Earnings) Referring to OCC-518 Response. Is the equity related to retained earnings eligible to earn the authorized return on equity?

**Response:**

Please refer to the Company's response to OCC-758[i].

**Prior Referenced Response:**

[i] OCC-758 Question:

(Retained Earnings) Referring to OCC-518 Response. Are ratepayers paying a cost of equity outlay for retained earnings?

OCC-758 Response:

The Company provides this comprehensive response to questions raised in OCC Interrogatories 758 through 766. Where this response references those interrogatories, footnotes have been provided for ease of reference.

1. Fundamental Ratemaking Principles

Two fundamental ratemaking principles apply here.

*First, retained earnings are not "included in rate base."* Only infrastructure assets are included in rate base and the only equity return that customers pay is the return on rate base. The largest components of a utility company's rate base is the net balance of infrastructure investments that the Company has had to finance via a combination of long-term debt and equity (meaning that it reflects the gross value of plant additions, less accumulated depreciation on those additions, less the accumulated deferred income tax ("ADIT" [1]) benefit). The Company collects a return on rate base through rates equal to the weighted average cost of capital times rate base. The weighted average cost of capital ("WACC") in a rate case reflects the utility's cost of money associated with debt and equity capital used to fund rate base. In a rate case, utility rates are set to reflect the utility's cost of service including its WACC on rate base, such that rates are set to provide revenues that cover i) the utility's annual operating expenses (including taxes, depreciation, and other annually recurring expenses), ii) the utility's annual cost of debt service on rate base such that iii) deducting the level of O&M and debt service from PURA-approved revenues results in a level of net income that

[1] The largest driver of ADIT for utility companies is generally the different between book depreciation and tax depreciation. Because tax depreciation is typically accelerated relative to the level of book accounting depreciation, utilities are able to deduct more depreciation expense for tax purposes than they do for book accounting depreciation, creating an ADIT timing difference that serves as a source of capital over the term the ADIT balance 'turns around'.

reflects the authorized cost of equity (return on equity) established by PURA in the rate case. Customers pay only the return on rate base. There is no separate or additional payment by customers associated with retained earnings.

*Second, retained earnings reflects the net income that the utility has earned but has not distributed as dividends*. Net income is either returned to shareholders as a dividend, or is retained in the Company as retained earnings In this manner, retained earnings represent owner's equity in the utility business, becoming part of the permanent capital supporting the Company's operations and investment in utility infrastructure assets. Retained earnings help to alleviate the need for incremental equity issuances (or contributions from the parent company, in the case of a regulated subsidiary) in order to finance ongoing investments.

2. Retained earnings are no different than other cash resources that investors contribute as equity; Ratepayers are not paying a separate (or second) amount for retained earnings (OCC-759)[2].

Customers pay rates designed to support the cost of providing utility service, including operating expenses, depreciation, taxes and the cost of capital (including the authorized return on equity) on the rate base invested in utility infrastructure. When earnings are retained in the Company rather than being distributed to investors as dividends those funds remain at risk to the investor and appropriately form part of the Company's equity capitalization, as "owner's equity."

Accordingly, equity derived from retained earnings is economically no different from other equity funds provided through direct investor contributions and, as such, its cost is the same authorized return on equity as all other sources of equity, when retained earnings are used to pay for utility infrastructure in lieu of other capital funding (OCC-759). In corporate finance, retained earnings come at the same cost, and thus have the same required return as externally supplied equity because investors retain ownership of those funds and continue to bear the same risks associated with the business. The source of the equity does not change the economic reality that investors have committed capital to the enterprise and could otherwise deploy that capital in competing investment opportunities were it not retained in the Company to fund additional infrastructure investments.

3. Retained earnings are not included in rate base; Retained earnings are invested capital that pays for rate base and must be repaid to investors, with a rate of return. (OCC-760)[3].

Within the regulated utility ratemaking framework, retained earnings are not "included in rate base," as OCC-760 suggests. Rather, retained earnings are a source of investor-supplied capital, while rate base consists of prudently incurred assets that are used and useful in providing service to customers. Rate-base assets must be financed with a combination of long-term capital (long term debt and shareholder equity) and retained earnings are one, cost-effective source of that financing. To the extent retained earnings fund utility plant comprising rate base, the retained earnings become part of the capital structure supporting those investments. Regulatory ratemaking acknowledges the cost of equity capital and provides an opportunity to earn a return on invested capital regardless of whether the equity originated from stock issuances or accumulated retained earnings. From a financial perspective, utility assets are indifferent to the source of financing used to acquire them. A dollar of utility plant funded through retained earnings is economically identical to a dollar of utility plant funded through newly issued common stock. Both retained earnings, excluding issuance costs, and the funds from newly issued common stock represent investor dollars committed to utility operations which are exposed to investment risk and other forces that determine the cost equity investors demand in order to provide the utility with its capital to invest.

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[2] OCC-759: (Retained Earnings) Referring to OCC-518 Response. Is the equity related to retained earnings eligible to earn the authorized return on equity?

[3] OCC-760: (Retained Earnings) Referring to OCC-518 Response. Why is retained earnings eligible to be included in rate base?

In addition, retained earnings differ fundamentally from items that reduce rate base, such as ADIT. As described previously, for utilities, ADIT arises primarily from timing differences between tax and book depreciation and represents taxes effectively paid for by customers in advance of the time that the Company pays out those taxes to appropriate governments. Because ADIT generated in this manner is generally viewed as cost-free capital supplied through the ratemaking process rather than by investors, it appropriately reduces rate base and correspondingly reduces the amount of investor-supplied capital upon which shareholders are permitted to earn a return. In this way, rate base is reduced by ADIT, such that the WACC applied to rate base reflects the cost of capital required to finance rate base, being sourced by long-term debt and shareholder equity.

By contrast, retained earnings ***belong to investors*** and represent earnings that have been reinvested in the business rather than distributed as dividends. In other words, retained earnings are investor capital that are used to fund new rate base assets rather than being distributed immediately as a dividend. This is economically equivalent to a circumstance where 100 percent of net income were to be distributed to shareholders as a dividend, and then reinvesting the portion that would otherwise have been retained as retained earnings back in the Company. Consequently, retained earnings are properly treated as investor-supplied equity capital and are eligible to earn the authorized return on equity when supporting utility investments.

The differing treatment of retained earnings and ADIT reflects a fundamental principle of utility ratemaking, which is that investor-supplied capital that remains at risk in the utility business comes at the cost of equity, and the utility is thus afforded an opportunity to earn a return on the balance of equity that is financing rate base, including retained earnings. Conversely, customer-supplied or cost-free sources of financing (such as ADIT) are generally used to reduce the amount of investor capital *upon which* a return may be earned. The regulatory ratemaking framework acknowledges that investors must be compensated for supplying capital and bearing financial risk and also that customers should not pay more than cost of capital that is required in order to finance rate base, by ensuring that cost-free funding sources, such as ADIT, lower rate base.

4. Ratepayers are not "double paying" for retained earnings (OCC-761).

For the same reason, ratepayers are not "double paying" for retained earnings, as contemplated by OCC-761[4]. The earnings that were "retained" in the utility were previously earned by investors through rates charges to customers and became investor property once earned. To articulate this point, it is important to point out that the amount of retained earnings in any given year has no impact on the value of rate base in that year. In general, utility rate base is a function of the net value of infrastructure (assets), whereas shareholder equity is a source of funds utilized to pay for those rate base assets. The dividend payout ratio (or the inverse being the retention ratio) has no direct bearing on rate base. As explained above, retained earnings as a source of capital to fund rate base is economically equivalent to an investor receiving a dividend and then choosing to purchase additional shares in the Company in the same amount. Both are shareholder equity used to finance rate base, and both come at the cost of equity.

Because investors continue to bear the risks associated with utility operations, retained earnings exist as investor-supplied capital supporting the rate base, on which the Company is entitled to earn a return on equity. The authorized return compensates investors for providing and maintaining that capital in the business, regardless of whether it originated from a stock issuance or retained earnings. Retained earnings are therefore properly treated as investor capital, unlike ADIT, which is generally considered customer-supplied, cost-free capital that reduces the amount of investor-supplied capital required to support utility operations. The use of retained earnings as opposed to new stock issuances is a slightly lower cost source of funds, as there are no issuance costs associated with the use of retained earnings to fund new investments.

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[4] OCC-761: (Retained Earnings) Are ratepayers double paying for retained earnings because they paid the Company to create the earnings which were retained and later on pay a cost of equity on the retained earnings?

Characterizing retained earnings as a second payment by would miss the fundamental point that the opportunity to earn a return on invested capital and the passage of time are inextricably linked because capital that remains invested continues to have value to investors. Investors could have received those earnings as dividends and invested those dollars elsewhere and had those funds not been reinvested in the Company. As a result, retained earnings continue to represent investor capital that is contributed to the business, is at risk, and carries an ongoing opportunity cost, thereby remaining subject to the authorized return on equity.

Similarly, rate base would not be reduced by retained earnings simply because customers previously paid rates that enabled the Company to generate those earnings, as OCC-762 suggests[5]. Once earned, retained earnings belong to investors. The fact that those funds were retained in the business rather than being distributed as dividends does not change the fact that those funds remain investor-supplied capital supporting utility operations – just the same as any other contribution –with the contributions subject to continuing exposure to business risk and coming at the cost of equity.

As an example, consider a prudent, used-and-useful substation costing $50 million that is financed at the capitalization ratio proposed in this proceeding comprised of 53.86% equity. If the Company raises the equity through new share issuances, the substation would be financed with approximately $23 million of debt and $27 million of newly issued equity. Alternatively, investors could reinvest $27 million of previously earned profits rather than receive those funds as dividends. Under OCC-762's proposition, the second scenario would result in a lower rate base simply because those earnings were reinvested in the Company rather than being received first as a dividend and then reinvested through the purchase of newly issued shares. Yet, the underlying asset is identical; the service provided to customers is identical; and the investment decision facing investors is identical, i.e., ***choose*** to invest capital in the Company or ***choose*** to invest it elsewhere.

There is no economic or financial basis for treating these two financing sources differently (i.e., retained earnings versus investment in newly issued shared) for purposes of determining the financing costs associated with rate base assets providing service to customers. Relying on retained earnings is slightly lower cost since the use of these funds eliminates the need to go to market and the incremental costs associated with the issuance of new equity. Treating these two sources of funds differently would create a financing bias that favors externally raised equity over internally generated equity, even though both sources of capital reflect investment dollars provided by investors. Such a result would disconnect ratemaking outcomes from the financial principles used to set the return on equity. Establishing different returns for different sources of equity funding violates the basic financial principle that the return on an investment is based on the risk of the investment, not the source of the funding.

5. Retained earnings are an important source of internally generated capital (OCC-763).

Retained earnings are an important source of internally generated capital. Retained earnings strengthen the Company's financial position, support credit quality, reduce reliance on external financing, and help fund ongoing infrastructure investment. Recovery of financing costs does not eliminate the need for utilities to maintain adequate equity capital in the capital structure financing rate base. OCC-763 appears to imply that the Company merely serves as an intermediary between utility assets and the owners of those assets[6]. In reality, the owners of the Company and the owners of the utility assets are one and the same. Importantly, customers do not bear the risk of supplying capital to fund utility assets; investors do. Customers pay rates that include the cost of debt and equity capital; however, the capital itself is supplied by investors, not customers. Whether the source of equity capital is retained earnings or proceeds from newly issued shares does not alter this fundamental relationship and therefore does not change the cost of service because, in either case, investors have chosen to commit capital to utility operations and the return on that

[5] OCC-762: (Rate Base) Should the rate base be subtracted by amount of customer already paid for retained earnings?

[6] OCC-763: (Retained Earnings) Should utility companies have any retained earnings if ratepayers are paying for the Company debt and equity costs on the entire rate base?

capital is based on the risk of the investment, not the source of the capital. Indeed, one purpose of maintaining a reasonable level of retained earnings is to preserve financial flexibility, support credit quality, and enhance access to capital markets. These attributes ultimately benefit both customers and investors by helping ensure that the utility can continue to attract capital at reasonable cost and provide safe and reliable service.

The Company does not distribute all earnings as dividends (OCC-764) because doing so would eliminate an important source of internally generated equity capital[7]. If retained earnings were fully distributed each year, the Company would need to replace that capital through additional common equity, debt, or both, in order to fund utility investments and maintain its target capital structure. This financing could be more costly and could expose both investors and customers to additional financing and market risks.

6. Retained earnings are a cost-effective financing resource.

Retained earnings provide financing benefits by avoiding flotation costs (OCC-766)[8], including underwriting, legal, registration, and administrative expenses associated with issuing new securities. Although the Company can elect to distribute 100% of earnings to investors and can subsequently raise replacement capital in the financial markets (OCC-765), doing so presents several drawbacks[9].

First, given the capital-intensive nature of the utility industry, replacement capital would likely be required almost immediately, exposing the Company to prevailing market conditions and unnecessary financing risk.

Second, retained earnings provide a financial cushion during adverse events, including market disruptions and broader economic downturns.

Third, if investors expected the Company to distribute all earnings as dividends, earnings volatility would translate directly into dividend volatility, including potential dividend reductions, which can be viewed negatively by capital markets.

Fourth, replacing retained earnings with externally raised equity would introduce flotation costs that could otherwise be avoided. From a capital formation perspective, retained earnings represent the most efficient source of common equity because they allow the utility to finance investment without incurring transaction costs, market issuance risk, or potential dilution associated with new share offerings.

By retaining earnings instead of issuing equivalent new equity, the Company obtains equity financing without incurring flotation costs. As a result, retained earnings are often a lower-cost source of equity capital than newly issued common stock.

7. Summary

In summary, retained earnings are investor-owned capital resources that remain invested in the utility business. The earnings constitute investor-supplied equity capital, are appropriately used to pay for utility infrastructure, while reducing the need for external financing and associated flotation costs.

In contrast, ADIT is generally treated as customer-supplied, cost-free capital and therefore serves to reduce the amount of investor-supplied capital upon which a return may be earned. This distinction reflects a foundational principle of utility ratemaking: customers should receive the benefit of cost-free sources of capital (ADIT), and only

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[7] OCC-764: (Special Dividend) Why does the Company not pay out a special dividend every year to remove the retained earnings?

[8] OCC-766: (Retained Earnings) What is the relationship between retained earnings and lack of flotation costs for retained earnings?

[9] OCC-765: (Retained Earnings) If all retained earnings were paid out in the form of a special dividend yearly could the Company get the necessary common equity and debt investment to fund the Company?

pay the cost of capital necessary to finance rate base assets that in service, used and useful, and prudently incurred. The flip side of this same coin is that utility investors should have the opportunity to earn a fair return on capital they supply and place at risk, whether or not that equity capital is contributed in the form of a purchase of newly issued stock or in the form of retained earnings by the company. The treatment of retained earnings reflects the fundamental principle that capital left invested in the business continues to have value and an opportunity cost to investors, even when that capital originated from previously earned income. Fundamentally, retained earnings are the result of investment retained in the business rather than being distributed as dividends, and utility ratemaking has long recognized such retained earnings as investor-supplied equity, no different in substance from newly invested common equity.

Accordingly, retained earnings are not a source of customer-supplied capital, nor do they represent a basis for reducing rate base. Rather, retained earnings are investor-owned funds that are reinvested in utility operations and continue to perform the same economic function as any other form of common equity.

Date Filed: October 05, 2026

**Witness: Brendan J. O'Brien, Garrett J. Murray, Matthew Fallon and Jonathan Kallen**
**Request from: Office of Consumer Counsel**

## Question:

(Retained Earnings) Referring to OCC-518 Response. Why is retained earnings eligible to be included in rate base?

## Response:

Please refer to the Company's response to OCC-758[i].

## Prior Referenced Response:

[i] OCC-758 Question:

(Retained Earnings) Referring to OCC-518 Response. Are ratepayers paying a cost of equity outlay for retained earnings?

OCC-758 Response:

The Company provides this comprehensive response to questions raised in OCC Interrogatories 758 through 766. Where this response references those interrogatories, footnotes have been provided for ease of reference.

1. Fundamental Ratemaking Principles

Two fundamental ratemaking principles apply here.

*First, retained earnings are not "included in rate base."* Only infrastructure assets are included in rate base and the only equity return that customers pay is the return on rate base. The largest components of a utility company's rate base is the net balance of infrastructure investments that the Company has had to finance via a combination of long-term debt and equity (meaning that it reflects the gross value of plant additions, less accumulated depreciation on those additions, less the accumulated deferred income tax ("ADIT" [1]) benefit). The Company collects a return on rate base through rates equal to the weighted average cost of capital times rate base. The weighted average cost of capital ("WACC") in a rate case reflects the utility's cost of money associated with debt and equity capital used to fund rate base. In a rate case, utility rates are set to reflect the utility's cost of service including its WACC on rate base, such that rates are set to provide revenues that cover i) the utility's annual operating expenses (including taxes, depreciation, and other annually recurring expenses), ii) the utility's annual cost of debt service on rate base such that iii) deducting the level of O&M and debt service from PURA-approved revenues results in a level of net income that

[1] The largest driver of ADIT for utility companies is generally the different between book depreciation and tax depreciation. Because tax depreciation is typically accelerated relative to the level of book accounting depreciation, utilities are able to deduct more depreciation expense for tax purposes than they do for book accounting depreciation, creating an ADIT timing difference that serves as a source of capital over the term the ADIT balance 'turns around'.

reflects the authorized cost of equity (return on equity) established by PURA in the rate case. Customers pay only the return on rate base. There is no separate or additional payment by customers associated with retained earnings.

*Second, retained earnings reflects the net income that the utility has earned but has not distributed as dividends*. Net income is either returned to shareholders as a dividend, or is retained in the Company as retained earnings. In this manner, retained earnings represent owner's equity in the utility business, becoming part of the permanent capital supporting the Company's operations and investment in utility infrastructure assets. Retained earnings help to alleviate the need for incremental equity issuances (or contributions from the parent company, in the case of a regulated subsidiary) in order to finance ongoing investments.

2. Retained earnings are no different than other cash resources that investors contribute as equity; Ratepayers are not paying a separate (or second) amount for retained earnings (OCC-759)[2].

Customers pay rates designed to support the cost of providing utility service, including operating expenses, depreciation, taxes and the cost of capital (including the authorized return on equity) on the rate base invested in utility infrastructure. When earnings are retained in the Company rather than being distributed to investors as dividends those funds remain at risk to the investor and appropriately form part of the Company's equity capitalization, as "owner's equity."

Accordingly, equity derived from retained earnings is economically no different from other equity funds provided through direct investor contributions and, as such, its cost is the same authorized return on equity as all other sources of equity, when retained earnings are used to pay for utility infrastructure in lieu of other capital funding (OCC-759). In corporate finance, retained earnings come at the same cost, and thus have the same required return as externally supplied equity because investors retain ownership of those funds and continue to bear the same risks associated with the business. The source of the equity does not change the economic reality that investors have committed capital to the enterprise and could otherwise deploy that capital in competing investment opportunities were it not retained in the Company to fund additional infrastructure investments.

3. Retained earnings are not included in rate base; Retained earnings are invested capital that pays for rate base and must be repaid to investors, with a rate of return. (OCC-760)[3].

Within the regulated utility ratemaking framework, retained earnings are not "included in rate base," as OCC-760 suggests. Rather, retained earnings are a source of investor-supplied capital, while rate base consists of prudently incurred assets that are used and useful in providing service to customers. Rate-base assets must be financed with a combination of long-term capital (long term debt and shareholder equity) and retained earnings are one, cost-effective source of that financing. To the extent retained earnings fund utility plant comprising rate base, the retained earnings become part of the capital structure supporting those investments. Regulatory ratemaking acknowledges the cost of equity capital and provides an opportunity to earn a return on invested capital regardless of whether the equity originated from stock issuances or accumulated retained earnings. From a financial perspective, utility assets are indifferent to the source of financing used to acquire them. A dollar of utility plant funded through retained earnings is economically identical to a dollar of utility plant funded through newly issued common stock. Both retained earnings, excluding issuance costs, and the funds from newly issued common stock represent investor dollars committed to utility operations which are exposed to investment risk and other forces that determine the cost equity investors demand in order to provide the utility with its capital to invest.

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In addition, retained earnings differ fundamentally from items that reduce rate base, such as ADIT. As described previously, for utilities, ADIT arises primarily from timing differences between tax and book depreciation and represents taxes effectively paid for by customers in advance of the time that the Company pays out those taxes to appropriate governments. Because ADIT generated in this manner is generally viewed as cost-free capital supplied through the ratemaking process rather than by investors, it appropriately reduces rate base and correspondingly reduces the amount of investor-supplied capital upon which shareholders are permitted to earn a return. In this way, rate base is reduced by ADIT, such that the WACC applied to rate base reflects the cost of capital required to finance rate base, being sourced by long-term debt and shareholder equity.

By contrast, retained earnings ***belong to investors*** and represent earnings that have been reinvested in the business rather than distributed as dividends. In other words, retained earnings are investor capital that are used to fund new rate base assets rather than being distributed immediately as a dividend. This is economically equivalent to a circumstance where 100 percent of net income were to be distributed to shareholders as a dividend, and then reinvesting the portion that would otherwise have been retained as retained earnings back in the Company. Consequently, retained earnings are properly treated as investor-supplied equity capital and are eligible to earn the authorized return on equity when supporting utility investments.

The differing treatment of retained earnings and ADIT reflects a fundamental principle of utility ratemaking, which is that investor-supplied capital that remains at risk in the utility business comes at the cost of equity, and the utility is thus afforded an opportunity to earn a return on the balance of equity that is financing rate base, including retained earnings. Conversely, customer-supplied or cost-free sources of financing (such as ADIT) are generally used to reduce the amount of investor capital *upon which* a return may be earned. The regulatory ratemaking framework acknowledges that investors must be compensated for supplying capital and bearing financial risk and also that customers should not pay more than cost of capital that is required in order to finance rate base, by ensuring that cost-free funding sources, such as ADIT, lower rate base.

4. Ratepayers are not "double paying" for retained earnings (OCC-761).

For the same reason, ratepayers are not "double paying" for retained earnings, as contemplated by OCC-761[4]. The earnings that were "retained" in the utility were previously earned by investors through rates charges to customers and became investor property once earned. To articulate this point, it is important to point out that the amount of retained earnings in any given year has no impact on the value of rate base in that year. In general, utility rate base is a function of the net value of infrastructure (assets), whereas shareholder equity is a source of funds utilized to pay for those rate base assets. The dividend payout ratio (or the inverse being the retention ratio) has no direct bearing on rate base. As explained above, retained earnings as a source of capital to fund rate base is economically equivalent to an investor receiving a dividend and then choosing to purchase additional shares in the Company in the same amount. Both are shareholder equity used to finance rate base, and both come at the cost of equity.

Because investors continue to bear the risks associated with utility operations, retained earnings exist as investor-supplied capital supporting the rate base, on which the Company is entitled to earn a return on equity. The authorized return compensates investors for providing and maintaining that capital in the business, regardless of whether it originated from a stock issuance or retained earnings. Retained earnings are therefore properly treated as investor capital, unlike ADIT, which is generally considered customer-supplied, cost-free capital that reduces the amount of investor-supplied capital required to support utility operations. The use of retained earnings as opposed to new stock issuances is a slightly lower cost source of funds, as there are no issuance costs associated with the use of retained earnings to fund new investments.

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Similarly, rate base would not be reduced by retained earnings simply because customers previously paid rates that enabled the Company to generate those earnings, as OCC-762 suggests[5]. Once earned, retained earnings belong to investors. The fact that those funds were retained in the business rather than being distributed as dividends does not change the fact that those funds remain investor-supplied capital supporting utility operations – just the same as any other contribution –with the contributions subject to continuing exposure to business risk and coming at the cost of equity.

As an example, consider a prudent, used-and-useful substation costing $50 million that is financed at the capitalization ratio proposed in this proceeding comprised of 53.86% equity. If the Company raises the equity through new share issuances, the substation would be financed with approximately $23 million of debt and $27 million of newly issued equity. Alternatively, investors could reinvest $27 million of previously earned profits rather than receive those funds as dividends. Under OCC-762's proposition, the second scenario would result in a lower rate base simply because those earnings were reinvested in the Company rather than being received first as a dividend and then reinvested through the purchase of newly issued shares. Yet, the underlying asset is identical; the service provided to customers is identical; and the investment decision facing investors is identical, i.e., ***choose*** to invest capital in the Company or ***choose*** to invest it elsewhere.

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7. Summary

In summary, retained earnings are investor-owned capital resources that remain invested in the utility business. The earnings constitute investor-supplied equity capital, are appropriately used to pay for utility infrastructure, while reducing the need for external financing and associated flotation costs.

In contrast, ADIT is generally treated as customer-supplied, cost-free capital and therefore serves to reduce the amount of investor-supplied capital upon which a return may be earned. This distinction reflects a foundational principle of utility ratemaking: customers should receive the benefit of cost-free sources of capital (ADIT), and only

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Accordingly, retained earnings are not a source of customer-supplied capital, nor do they represent a basis for reducing rate base. Rather, retained earnings are investor-owned funds that are reinvested in utility operations and continue to perform the same economic function as any other form of common equity.

Date Filed: October 05, 2026

**Witness: Brendan J. O'Brien, Garrett J. Murray, Matthew Fallon and Jonathan Kallen**
**Request from: Office of Consumer Counsel**

**Question:**

(Retained Earnings) Are ratepayers double paying for retained earnings because they paid the Company to create the earnings which were retained and later on pay a cost of equity on the retained earnings?

**Response:**

Please refer to the Company's response to OCC-758[i].

**Prior Referenced Response:**

[i] OCC-758 Question:

(Retained Earnings) Referring to OCC-518 Response. Are ratepayers paying a cost of equity outlay for retained earnings?

OCC-758 Response:

The Company provides this comprehensive response to questions raised in OCC Interrogatories 758 through 766. Where this response references those interrogatories, footnotes have been provided for ease of reference.

1. Fundamental Ratemaking Principles

Two fundamental ratemaking principles apply here.

*First, retained earnings are not "included in rate base."* Only infrastructure assets are included in rate base and the only equity return that customers pay is the return on rate base. The largest components of a utility company's rate base is the net balance of infrastructure investments that the Company has had to finance via a combination of long-term debt and equity (meaning that it reflects the gross value of plant additions, less accumulated depreciation on those additions, less the accumulated deferred income tax ("ADIT" [1]) benefit). The Company collects a return on rate base through rates equal to the weighted average cost of capital times rate base. The weighted average cost of capital ("WACC") in a rate case reflects the utility's cost of money associated with debt and equity capital used to fund rate base. In a rate case, utility rates are set to reflect the utility's cost of service including its WACC on rate base, such that rates are set to provide revenues that cover i) the utility's annual operating expenses (including taxes, depreciation, and other annually recurring expenses), ii) the utility's annual cost of debt service on rate base such that

[1] The largest driver of ADIT for utility companies is generally the different between book depreciation and tax depreciation. Because tax depreciation is typically accelerated relative to the level of book accounting depreciation, utilities are able to deduct more depreciation expense for tax purposes than they do for book accounting depreciation, creating an ADIT timing difference that serves as a source of capital over the term the ADIT balance 'turns around'.

iii) deducting the level of O&M and debt service from PURA-approved revenues results in a level of net income that reflects the authorized cost of equity (return on equity) established by PURA in the rate case. Customers pay only the return on rate base. There is no separate or additional payment by customers associated with retained earnings.

*Second, retained earnings reflects the net income that the utility has earned but has not distributed as dividends*. Net income is either returned to shareholders as a dividend, or is retained in the Company as retained earnings. In this manner, retained earnings represent owner's equity in the utility business, becoming part of the permanent capital supporting the Company's operations and investment in utility infrastructure assets. Retained earnings help to alleviate the need for incremental equity issuances (or contributions from the parent company, in the case of a regulated subsidiary) in order to finance ongoing investments.

2. Retained earnings are no different than other cash resources that investors contribute as equity; Ratepayers are not paying a separate (or second) amount for retained earnings (OCC-759)[2].

Customers pay rates designed to support the cost of providing utility service, including operating expenses, depreciation, taxes and the cost of capital (including the authorized return on equity) on the rate base invested in utility infrastructure. When earnings are retained in the Company rather than being distributed to investors as dividends those funds remain at risk to the investor and appropriately form part of the Company's equity capitalization, as "owner's equity."

Accordingly, equity derived from retained earnings is economically no different from other equity funds provided through direct investor contributions and, as such, its cost is the same authorized return on equity as all other sources of equity, when retained earnings are used to pay for utility infrastructure in lieu of other capital funding (OCC-759). In corporate finance, retained earnings come at the same cost, and thus have the same required return as externally supplied equity because investors retain ownership of those funds and continue to bear the same risks associated with the business. The source of the equity does not change the economic reality that investors have committed capital to the enterprise and could otherwise deploy that capital in competing investment opportunities were it not retained in the Company to fund additional infrastructure investments.

3. Retained earnings are not included in rate base; Retained earnings are invested capital that pays for rate base and must be repaid to investors, with a rate of return. (OCC-760)[3].

Within the regulated utility ratemaking framework, retained earnings are not "included in rate base," as OCC-760 suggests. Rather, retained earnings are a source of investor-supplied capital, while rate base consists of prudently incurred assets that are used and useful in providing service to customers. Rate-base assets must be financed with a combination of long-term capital (long term debt and shareholder equity) and retained earnings are one, cost-effective source of that financing. To the extent retained earnings fund utility plant comprising rate base, the retained earnings become part of the capital structure supporting those investments. Regulatory ratemaking acknowledges the cost of equity capital and provides an opportunity to earn a return on invested capital regardless of whether the equity originated from stock issuances or accumulated retained earnings. From a financial perspective, utility assets are indifferent to the source of financing used to acquire them. A dollar of utility plant funded through retained earnings is economically identical to a dollar of utility plant funded through newly issued common stock. Both retained earnings, excluding issuance costs, and the funds from newly issued common stock represent investor dollars committed to utility operations which are exposed to investment risk and other forces that determine the cost equity investors demand in order to provide the utility with its capital to invest.

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[2] OCC-759: (Retained Earnings) Referring to OCC-518 Response. Is the equity related to retained earnings eligible to earn the authorized return on equity?

[3] OCC-760: (Retained Earnings) Referring to OCC-518 Response. Why is retained earnings eligible to be included in rate base?

In addition, retained earnings differ fundamentally from items that reduce rate base, such as ADIT. As described previously, for utilities, ADIT arises primarily from timing differences between tax and book depreciation and represents taxes effectively paid for by customers in advance of the time that the Company pays out those taxes to appropriate governments. Because ADIT generated in this manner is generally viewed as cost-free capital supplied through the ratemaking process rather than by investors, it appropriately reduces rate base and correspondingly reduces the amount of investor-supplied capital upon which shareholders are permitted to earn a return. In this way, rate base is reduced by ADIT, such that the WACC applied to rate base reflects the cost of capital required to finance rate base, being sourced by long-term debt and shareholder equity.

By contrast, retained earnings ***belong to investors*** and represent earnings that have been reinvested in the business rather than distributed as dividends. In other words, retained earnings are investor capital that are used to fund new rate base assets rather than being distributed immediately as a dividend. This is economically equivalent to a circumstance where 100 percent of net income were to be distributed to shareholders as a dividend, and then reinvesting the portion that would otherwise have been retained as retained earnings back in the Company. Consequently, retained earnings are properly treated as investor-supplied equity capital and are eligible to earn the authorized return on equity when supporting utility investments.

The differing treatment of retained earnings and ADIT reflects a fundamental principle of utility ratemaking, which is that investor-supplied capital that remains at risk in the utility business comes at the cost of equity, and the utility is thus afforded an opportunity to earn a return on the balance of equity that is financing rate base, including retained earnings. Conversely, customer-supplied or cost-free sources of financing (such as ADIT) are generally used to reduce the amount of investor capital *upon which* a return may be earned. The regulatory ratemaking framework acknowledges that investors must be compensated for supplying capital and bearing financial risk and also that customers should not pay more than cost of capital that is required in order to finance rate base, by ensuring that cost-free funding sources, such as ADIT, lower rate base.

4. Ratepayers are not "double paying" for retained earnings (OCC-761).

For the same reason, ratepayers are not "double paying" for retained earnings, as contemplated by OCC-761[4]. The earnings that were "retained" in the utility were previously earned by investors through rates charges to customers and became investor property once earned. To articulate this point, it is important to point out that the amount of retained earnings in any given year has no impact on the value of rate base in that year. In general, utility rate base is a function of the net value of infrastructure (assets), whereas shareholder equity is a source of funds utilized to pay for those rate base assets. The dividend payout ratio (or the inverse being the retention ratio) has no direct bearing on rate base. As explained above, retained earnings as a source of capital to fund rate base is economically equivalent to an investor receiving a dividend and then choosing to purchase additional shares in the Company in the same amount. Both are shareholder equity used to finance rate base, and both come at the cost of equity.

Because investors continue to bear the risks associated with utility operations, retained earnings exist as investor-supplied capital supporting the rate base, on which the Company is entitled to earn a return on equity. The authorized return compensates investors for providing and maintaining that capital in the business, regardless of whether it originated from a stock issuance or retained earnings. Retained earnings are therefore properly treated as investor capital, unlike ADIT, which is generally considered customer-supplied, cost-free capital that reduces the amount of investor-supplied capital required to support utility operations. The use of retained earnings as opposed to new stock issuances is a slightly lower cost source of funds, as there are no issuance costs associated with the use of retained earnings to fund new investments.

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[4] OCC-761: (Retained Earnings) Are ratepayers double paying for retained earnings because they paid the Company to create the earnings which were retained and later on pay a cost of equity on the retained earnings?

Characterizing retained earnings as a second payment by would miss the fundamental point that the opportunity to earn a return on invested capital and the passage of time are inextricably linked because capital that remains invested continues to have value to investors. Investors could have received those earnings as dividends and invested those dollars elsewhere and had those funds not been reinvested in the Company. As a result, retained earnings continue to represent investor capital that is contributed to the business, is at risk, and carries an ongoing opportunity cost, thereby remaining subject to the authorized return on equity.

Similarly, rate base would not be reduced by retained earnings simply because customers previously paid rates that enabled the Company to generate those earnings, as OCC-762 suggests[5]. Once earned, retained earnings belong to investors. The fact that those funds were retained in the business rather than being distributed as dividends does not change the fact that those funds remain investor-supplied capital supporting utility operations – just the same as any other contribution –with the contributions subject to continuing exposure to business risk and coming at the cost of equity.

As an example, consider a prudent, used-and-useful substation costing $50 million that is financed at the capitalization ratio proposed in this proceeding comprised of 53.86% equity. If the Company raises the equity through new share issuances, the substation would be financed with approximately $23 million of debt and $27 million of newly issued equity. Alternatively, investors could reinvest $27 million of previously earned profits rather than receive those funds as dividends. Under OCC-762's proposition, the second scenario would result in a lower rate base simply because those earnings were reinvested in the Company rather than being received first as a dividend and then reinvested through the purchase of newly issued shares. Yet, the underlying asset is identical; the service provided to customers is identical; and the investment decision facing investors is identical, i.e., ***choose*** to invest capital in the Company or ***choose*** to invest it elsewhere.

There is no economic or financial basis for treating these two financing sources differently (i.e., retained earnings versus investment in newly issued shared) for purposes of determining the financing costs associated with rate base assets providing service to customers. Relying on retained earnings is slightly lower cost since the use of these funds eliminates the need to go to market and the incremental costs associated with the issuance of new equity. Treating these two sources of funds differently would create a financing bias that favors externally raised equity over internally generated equity, even though both sources of capital reflect investment dollars provided by investors. Such a result would disconnect ratemaking outcomes from the financial principles used to set the return on equity. Establishing different returns for different sources of equity funding violates the basic financial principle that the return on an investment is based on the risk of the investment, not the source of the funding.

5. Retained earnings are an important source of internally generated capital (OCC-763).

Retained earnings are an important source of internally generated capital. Retained earnings strengthen the Company's financial position, support credit quality, reduce reliance on external financing, and help fund ongoing infrastructure investment. Recovery of financing costs does not eliminate the need for utilities to maintain adequate equity capital in the capital structure financing rate base. OCC-763 appears to imply that the Company merely serves as an intermediary between utility assets and the owners of those assets[6]. In reality, the owners of the Company and the owners of the utility assets are one and the same. Importantly, customers do not bear the risk of supplying capital to fund utility assets; investors do. Customers pay rates that include the cost of debt and equity capital; however, the capital itself is supplied by investors, not customers. Whether the source of equity capital is retained earnings or proceeds from newly issued shares does not alter this fundamental relationship and therefore does not change the cost of service because, in either case, investors have chosen to commit capital to utility operations and the return on that

[5] OCC-762: (Rate Base) Should the rate base be subtracted by amount of customer already paid for retained earnings?

[6] OCC-763: (Retained Earnings) Should utility companies have any retained earnings if ratepayers are paying for the Company debt and equity costs on the entire rate base?

capital is based on the risk of the investment, not the source of the capital. Indeed, one purpose of maintaining a reasonable level of retained earnings is to preserve financial flexibility, support credit quality, and enhance access to capital markets. These attributes ultimately benefit both customers and investors by helping ensure that the utility can continue to attract capital at reasonable cost and provide safe and reliable service.

The Company does not distribute all earnings as dividends (OCC-764) because doing so would eliminate an important source of internally generated equity capital[7]. If retained earnings were fully distributed each year, the Company would need to replace that capital through additional common equity, debt, or both, in order to fund utility investments and maintain its target capital structure. This financing could be more costly and could expose both investors and customers to additional financing and market risks.

6. Retained earnings are a cost-effective financing resource.

Retained earnings provide financing benefits by avoiding flotation costs (OCC-766)[8], including underwriting, legal, registration, and administrative expenses associated with issuing new securities. Although the Company can elect to distribute 100% of earnings to investors and can subsequently raise replacement capital in the financial markets (OCC-765), doing so presents several drawbacks[9].

First, given the capital-intensive nature of the utility industry, replacement capital would likely be required almost immediately, exposing the Company to prevailing market conditions and unnecessary financing risk.

Second, retained earnings provide a financial cushion during adverse events, including market disruptions and broader economic downturns.

Third, if investors expected the Company to distribute all earnings as dividends, earnings volatility would translate directly into dividend volatility, including potential dividend reductions, which can be viewed negatively by capital markets.

Fourth, replacing retained earnings with externally raised equity would introduce flotation costs that could otherwise be avoided. From a capital formation perspective, retained earnings represent the most efficient source of common equity because they allow the utility to finance investment without incurring transaction costs, market issuance risk, or potential dilution associated with new share offerings.

By retaining earnings instead of issuing equivalent new equity, the Company obtains equity financing without incurring flotation costs. As a result, retained earnings are often a lower-cost source of equity capital than newly issued common stock.

7. Summary

In summary, retained earnings are investor-owned capital resources that remain invested in the utility business. The earnings constitute investor-supplied equity capital, are appropriately used to pay for utility infrastructure, while reducing the need for external financing and associated flotation costs.

In contrast, ADIT is generally treated as customer-supplied, cost-free capital and therefore serves to reduce the amount of investor-supplied capital upon which a return may be earned. This distinction reflects a foundational principle of utility ratemaking: customers should receive the benefit of cost-free sources of capital (ADIT), and only

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[7] OCC-764: (Special Dividend) Why does the Company not pay out a special dividend every year to remove the retained earnings?

[8] OCC-766: (Retained Earnings) What is the relationship between retained earnings and lack of flotation costs for retained earnings?

[9] OCC-765: (Retained Earnings) If all retained earnings were paid out in the form of a special dividend yearly could the Company get the necessary common equity and debt investment to fund the Company?

pay the cost of capital necessary to finance rate base assets that in service, used and useful, and prudently incurred. The flip side of this same coin is that utility investors should have the opportunity to earn a fair return on capital they supply and place at risk, whether or not that equity capital is contributed in the form of a purchase of newly issued stock or in the form of retained earnings by the company. The treatment of retained earnings reflects the fundamental principle that capital left invested in the business continues to have value and an opportunity cost to investors, even when that capital originated from previously earned income. Fundamentally, retained earnings are the result of investment retained in the business rather than being distributed as dividends, and utility ratemaking has long recognized such retained earnings as investor-supplied equity, no different in substance from newly invested common equity.

Accordingly, retained earnings are not a source of customer-supplied capital, nor do they represent a basis for reducing rate base. Rather, retained earnings are investor-owned funds that are reinvested in utility operations and continue to perform the same economic function as any other form of common equity.

Date Filed: October 05, 2026

**Witness: Brendan J. O'Brien, Garrett J. Murray, Matthew Fallon and Jonathan Kallen**
**Request from: Office of Consumer Counsel**

**Question:**

(Rate Base) Should the rate base be subtracted by amount of customer already paid for retained earnings?

**Response:**

Please refer to the Company's response to OCC-758[i].

**Prior Referenced Response:**

[i] OCC-758 Question:

(Retained Earnings) Referring to OCC-518 Response. Are ratepayers paying a cost of equity outlay for retained earnings?

OCC-758 Response:

The Company provides this comprehensive response to questions raised in OCC Interrogatories 758 through 766. Where this response references those interrogatories, footnotes have been provided for ease of reference.

1. Fundamental Ratemaking Principles

Two fundamental ratemaking principles apply here.

*First, retained earnings are not "included in rate base."* Only infrastructure assets are included in rate base and the only equity return that customers pay is the return on rate base. The largest components of a utility company's rate base is the net balance of infrastructure investments that the Company has had to finance via a combination of long-term debt and equity (meaning that it reflects the gross value of plant additions, less accumulated depreciation on those additions, less the accumulated deferred income tax ("ADIT" [1]) benefit). The Company collects a return on rate base through rates equal to the weighted average cost of capital times rate base. The weighted average cost of capital ("WACC") in a rate case reflects the utility's cost of money associated with debt and equity capital used to fund rate base. In a rate case, utility rates are set to reflect the utility's cost of service including its WACC on rate base, such that rates are set to provide revenues that cover i) the utility's annual operating expenses (including taxes, depreciation, and other annually recurring expenses), ii) the utility's annual cost of debt service on rate base such that iii) deducting the level of O&M and debt service from PURA-approved revenues results in a level of net income that

[1] The largest driver of ADIT for utility companies is generally the different between book depreciation and tax depreciation. Because tax depreciation is typically accelerated relative to the level of book accounting depreciation, utilities are able to deduct more depreciation expense for tax purposes than they do for book accounting depreciation, creating an ADIT timing difference that serves as a source of capital over the term the ADIT balance 'turns around'.

reflects the authorized cost of equity (return on equity) established by PURA in the rate case. Customers pay only the return on rate base. There is no separate or additional payment by customers associated with retained earnings.

*Second, retained earnings reflects the net income that the utility has earned but has not distributed as dividends*. Net income is either returned to shareholders as a dividend, or is retained in the Company as retained earnings. In this manner, retained earnings represent owner's equity in the utility business, becoming part of the permanent capital supporting the Company's operations and investment in utility infrastructure assets. Retained earnings help to alleviate the need for incremental equity issuances (or contributions from the parent company, in the case of a regulated subsidiary) in order to finance ongoing investments.

2. Retained earnings are no different than other cash resources that investors contribute as equity; Ratepayers are not paying a separate (or second) amount for retained earnings (OCC-759)[2].

Customers pay rates designed to support the cost of providing utility service, including operating expenses, depreciation, taxes and the cost of capital (including the authorized return on equity) on the rate base invested in utility infrastructure. When earnings are retained in the Company rather than being distributed to investors as dividends those funds remain at risk to the investor and appropriately form part of the Company's equity capitalization, as "owner's equity."

Accordingly, equity derived from retained earnings is economically no different from other equity funds provided through direct investor contributions and, as such, its cost is the same authorized return on equity as all other sources of equity, when retained earnings are used to pay for utility infrastructure in lieu of other capital funding (OCC-759). In corporate finance, retained earnings come at the same cost, and thus have the same required return as externally supplied equity because investors retain ownership of those funds and continue to bear the same risks associated with the business. The source of the equity does not change the economic reality that investors have committed capital to the enterprise and could otherwise deploy that capital in competing investment opportunities were it not retained in the Company to fund additional infrastructure investments.

3. Retained earnings are not included in rate base; Retained earnings are invested capital that pays for rate base and must be repaid to investors, with a rate of return. (OCC-760)[3].

Within the regulated utility ratemaking framework, retained earnings are not "included in rate base," as OCC-760 suggests. Rather, retained earnings are a source of investor-supplied capital, while rate base consists of prudently incurred assets that are used and useful in providing service to customers. Rate-base assets must be financed with a combination of long-term capital (long term debt and shareholder equity) and retained earnings are one, cost-effective source of that financing. To the extent retained earnings fund utility plant comprising rate base, the retained earnings become part of the capital structure supporting those investments. Regulatory ratemaking acknowledges the cost of equity capital and provides an opportunity to earn a return on invested capital regardless of whether the equity originated from stock issuances or accumulated retained earnings. From a financial perspective, utility assets are indifferent to the source of financing used to acquire them. A dollar of utility plant funded through retained earnings is economically identical to a dollar of utility plant funded through newly issued common stock. Both retained earnings, excluding issuance costs, and the funds from newly issued common stock represent investor dollars committed to utility operations which are exposed to investment risk and other forces that determine the cost equity investors demand in order to provide the utility with its capital to invest.

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[3] OCC-760: (Retained Earnings) Referring to OCC-518 Response. Why is retained earnings eligible to be included in rate base?

In addition, retained earnings differ fundamentally from items that reduce rate base, such as ADIT. As described previously, for utilities, ADIT arises primarily from timing differences between tax and book depreciation and represents taxes effectively paid for by customers in advance of the time that the Company pays out those taxes to appropriate governments. Because ADIT generated in this manner is generally viewed as cost-free capital supplied through the ratemaking process rather than by investors, it appropriately reduces rate base and correspondingly reduces the amount of investor-supplied capital upon which shareholders are permitted to earn a return. In this way, rate base is reduced by ADIT, such that the WACC applied to rate base reflects the cost of capital required to finance rate base, being sourced by long-term debt and shareholder equity.

By contrast, retained earnings ***belong to investors*** and represent earnings that have been reinvested in the business rather than distributed as dividends. In other words, retained earnings are investor capital that are used to fund new rate base assets rather than being distributed immediately as a dividend. This is economically equivalent to a circumstance where 100 percent of net income were to be distributed to shareholders as a dividend, and then reinvesting the portion that would otherwise have been retained as retained earnings back in the Company. Consequently, retained earnings are properly treated as investor-supplied equity capital and are eligible to earn the authorized return on equity when supporting utility investments.

The differing treatment of retained earnings and ADIT reflects a fundamental principle of utility ratemaking, which is that investor-supplied capital that remains at risk in the utility business comes at the cost of equity, and the utility is thus afforded an opportunity to earn a return on the balance of equity that is financing rate base, including retained earnings. Conversely, customer-supplied or cost-free sources of financing (such as ADIT) are generally used to reduce the amount of investor capital *upon which* a return may be earned. The regulatory ratemaking framework acknowledges that investors must be compensated for supplying capital and bearing financial risk and also that customers should not pay more than cost of capital that is required in order to finance rate base, by ensuring that cost-free funding sources, such as ADIT, lower rate base.

4. Ratepayers are not "double paying" for retained earnings (OCC-761).

For the same reason, ratepayers are not "double paying" for retained earnings, as contemplated by OCC-761[4]. The earnings that were "retained" in the utility were previously earned by investors through rates charges to customers and became investor property once earned. To articulate this point, it is important to point out that the amount of retained earnings in any given year has no impact on the value of rate base in that year. In general, utility rate base is a function of the net value of infrastructure (assets), whereas shareholder equity is a source of funds utilized to pay for those rate base assets. The dividend payout ratio (or the inverse being the retention ratio) has no direct bearing on rate base. As explained above, retained earnings as a source of capital to fund rate base is economically equivalent to an investor receiving a dividend and then choosing to purchase additional shares in the Company in the same amount. Both are shareholder equity used to finance rate base, and both come at the cost of equity.

Because investors continue to bear the risks associated with utility operations, retained earnings exist as investor-supplied capital supporting the rate base, on which the Company is entitled to earn a return on equity. The authorized return compensates investors for providing and maintaining that capital in the business, regardless of whether it originated from a stock issuance or retained earnings. Retained earnings are therefore properly treated as investor capital, unlike ADIT, which is generally considered customer-supplied, cost-free capital that reduces the amount of investor-supplied capital required to support utility operations. The use of retained earnings as opposed to new stock issuances is a slightly lower cost source of funds, as there are no issuance costs associated with the use of retained earnings to fund new investments.

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As an example, consider a prudent, used-and-useful substation costing $50 million that is financed at the capitalization ratio proposed in this proceeding comprised of 53.86% equity. If the Company raises the equity through new share issuances, the substation would be financed with approximately $23 million of debt and $27 million of newly issued equity. Alternatively, investors could reinvest $27 million of previously earned profits rather than receive those funds as dividends. Under OCC-762's proposition, the second scenario would result in a lower rate base simply because those earnings were reinvested in the Company rather than being received first as a dividend and then reinvested through the purchase of newly issued shares. Yet, the underlying asset is identical; the service provided to customers is identical; and the investment decision facing investors is identical, i.e., ***choose*** to invest capital in the Company or ***choose*** to invest it elsewhere.

There is no economic or financial basis for treating these two financing sources differently (i.e., retained earnings versus investment in newly issued shared) for purposes of determining the financing costs associated with rate base assets providing service to customers. Relying on retained earnings is slightly lower cost since the use of these funds eliminates the need to go to market and the incremental costs associated with the issuance of new equity. Treating these two sources of funds differently would create a financing bias that favors externally raised equity over internally generated equity, even though both sources of capital reflect investment dollars provided by investors. Such a result would disconnect ratemaking outcomes from the financial principles used to set the return on equity. Establishing different returns for different sources of equity funding violates the basic financial principle that the return on an investment is based on the risk of the investment, not the source of the funding.

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The Company does not distribute all earnings as dividends (OCC-764) because doing so would eliminate an important source of internally generated equity capital[7]. If retained earnings were fully distributed each year, the Company would need to replace that capital through additional common equity, debt, or both, in order to fund utility investments and maintain its target capital structure. This financing could be more costly and could expose both investors and customers to additional financing and market risks.

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Retained earnings provide financing benefits by avoiding flotation costs (OCC-766)[8], including underwriting, legal, registration, and administrative expenses associated with issuing new securities. Although the Company can elect to distribute 100% of earnings to investors and can subsequently raise replacement capital in the financial markets (OCC-765), doing so presents several drawbacks[9].

First, given the capital-intensive nature of the utility industry, replacement capital would likely be required almost immediately, exposing the Company to prevailing market conditions and unnecessary financing risk.

Second, retained earnings provide a financial cushion during adverse events, including market disruptions and broader economic downturns.

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Fourth, replacing retained earnings with externally raised equity would introduce flotation costs that could otherwise be avoided. From a capital formation perspective, retained earnings represent the most efficient source of common equity because they allow the utility to finance investment without incurring transaction costs, market issuance risk, or potential dilution associated with new share offerings.

By retaining earnings instead of issuing equivalent new equity, the Company obtains equity financing without incurring flotation costs. As a result, retained earnings are often a lower-cost source of equity capital than newly issued common stock.

7. Summary

In summary, retained earnings are investor-owned capital resources that remain invested in the utility business. The earnings constitute investor-supplied equity capital, are appropriately used to pay for utility infrastructure, while reducing the need for external financing and associated flotation costs.

In contrast, ADIT is generally treated as customer-supplied, cost-free capital and therefore serves to reduce the amount of investor-supplied capital upon which a return may be earned. This distinction reflects a foundational principle of utility ratemaking: customers should receive the benefit of cost-free sources of capital (ADIT), and only

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pay the cost of capital necessary to finance rate base assets that in service, used and useful, and prudently incurred. The flip side of this same coin is that utility investors should have the opportunity to earn a fair return on capital they supply and place at risk, whether or not that equity capital is contributed in the form of a purchase of newly issued stock or in the form of retained earnings by the company. The treatment of retained earnings reflects the fundamental principle that capital left invested in the business continues to have value and an opportunity cost to investors, even when that capital originated from previously earned income. Fundamentally, retained earnings are the result of investment retained in the business rather than being distributed as dividends, and utility ratemaking has long recognized such retained earnings as investor-supplied equity, no different in substance from newly invested common equity.

Accordingly, retained earnings are not a source of customer-supplied capital, nor do they represent a basis for reducing rate base. Rather, retained earnings are investor-owned funds that are reinvested in utility operations and continue to perform the same economic function as any other form of common equity.

Date Filed: October 05, 2026

**Witness: Brendan J. O'Brien, Garrett J. Murray, Matthew Fallon and Jonathan Kallen**
**Request from: Office of Consumer Counsel**

**Question:**

(Retained Earnings) Should utility companies have any retained earnings if ratepayers are paying for the Company debt and equity costs on the entire rate base?

**Response:**

Please refer to the Company's response to OCC-758[i].

**Prior Referenced Response:**

[i] OCC-758 Question:

(Retained Earnings) Referring to OCC-518 Response. Are ratepayers paying a cost of equity outlay for retained earnings?

OCC-758 Response:

The Company provides this comprehensive response to questions raised in OCC Interrogatories 758 through 766. Where this response references those interrogatories, footnotes have been provided for ease of reference.

1. Fundamental Ratemaking Principles

Two fundamental ratemaking principles apply here.

*First, retained earnings are not "included in rate base."* Only infrastructure assets are included in rate base and the only equity return that customers pay is the return on rate base. The largest components of a utility company's rate base is the net balance of infrastructure investments that the Company has had to finance via a combination of long-term debt and equity (meaning that it reflects the gross value of plant additions, less accumulated depreciation on those additions, less the accumulated deferred income tax ("ADIT" [1]) benefit). The Company collects a return on rate base through rates equal to the weighted average cost of capital times rate base. The weighted average cost of capital ("WACC") in a rate case reflects the utility's cost of money associated with debt and equity capital used to fund rate base. In a rate case, utility rates are set to reflect the utility's cost of service including its WACC on rate base, such that rates are set to provide revenues that cover i) the utility's annual operating expenses (including taxes, depreciation, and other annually recurring expenses), ii) the utility's annual cost of debt service on rate base such that 3) deducting the level of O&M and debt service from PURA-approved revenues results in a level of net income that

[1] The largest driver of ADIT for utility companies is generally the different between book depreciation and tax depreciation. Because tax depreciation is typically accelerated relative to the level of book accounting depreciation, utilities are able to deduct more depreciation expense for tax purposes than they do for book accounting depreciation, creating an ADIT timing difference that serves as a source of capital over the term the ADIT balance 'turns around'.

reflects the authorized cost of equity (return on equity) established by PURA in the rate case. Customers pay only the return on rate base. There is no separate or additional payment by customers associated with retained earnings.

*Second, retained earnings reflects the net income that the utility has earned but has not distributed as dividends*. Net income is either returned to shareholders as a dividend, or is retained in the Company as retained earnings. In this manner, retained earnings represent owner's equity in the utility business, becoming part of the permanent capital supporting the Company's operations and investment in utility infrastructure assets. Retained earnings help to alleviate the need for incremental equity issuances (or contributions from the parent company, in the case of a regulated subsidiary) in order to finance ongoing investments.

2. Retained earnings are no different than other cash resources that investors contribute as equity; Ratepayers are not paying a separate (or second) amount for retained earnings (OCC-759)[2].

Customers pay rates designed to support the cost of providing utility service, including operating expenses, depreciation, taxes and the cost of capital (including the authorized return on equity) on the rate base invested in utility infrastructure. When earnings are retained in the Company rather than being distributed to investors as dividends those funds remain at risk to the investor and appropriately form part of the Company's equity capitalization, as "owner's equity."

Accordingly, equity derived from retained earnings is economically no different from other equity funds provided through direct investor contributions and, as such, its cost is the same authorized return on equity as all other sources of equity, when retained earnings are used to pay for utility infrastructure in lieu of other capital funding (OCC-759). In corporate finance, retained earnings come at the same cost, and thus have the same required return as externally supplied equity because investors retain ownership of those funds and continue to bear the same risks associated with the business. The source of the equity does not change the economic reality that investors have committed capital to the enterprise and could otherwise deploy that capital in competing investment opportunities were it not retained in the Company to fund additional infrastructure investments.

3. Retained earnings are not included in rate base; Retained earnings are invested capital that pays for rate base and must be repaid to investors, with a rate of return. (OCC-760)[3].

Within the regulated utility ratemaking framework, retained earnings are not "included in rate base," as OCC-760 suggests. Rather, retained earnings are a source of investor-supplied capital, while rate base consists of prudently incurred assets that are used and useful in providing service to customers. Rate-base assets must be financed with a combination of long-term capital (long term debt and shareholder equity) and retained earnings are one, cost-effective source of that financing. To the extent retained earnings fund utility plant comprising rate base, the retained earnings become part of the capital structure supporting those investments. Regulatory ratemaking acknowledges the cost of equity capital and provides an opportunity to earn a return on invested capital regardless of whether the equity originated from stock issuances or accumulated retained earnings. From a financial perspective, utility assets are indifferent to the source of financing used to acquire them. A dollar of utility plant funded through retained earnings is economically identical to a dollar of utility plant funded through newly issued common stock. Both retained earnings, excluding issuance costs, and the funds from newly issued common stock represent investor dollars committed to utility operations which are exposed to investment risk and other forces that determine the cost equity investors demand in order to provide the utility with its capital to invest.

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[2] OCC-759: (Retained Earnings) Referring to OCC-518 Response. Is the equity related to retained earnings eligible to earn the authorized return on equity?

[3] OCC-760: (Retained Earnings) Referring to OCC-518 Response. Why is retained earnings eligible to be included in rate base?

In addition, retained earnings differ fundamentally from items that reduce rate base, such as ADIT. As described previously, for utilities, ADIT arises primarily from timing differences between tax and book depreciation and represents taxes effectively paid for by customers in advance of the time that the Company pays out those taxes to appropriate governments. Because ADIT generated in this manner is generally viewed as cost-free capital supplied through the ratemaking process rather than by investors, it appropriately reduces rate base and correspondingly reduces the amount of investor-supplied capital upon which shareholders are permitted to earn a return. In this way, rate base is reduced by ADIT, such that the WACC applied to rate base reflects the cost of capital required to finance rate base, being sourced by long-term debt and shareholder equity.

By contrast, retained earnings ***belong to investors*** and represent earnings that have been reinvested in the business rather than distributed as dividends. In other words, retained earnings are investor capital that are used to fund new rate base assets rather than being distributed immediately as a dividend. This is economically equivalent to a circumstance where 100 percent of net income were to be distributed to shareholders as a dividend, and then reinvesting the portion that would otherwise have been retained as retained earnings back in the Company. Consequently, retained earnings are properly treated as investor-supplied equity capital and are eligible to earn the authorized return on equity when supporting utility investments.

The differing treatment of retained earnings and ADIT reflects a fundamental principle of utility ratemaking, which is that investor-supplied capital that remains at risk in the utility business comes at the cost of equity, and the utility is thus afforded an opportunity to earn a return on the balance of equity that is financing rate base, including retained earnings. Conversely, customer-supplied or cost-free sources of financing (such as ADIT) are generally used to reduce the amount of investor capital *upon which* a return may be earned. The regulatory ratemaking framework acknowledges that investors must be compensated for supplying capital and bearing financial risk and also that customers should not pay more than cost of capital that is required in order to finance rate base, by ensuring that cost-free funding sources, such as ADIT, lower rate base.

4. Ratepayers are not "double paying" for retained earnings (OCC-761).

For the same reason, ratepayers are not "double paying" for retained earnings, as contemplated by OCC-761[4]. The earnings that were "retained" in the utility were previously earned by investors through rates charges to customers and became investor property once earned. To articulate this point, it is important to point out that the amount of retained earnings in any given year has no impact on the value of rate base in that year. In general, utility rate base is a function of the net value of infrastructure (assets), whereas shareholder equity is a source of funds utilized to pay for those rate base assets. The dividend payout ratio (or the inverse being the retention ratio) has no direct bearing on rate base. As explained above, retained earnings as a source of capital to fund rate base is economically equivalent to an investor receiving a dividend and then choosing to purchase additional shares in the Company in the same amount. Both are shareholder equity used to finance rate base, and both come at the cost of equity.

Because investors continue to bear the risks associated with utility operations, retained earnings exist as investor-supplied capital supporting the rate base, on which the Company is entitled to earn a return on equity. The authorized return compensates investors for providing and maintaining that capital in the business, regardless of whether it originated from a stock issuance or retained earnings. Retained earnings are therefore properly treated as investor capital, unlike ADIT, which is generally considered customer-supplied, cost-free capital that reduces the amount of investor-supplied capital required to support utility operations. The use of retained earnings as opposed to new stock issuances is a slightly lower cost source of funds, as there are no issuance costs associated with the use of retained earnings to fund new investments.

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[4] OCC-761: (Retained Earnings) Are ratepayers double paying for retained earnings because they paid the Company to create the earnings which were retained and later on pay a cost of equity on the retained earnings?

Characterizing retained earnings as a second payment by would miss the fundamental point that the opportunity to earn a return on invested capital and the passage of time are inextricably linked because capital that remains invested continues to have value to investors. Investors could have received those earnings as dividends and invested those dollars elsewhere and had those funds not been reinvested in the Company. As a result, retained earnings continue to represent investor capital that is contributed to the business, is at risk, and carries an ongoing opportunity cost, thereby remaining subject to the authorized return on equity.

Similarly, rate base would not be reduced by retained earnings simply because customers previously paid rates that enabled the Company to generate those earnings, as OCC-762 suggests[5]. Once earned, retained earnings belong to investors. The fact that those funds were retained in the business rather than being distributed as dividends does not change the fact that those funds remain investor-supplied capital supporting utility operations – just the same as any other contribution –with the contributions subject to continuing exposure to business risk and coming at the cost of equity.

As an example, consider a prudent, used-and-useful substation costing $50 million that is financed at the capitalization ratio proposed in this proceeding comprised of 53.86% equity. If the Company raises the equity through new share issuances, the substation would be financed with approximately $23 million of debt and $27 million of newly issued equity. Alternatively, investors could reinvest $27 million of previously earned profits rather than receive those funds as dividends. Under OCC-762's proposition, the second scenario would result in a lower rate base simply because those earnings were reinvested in the Company rather than being received first as a dividend and then reinvested through the purchase of newly issued shares. Yet, the underlying asset is identical; the service provided to customers is identical; and the investment decision facing investors is identical, i.e., ***choose*** to invest capital in the Company or ***choose*** to invest it elsewhere.

There is no economic or financial basis for treating these two financing sources differently (i.e., retained earnings versus investment in newly issued shared) for purposes of determining the financing costs associated with rate base assets providing service to customers. Relying on retained earnings is slightly lower cost since the use of these funds eliminates the need to go to market and the incremental costs associated with the issuance of new equity. Treating these two sources of funds differently would create a financing bias that favors externally raised equity over internally generated equity, even though both sources of capital reflect investment dollars provided by investors. Such a result would disconnect ratemaking outcomes from the financial principles used to set the return on equity. Establishing different returns for different sources of equity funding violates the basic financial principle that the return on an investment is based on the risk of the investment, not the source of the funding.

5. Retained earnings are an important source of internally generated capital (OCC-763).

Retained earnings are an important source of internally generated capital. Retained earnings strengthen the Company's financial position, support credit quality, reduce reliance on external financing, and help fund ongoing infrastructure investment. Recovery of financing costs does not eliminate the need for utilities to maintain adequate equity capital in the capital structure financing rate base. OCC-763 appears to imply that the Company merely serves as an intermediary between utility assets and the owners of those assets[6]. In reality, the owners of the Company and the owners of the utility assets are one and the same. Importantly, customers do not bear the risk of supplying capital to fund utility assets; investors do. Customers pay rates that include the cost of debt and equity capital; however, the capital itself is supplied by investors, not customers. Whether the source of equity capital is retained earnings or proceeds from newly issued shares does not alter this fundamental relationship and therefore does not change the cost of service because, in either case, investors have chosen to commit capital to utility operations and the return on that

[5] OCC-762: (Rate Base) Should the rate base be subtracted by amount of customer already paid for retained earnings?

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capital is based on the risk of the investment, not the source of the capital. Indeed, one purpose of maintaining a reasonable level of retained earnings is to preserve financial flexibility, support credit quality, and enhance access to capital markets. These attributes ultimately benefit both customers and investors by helping ensure that the utility can continue to attract capital at reasonable cost and provide safe and reliable service.

The Company does not distribute all earnings as dividends (OCC-764) because doing so would eliminate an important source of internally generated equity capital[7]. If retained earnings were fully distributed each year, the Company would need to replace that capital through additional common equity, debt, or both, in order to fund utility investments and maintain its target capital structure. This financing could be more costly and could expose both investors and customers to additional financing and market risks.

6. Retained earnings are a cost-effective financing resource.

Retained earnings provide financing benefits by avoiding flotation costs (OCC-766)[8], including underwriting, legal, registration, and administrative expenses associated with issuing new securities. Although the Company can elect to distribute 100% of earnings to investors and can subsequently raise replacement capital in the financial markets (OCC-765), doing so presents several drawbacks[9].

First, given the capital-intensive nature of the utility industry, replacement capital would likely be required almost immediately, exposing the Company to prevailing market conditions and unnecessary financing risk.

Second, retained earnings provide a financial cushion during adverse events, including market disruptions and broader economic downturns.

Third, if investors expected the Company to distribute all earnings as dividends, earnings volatility would translate directly into dividend volatility, including potential dividend reductions, which can be viewed negatively by capital markets.

Fourth, replacing retained earnings with externally raised equity would introduce flotation costs that could otherwise be avoided. From a capital formation perspective, retained earnings represent the most efficient source of common equity because they allow the utility to finance investment without incurring transaction costs, market issuance risk, or potential dilution associated with new share offerings.

By retaining earnings instead of issuing equivalent new equity, the Company obtains equity financing without incurring flotation costs. As a result, retained earnings are often a lower-cost source of equity capital than newly issued common stock.

7. Summary

In summary, retained earnings are investor-owned capital resources that remain invested in the utility business. The earnings constitute investor-supplied equity capital, are appropriately used to pay for utility infrastructure, while reducing the need for external financing and associated flotation costs.

In contrast, ADIT is generally treated as customer-supplied, cost-free capital and therefore serves to reduce the amount of investor-supplied capital upon which a return may be earned. This distinction reflects a foundational principle of utility ratemaking: customers should receive the benefit of cost-free sources of capital (ADIT), and only

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[7] OCC-764: (Special Dividend) Why does the Company not pay out a special dividend every year to remove the retained earnings?

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pay the cost of capital necessary to finance rate base assets that in service, used and useful, and prudently incurred. The flip side of this same coin is that utility investors should have the opportunity to earn a fair return on capital they supply and place at risk, whether or not that equity capital is contributed in the form of a purchase of newly issued stock or in the form of retained earnings by the company. The treatment of retained earnings reflects the fundamental principle that capital left invested in the business continues to have value and an opportunity cost to investors, even when that capital originated from previously earned income. Fundamentally, retained earnings are the result of investment retained in the business rather than being distributed as dividends, and utility ratemaking has long recognized such retained earnings as investor-supplied equity, no different in substance from newly invested common equity.

Accordingly, retained earnings are not a source of customer-supplied capital, nor do they represent a basis for reducing rate base. Rather, retained earnings are investor-owned funds that are reinvested in utility operations and continue to perform the same economic function as any other form of common equity.

Date Filed: October 05, 2026

**Witness: Brendan J. O'Brien, Garrett J. Murray, Matthew Fallon and Jonathan Kallen**
**Request from: Office of Consumer Counsel**

**Question:**

(Special Dividend) Why does the Company not pay out a special dividend every year to remove the retained earnings?

**Response:**

Please refer to the Company's response to OCC-758[i].

**Prior Referenced Response:**

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[9] OCC-765: (Retained Earnings) If all retained earnings were paid out in the form of a special dividend yearly could the Company get the necessary common equity and debt investment to fund the Company?

pay the cost of capital necessary to finance rate base assets that in service, used and useful, and prudently incurred. The flip side of this same coin is that utility investors should have the opportunity to earn a fair return on capital they supply and place at risk, whether or not that equity capital is contributed in the form of a purchase of newly issued stock or in the form of retained earnings by the company. The treatment of retained earnings reflects the fundamental principle that capital left invested in the business continues to have value and an opportunity cost to investors, even when that capital originated from previously earned income. Fundamentally, retained earnings are the result of investment retained in the business rather than being distributed as dividends, and utility ratemaking has long recognized such retained earnings as investor-supplied equity, no different in substance from newly invested common equity.

Accordingly, retained earnings are not a source of customer-supplied capital, nor do they represent a basis for reducing rate base. Rather, retained earnings are investor-owned funds that are reinvested in utility operations and continue to perform the same economic function as any other form of common equity.

Date Filed: October 05, 2026

**Witness: Brendan J. O'Brien, Garrett J. Murray, Matthew Fallon and Jonathan Kallen**
**Request from: Office of Consumer Counsel**

**Question:**

(Retained Earnings) If all retained earnings were paid out in the form of a special dividend yearly could the Company get the necessary common equity and debt investment to fund the Company?

**Response:**

Please refer to the Company's response to OCC-758[i].

**Prior Referenced Response:**

[i] OCC-758 Question:

(Retained Earnings) Referring to OCC-518 Response. Are ratepayers paying a cost of equity outlay for retained earnings?

OCC-758 Response:

The Company provides this comprehensive response to questions raised in OCC Interrogatories 758 through 766. Where this response references those interrogatories, footnotes have been provided for ease of reference.

1. Fundamental Ratemaking Principles

Two fundamental ratemaking principles apply here.

*First, retained earnings are not "included in rate base."* Only infrastructure assets are included in rate base and the only equity return that customers pay is the return on rate base. The largest components of a utility company's rate base is the net balance of infrastructure investments that the Company has had to finance via a combination of long-term debt and equity (meaning that it reflects the gross value of plant additions, less accumulated depreciation on those additions, less the accumulated deferred income tax ("ADIT" [1]) benefit). The Company collects a return on rate base through rates equal to the weighted average cost of capital times rate base. The weighted average cost of capital ("WACC") in a rate case reflects the utility's cost of money associated with debt and equity capital used to fund rate base. In a rate case, utility rates are set to reflect the utility's cost of service including its WACC on rate base, such that rates are set to provide revenues that cover i) the utility's annual operating expenses (including taxes, depreciation, and other annually recurring expenses), ii) the utility's annual cost of debt service on rate base such that iii) deducting the level of O&M and debt service from PURA-approved revenues results in a level of net income that

[1] The largest driver of ADIT for utility companies is generally the different between book depreciation and tax depreciation. Because tax depreciation is typically accelerated relative to the level of book accounting depreciation, utilities are able to deduct more depreciation expense for tax purposes than they do for book accounting depreciation, creating an ADIT timing difference that serves as a source of capital over the term the ADIT balance 'turns around'.

reflects the authorized cost of equity (return on equity) established by PURA in the rate case. Customers pay only the return on rate base. There is no separate or additional payment by customers associated with retained earnings.

*Second, retained earnings reflects the net income that the utility has earned but has not distributed as dividends*. Net income is either returned to shareholders as a dividend, or is retained in the Company as retained earnings In this manner, retained earnings represent owner's equity in the utility business, becoming part of the permanent capital supporting the Company's operations and investment in utility infrastructure assets. Retained earnings help to alleviate the need for incremental equity issuances (or contributions from the parent company, in the case of a regulated subsidiary) in order to finance ongoing investments.

2. Retained earnings are no different than other cash resources that investors contribute as equity; Ratepayers are not paying a separate (or second) amount for retained earnings (OCC-759)[2].

Customers pay rates designed to support the cost of providing utility service, including operating expenses, depreciation, taxes and the cost of capital (including the authorized return on equity) on the rate base invested in utility infrastructure. When earnings are retained in the Company rather than being distributed to investors as dividends those funds remain at risk to the investor and appropriately form part of the Company's equity capitalization, as "owner's equity."

Accordingly, equity derived from retained earnings is economically no different from other equity funds provided through direct investor contributions and, as such, its cost is the same authorized return on equity as all other sources of equity, when retained earnings are used to pay for utility infrastructure in lieu of other capital funding (OCC-759). In corporate finance, retained earnings come at the same cost, and thus have the same required return as externally supplied equity because investors retain ownership of those funds and continue to bear the same risks associated with the business. The source of the equity does not change the economic reality that investors have committed capital to the enterprise and could otherwise deploy that capital in competing investment opportunities were it not retained in the Company to fund additional infrastructure investments.

3. Retained earnings are not included in rate base; Retained earnings are invested capital that pays for rate base and must be repaid to investors, with a rate of return. (OCC-760)[3].

Within the regulated utility ratemaking framework, retained earnings are not "included in rate base," as OCC-760 suggests. Rather, retained earnings are a source of investor-supplied capital, while rate base consists of prudently incurred assets that are used and useful in providing service to customers. Rate-base assets must be financed with a combination of long-term capital (long term debt and shareholder equity) and retained earnings are one, cost-effective source of that financing. To the extent retained earnings fund utility plant comprising rate base, the retained earnings become part of the capital structure supporting those investments. Regulatory ratemaking acknowledges the cost of equity capital and provides an opportunity to earn a return on invested capital regardless of whether the equity originated from stock issuances or accumulated retained earnings. From a financial perspective, utility assets are indifferent to the source of financing used to acquire them. A dollar of utility plant funded through retained earnings is economically identical to a dollar of utility plant funded through newly issued common stock. Both retained earnings, excluding issuance costs, and the funds from newly issued common stock represent investor dollars committed to utility operations which are exposed to investment risk and other forces that determine the cost equity investors demand in order to provide the utility with its capital to invest.

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[2] OCC-759: (Retained Earnings) Referring to OCC-518 Response. Is the equity related to retained earnings eligible to earn the authorized return on equity?

[3] OCC-760: (Retained Earnings) Referring to OCC-518 Response. Why is retained earnings eligible to be included in rate base?

In addition, retained earnings differ fundamentally from items that reduce rate base, such as ADIT. As described previously, for utilities, ADIT arises primarily from timing differences between tax and book depreciation and represents taxes effectively paid for by customers in advance of the time that the Company pays out those taxes to appropriate governments. Because ADIT generated in this manner is generally viewed as cost-free capital supplied through the ratemaking process rather than by investors, it appropriately reduces rate base and correspondingly reduces the amount of investor-supplied capital upon which shareholders are permitted to earn a return. In this way, rate base is reduced by ADIT, such that the WACC applied to rate base reflects the cost of capital required to finance rate base, being sourced by long-term debt and shareholder equity.

By contrast, retained earnings ***belong to investors*** and represent earnings that have been reinvested in the business rather than distributed as dividends. In other words, retained earnings are investor capital that are used to fund new rate base assets rather than being distributed immediately as a dividend. This is economically equivalent to a circumstance where 100 percent of net income were to be distributed to shareholders as a dividend, and then reinvesting the portion that would otherwise have been retained as retained earnings back in the Company. Consequently, retained earnings are properly treated as investor-supplied equity capital and are eligible to earn the authorized return on equity when supporting utility investments.

The differing treatment of retained earnings and ADIT reflects a fundamental principle of utility ratemaking, which is that investor-supplied capital that remains at risk in the utility business comes at the cost of equity, and the utility is thus afforded an opportunity to earn a return on the balance of equity that is financing rate base, including retained earnings. Conversely, customer-supplied or cost-free sources of financing (such as ADIT) are generally used to reduce the amount of investor capital *upon which* a return may be earned. The regulatory ratemaking framework acknowledges that investors must be compensated for supplying capital and bearing financial risk and also that customers should not pay more than cost of capital that is required in order to finance rate base, by ensuring that cost-free funding sources, such as ADIT, lower rate base.

4. Ratepayers are not "double paying" for retained earnings (OCC-761).

For the same reason, ratepayers are not "double paying" for retained earnings, as contemplated by OCC-761[4]. The earnings that were "retained" in the utility were previously earned by investors through rates charges to customers and became investor property once earned. To articulate this point, it is important to point out that the amount of retained earnings in any given year has no impact on the value of rate base in that year. In general, utility rate base is a function of the net value of infrastructure (assets), whereas shareholder equity is a source of funds utilized to pay for those rate base assets. The dividend payout ratio (or the inverse being the retention ratio) has no direct bearing on rate base. As explained above, retained earnings as a source of capital to fund rate base is economically equivalent to an investor receiving a dividend and then choosing to purchase additional shares in the Company in the same amount. Both are shareholder equity used to finance rate base, and both come at the cost of equity.

Because investors continue to bear the risks associated with utility operations, retained earnings exist as investor-supplied capital supporting the rate base, on which the Company is entitled to earn a return on equity. The authorized return compensates investors for providing and maintaining that capital in the business, regardless of whether it originated from a stock issuance or retained earnings. Retained earnings are therefore properly treated as investor capital, unlike ADIT, which is generally considered customer-supplied, cost-free capital that reduces the amount of investor-supplied capital required to support utility operations. The use of retained earnings as opposed to new stock issuances is a slightly lower cost source of funds, as there are no issuance costs associated with the use of retained earnings to fund new investments.

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[4] OCC-761: (Retained Earnings) Are ratepayers double paying for retained earnings because they paid the Company to create the earnings which were retained and later on pay a cost of equity on the retained earnings?

Characterizing retained earnings as a second payment by would miss the fundamental point that the opportunity to earn a return on invested capital and the passage of time are inextricably linked because capital that remains invested continues to have value to investors. Investors could have received those earnings as dividends and invested those dollars elsewhere and had those funds not been reinvested in the Company. As a result, retained earnings continue to represent investor capital that is contributed to the business, is at risk, and carries an ongoing opportunity cost, thereby remaining subject to the authorized return on equity.

Similarly, rate base would not be reduced by retained earnings simply because customers previously paid rates that enabled the Company to generate those earnings, as OCC-762 suggests[5]. Once earned, retained earnings belong to investors. The fact that those funds were retained in the business rather than being distributed as dividends does not change the fact that those funds remain investor-supplied capital supporting utility operations – just the same as any other contribution –with the contributions subject to continuing exposure to business risk and coming at the cost of equity.

As an example, consider a prudent, used-and-useful substation costing $50 million that is financed at the capitalization ratio proposed in this proceeding comprised of 53.86% equity. If the Company raises the equity through new share issuances, the substation would be financed with approximately $23 million of debt and $27 million of newly issued equity. Alternatively, investors could reinvest $27 million of previously earned profits rather than receive those funds as dividends. Under OCC-762's proposition, the second scenario would result in a lower rate base simply because those earnings were reinvested in the Company rather than being received first as a dividend and then reinvested through the purchase of newly issued shares. Yet, the underlying asset is identical; the service provided to customers is identical; and the investment decision facing investors is identical, i.e., ***choose*** to invest capital in the Company or ***choose*** to invest it elsewhere.

There is no economic or financial basis for treating these two financing sources differently (i.e., retained earnings versus investment in newly issued shared) for purposes of determining the financing costs associated with rate base assets providing service to customers. Relying on retained earnings is slightly lower cost since the use of these funds eliminates the need to go to market and the incremental costs associated with the issuance of new equity. Treating these two sources of funds differently would create a financing bias that favors externally raised equity over internally generated equity, even though both sources of capital reflect investment dollars provided by investors. Such a result would disconnect ratemaking outcomes from the financial principles used to set the return on equity. Establishing different returns for different sources of equity funding violates the basic financial principle that the return on an investment is based on the risk of the investment, not the source of the funding.

5. Retained earnings are an important source of internally generated capital (OCC-763).

Retained earnings are an important source of internally generated capital. Retained earnings strengthen the Company's financial position, support credit quality, reduce reliance on external financing, and help fund ongoing infrastructure investment. Recovery of financing costs does not eliminate the need for utilities to maintain adequate equity capital in the capital structure financing rate base. OCC-763 appears to imply that the Company merely serves as an intermediary between utility assets and the owners of those assets[6]. In reality, the owners of the Company and the owners of the utility assets are one and the same. Importantly, customers do not bear the risk of supplying capital to fund utility assets; investors do. Customers pay rates that include the cost of debt and equity capital; however, the capital itself is supplied by investors, not customers. Whether the source of equity capital is retained earnings or proceeds from newly issued shares does not alter this fundamental relationship and therefore does not change the cost of service because, in either case, investors have chosen to commit capital to utility operations and the return on that

[5] OCC-762: (Rate Base) Should the rate base be subtracted by amount of customer already paid for retained earnings?

[6] OCC-763: (Retained Earnings) Should utility companies have any retained earnings if ratepayers are paying for the Company debt and equity costs on the entire rate base?

capital is based on the risk of the investment, not the source of the capital. Indeed, one purpose of maintaining a reasonable level of retained earnings is to preserve financial flexibility, support credit quality, and enhance access to capital markets. These attributes ultimately benefit both customers and investors by helping ensure that the utility can continue to attract capital at reasonable cost and provide safe and reliable service.

The Company does not distribute all earnings as dividends (OCC-764) because doing so would eliminate an important source of internally generated equity capital[7]. If retained earnings were fully distributed each year, the Company would need to replace that capital through additional common equity, debt, or both, in order to fund utility investments and maintain its target capital structure. This financing could be more costly and could expose both investors and customers to additional financing and market risks.

6. Retained earnings are a cost-effective financing resource.

Retained earnings provide financing benefits by avoiding flotation costs (OCC-766)[8], including underwriting, legal, registration, and administrative expenses associated with issuing new securities. Although the Company can elect to distribute 100% of earnings to investors and can subsequently raise replacement capital in the financial markets (OCC-765), doing so presents several drawbacks[9].

First, given the capital-intensive nature of the utility industry, replacement capital would likely be required almost immediately, exposing the Company to prevailing market conditions and unnecessary financing risk.

Second, retained earnings provide a financial cushion during adverse events, including market disruptions and broader economic downturns.

Third, if investors expected the Company to distribute all earnings as dividends, earnings volatility would translate directly into dividend volatility, including potential dividend reductions, which can be viewed negatively by capital markets.

Fourth, replacing retained earnings with externally raised equity would introduce flotation costs that could otherwise be avoided. From a capital formation perspective, retained earnings represent the most efficient source of common equity because they allow the utility to finance investment without incurring transaction costs, market issuance risk, or potential dilution associated with new share offerings.

By retaining earnings instead of issuing equivalent new equity, the Company obtains equity financing without incurring flotation costs. As a result, retained earnings are often a lower-cost source of equity capital than newly issued common stock.

7. Summary

In summary, retained earnings are investor-owned capital resources that remain invested in the utility business. The earnings constitute investor-supplied equity capital, are appropriately used to pay for utility infrastructure, while reducing the need for external financing and associated flotation costs.

In contrast, ADIT is generally treated as customer-supplied, cost-free capital and therefore serves to reduce the amount of investor-supplied capital upon which a return may be earned. This distinction reflects a foundational principle of utility ratemaking: customers should receive the benefit of cost-free sources of capital (ADIT), and only

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[7] OCC-764: (Special Dividend) Why does the Company not pay out a special dividend every year to remove the retained earnings?

[8] OCC-766: (Retained Earnings) What is the relationship between retained earnings and lack of flotation costs for retained earnings?

[9] OCC-765: (Retained Earnings) If all retained earnings were paid out in the form of a special dividend yearly could the Company get the necessary common equity and debt investment to fund the Company?

pay the cost of capital necessary to finance rate base assets that in service, used and useful, and prudently incurred. The flip side of this same coin is that utility investors should have the opportunity to earn a fair return on capital they supply and place at risk, whether or not that equity capital is contributed in the form of a purchase of newly issued stock or in the form of retained earnings by the company. The treatment of retained earnings reflects the fundamental principle that capital left invested in the business continues to have value and an opportunity cost to investors, even when that capital originated from previously earned income. Fundamentally, retained earnings are the result of investment retained in the business rather than being distributed as dividends, and utility ratemaking has long recognized such retained earnings as investor-supplied equity, no different in substance from newly invested common equity.

Accordingly, retained earnings are not a source of customer-supplied capital, nor do they represent a basis for reducing rate base. Rather, retained earnings are investor-owned funds that are reinvested in utility operations and continue to perform the same economic function as any other form of common equity.

Date Filed: October 05, 2026

**Witness: Brendan J. O'Brien, Garrett J. Murray, Matthew Fallon and Jonathan Kallen**
**Request from: Office of Consumer Counsel**

**Question:**

(Retained Earnings) What is the relationship between retained earnings and lack of flotation costs for retained earnings?

**Response:**

Please refer to the Company's response to OCC-758[i].

**Prior Referenced Response:**

[i] OCC-758 Question:

(Retained Earnings) Referring to OCC-518 Response. Are ratepayers paying a cost of equity outlay for retained earnings?

OCC-758 Response:

The Company provides this comprehensive response to questions raised in OCC Interrogatories 758 through 766. Where this response references those interrogatories, footnotes have been provided for ease of reference.

1. Fundamental Ratemaking Principles

Two fundamental ratemaking principles apply here.

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[1] The largest driver of ADIT for utility companies is generally the different between book depreciation and tax depreciation. Because tax depreciation is typically accelerated relative to the level of book accounting depreciation, utilities are able to deduct more depreciation expense for tax purposes than they do for book accounting depreciation, creating an ADIT timing difference that serves as a source of capital over the term the ADIT balance 'turns around'.

authorized cost of equity (return on equity) established by PURA in the rate case. Customers pay only the return on rate base. There is no separate or additional payment by customers associated with retained earnings.

*Second, retained earnings reflects the net income that the utility has earned but has not distributed as dividends*. Net income is either returned to shareholders as a dividend, or is retained in the Company as retained earnings In this manner, retained earnings represent owner's equity in the utility business, becoming part of the permanent capital supporting the Company's operations and investment in utility infrastructure assets. Retained earnings help to alleviate the need for incremental equity issuances (or contributions from the parent company, in the case of a regulated subsidiary) in order to finance ongoing investments.

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3. Retained earnings are not included in rate base; Retained earnings are invested capital that pays for rate base and must be repaid to investors, with a rate of return. (OCC-760)[3].

Within the regulated utility ratemaking framework, retained earnings are not "included in rate base," as OCC-760 suggests. Rather, retained earnings are a source of investor-supplied capital, while rate base consists of prudently incurred assets that are used and useful in providing service to customers. Rate-base assets must be financed with a combination of long-term capital (long term debt and shareholder equity) and retained earnings are one, cost-effective source of that financing. To the extent retained earnings fund utility plant comprising rate base, the retained earnings become part of the capital structure supporting those investments. Regulatory ratemaking acknowledges the cost of equity capital and provides an opportunity to earn a return on invested capital regardless of whether the equity originated from stock issuances or accumulated retained earnings. From a financial perspective, utility assets are indifferent to the source of financing used to acquire them. A dollar of utility plant funded through retained earnings is economically identical to a dollar of utility plant funded through newly issued common stock. Both retained earnings, excluding issuance costs, and the funds from newly issued common stock represent investor dollars committed to utility operations which are exposed to investment risk and other forces that determine the cost equity investors demand in order to provide the utility with its capital to invest.

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In addition, retained earnings differ fundamentally from items that reduce rate base, such as ADIT. As described previously, for utilities, ADIT arises primarily from timing differences between tax and book depreciation and represents taxes effectively paid for by customers in advance of the time that the Company pays out those taxes to appropriate governments. Because ADIT generated in this manner is generally viewed as cost-free capital supplied through the ratemaking process rather than by investors, it appropriately reduces rate base and correspondingly reduces the amount of investor-supplied capital upon which shareholders are permitted to earn a return. In this way, rate base is reduced by ADIT, such that the WACC applied to rate base reflects the cost of capital required to finance rate base, being sourced by long-term debt and shareholder equity.

By contrast, retained earnings ***belong to investors*** and represent earnings that have been reinvested in the business rather than distributed as dividends. In other words, retained earnings are investor capital that are used to fund new rate base assets rather than being distributed immediately as a dividend. This is economically equivalent to a circumstance where 100 percent of net income were to be distributed to shareholders as a dividend, and then reinvesting the portion that would otherwise have been retained as retained earnings back in the Company. Consequently, retained earnings are properly treated as investor-supplied equity capital and are eligible to earn the authorized return on equity when supporting utility investments.

The differing treatment of retained earnings and ADIT reflects a fundamental principle of utility ratemaking, which is that investor-supplied capital that remains at risk in the utility business comes at the cost of equity, and the utility is thus afforded an opportunity to earn a return on the balance of equity that is financing rate base, including retained earnings. Conversely, customer-supplied or cost-free sources of financing (such as ADIT) are generally used to reduce the amount of investor capital *upon which* a return may be earned. The regulatory ratemaking framework acknowledges that investors must be compensated for supplying capital and bearing financial risk and also that customers should not pay more than cost of capital that is required in order to finance rate base, by ensuring that cost-free funding sources, such as ADIT, lower rate base.

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For the same reason, ratepayers are not "double paying" for retained earnings, as contemplated by OCC-761[4]. The earnings that were "retained" in the utility were previously earned by investors through rates charges to customers and became investor property once earned. To articulate this point, it is important to point out that the amount of retained earnings in any given year has no impact on the value of rate base in that year. In general, utility rate base is a function of the net value of infrastructure (assets), whereas shareholder equity is a source of funds utilized to pay for those rate base assets. The dividend payout ratio (or the inverse being the retention ratio) has no direct bearing on rate base. As explained above, retained earnings as a source of capital to fund rate base is economically equivalent to an investor receiving a dividend and then choosing to purchase additional shares in the Company in the same amount. Both are shareholder equity used to finance rate base, and both come at the cost of equity.

Because investors continue to bear the risks associated with utility operations, retained earnings exist as investor-supplied capital supporting the rate base, on which the Company is entitled to earn a return on equity. The authorized return compensates investors for providing and maintaining that capital in the business, regardless of whether it originated from a stock issuance or retained earnings. Retained earnings are therefore properly treated as investor capital, unlike ADIT, which is generally considered customer-supplied, cost-free capital that reduces the amount of investor-supplied capital required to support utility operations. The use of retained earnings as opposed to new stock issuances is a slightly lower cost source of funds, as there are no issuance costs associated with the use of retained earnings to fund new investments.

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Characterizing retained earnings as a second payment by would miss the fundamental point that the opportunity to earn a return on invested capital and the passage of time are inextricably linked because capital that remains invested continues to have value to investors. Investors could have received those earnings as dividends and invested those dollars elsewhere and had those funds not been reinvested in the Company. As a result, retained earnings continue to represent investor capital that is contributed to the business, is at risk, and carries an ongoing opportunity cost, thereby remaining subject to the authorized return on equity.

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As an example, consider a prudent, used-and-useful substation costing $50 million that is financed at the capitalization ratio proposed in this proceeding comprised of 53.86% equity. If the Company raises the equity through new share issuances, the substation would be financed with approximately $23 million of debt and $27 million of newly issued equity. Alternatively, investors could reinvest $27 million of previously earned profits rather than receive those funds as dividends. Under OCC-762's proposition, the second scenario would result in a lower rate base simply because those earnings were reinvested in the Company rather than being received first as a dividend and then reinvested through the purchase of newly issued shares. Yet, the underlying asset is identical; the service provided to customers is identical; and the investment decision facing investors is identical, i.e., ***choose*** to invest capital in the Company or ***choose*** to invest it elsewhere.

There is no economic or financial basis for treating these two financing sources differently (i.e., retained earnings versus investment in newly issued shared) for purposes of determining the financing costs associated with rate base assets providing service to customers. Relying on retained earnings is slightly lower cost since the use of these funds eliminates the need to go to market and the incremental costs associated with the issuance of new equity. Treating these two sources of funds differently would create a financing bias that favors externally raised equity over internally generated equity, even though both sources of capital reflect investment dollars provided by investors. Such a result would disconnect ratemaking outcomes from the financial principles used to set the return on equity. Establishing different returns for different sources of equity funding violates the basic financial principle that the return on an investment is based on the risk of the investment, not the source of the funding.

5. Retained earnings are an important source of internally generated capital (OCC-763).

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The Company does not distribute all earnings as dividends (OCC-764) because doing so would eliminate an important source of internally generated equity capital[7]. If retained earnings were fully distributed each year, the Company would need to replace that capital through additional common equity, debt, or both, in order to fund utility investments and maintain its target capital structure. This financing could be more costly and could expose both investors and customers to additional financing and market risks.

6. Retained earnings are a cost-effective financing resource.

Retained earnings provide financing benefits by avoiding flotation costs (OCC-766)[8], including underwriting, legal, registration, and administrative expenses associated with issuing new securities. Although the Company can elect to distribute 100% of earnings to investors and can subsequently raise replacement capital in the financial markets (OCC-765), doing so presents several drawbacks[9].

First, given the capital-intensive nature of the utility industry, replacement capital would likely be required almost immediately, exposing the Company to prevailing market conditions and unnecessary financing risk.

Second, retained earnings provide a financial cushion during adverse events, including market disruptions and broader economic downturns.

Third, if investors expected the Company to distribute all earnings as dividends, earnings volatility would translate directly into dividend volatility, including potential dividend reductions, which can be viewed negatively by capital markets.

Fourth, replacing retained earnings with externally raised equity would introduce flotation costs that could otherwise be avoided. From a capital formation perspective, retained earnings represent the most efficient source of common equity because they allow the utility to finance investment without incurring transaction costs, market issuance risk, or potential dilution associated with new share offerings.

By retaining earnings instead of issuing equivalent new equity, the Company obtains equity financing without incurring flotation costs. As a result, retained earnings are often a lower-cost source of equity capital than newly issued common stock.

7. Summary

In summary, retained earnings are investor-owned capital resources that remain invested in the utility business. The earnings constitute investor-supplied equity capital, are appropriately used to pay for utility infrastructure, while reducing the need for external financing and associated flotation costs.

In contrast, ADIT is generally treated as customer-supplied, cost-free capital and therefore serves to reduce the amount of investor-supplied capital upon which a return may be earned. This distinction reflects a foundational principle of utility ratemaking: customers should receive the benefit of cost-free sources of capital (ADIT), and only

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[7] OCC-764: (Special Dividend) Why does the Company not pay out a special dividend every year to remove the retained earnings?

[8] OCC-766: (Retained Earnings) What is the relationship between retained earnings and lack of flotation costs for retained earnings?

[9] OCC-765: (Retained Earnings) If all retained earnings were paid out in the form of a special dividend yearly could the Company get the necessary common equity and debt investment to fund the Company?

pay the cost of capital necessary to finance rate base assets that in service, used and useful, and prudently incurred. The flip side of this same coin is that utility investors should have the opportunity to earn a fair return on capital they supply and place at risk, whether or not that equity capital is contributed in the form of a purchase of newly issued stock or in the form of retained earnings by the company. The treatment of retained earnings reflects the fundamental principle that capital left invested in the business continues to have value and an opportunity cost to investors, even when that capital originated from previously earned income. Fundamentally, retained earnings are the result of investment retained in the business rather than being distributed as dividends, and utility ratemaking has long recognized such retained earnings as investor-supplied equity, no different in substance from newly invested common equity.

Accordingly, retained earnings are not a source of customer-supplied capital, nor do they represent a basis for reducing rate base. Rather, retained earnings are investor-owned funds that are reinvested in utility operations and continue to perform the same economic function as any other form of common equity.

Date Filed: October 05, 2026

**Witness: Christopher Leigh**
**Request from: Office of Consumer Counsel**

**Question:**

(Cybersecurity) Please refer to OCC-128 Attachment 1, section 8.1, Please provide a copy of the Data Breach Incident Response Manual. Please provide information regarding the Manual, including when it was originally developed, when it was most recently updated, and how the Company incorporates lessons learned from data breach incidents into subsequent updates to the Manual and its processes. Please provide an example of when the process in the Manual was used/followed.

**Response:**

The Personal Information Incident Response Plan was originally developed in June 2013. The plan has been revised several times with the last update in March 2026 (please refer to OCC-767, Attachment 1 CONFIDENTIAL, for the most updated plan). During a privacy-related event in May, the organization leveraged its established Personal Information Incident Response Plan as a guiding framework for response and coordination activities. The plan is subject to periodic review, including an annual assessment, to ensure continued relevance, accuracy, and alignment with organizational processes. As part of this review process, updates are incorporated as appropriate to reflect operational experience, regulatory requirements, and evolving business needs, while also facilitating knowledge transfer and responder preparedness.

Date Filed: October 05, 2026

**Witness: Christopher Leigh**
**Request from: Office of Consumer Counsel**

**Question:**

(Cybersecurity) Has the Company ever determined, through its vendor security review process, that a prospective or existing vendor's security controls or practices were insufficient? If so, please describe the circumstances, including (1) what security deficiencies were identified, (2) whether the vendor was permitted to proceed or continue providing services, and (3) what action the Company took in response—for example, requiring remediation, imposing additional security requirements, delaying or denying the engagement, or terminating the vendor relationship.

**Response:**

Yes. As part of Eversource's Vendor Risk Management (VRM) Program, vendors are assessed using a risk-based review process that includes cybersecurity due diligence activities designed to identify potential security control gaps, deficiencies, or other risks. When security deficiencies are identified, Eversource evaluates the nature of the deficiency, the sensitivity of the data or systems involved, the criticality of the service being provided, and the vendor's ability to remediate the issue.

Examples of security deficiencies that may be identified during a review include concerns related to data residency, security documentation, control implementation, or other cybersecurity practices. When deficiencies are identified, Eversource evaluates the associated risk and determines the appropriate course of action. Actions may include requesting additional information, requiring remediation of identified gaps, developing remediation plans with defined timelines and milestones.

Depending on the severity of the identified risk and the vendor's remediation commitments, Eversource may permit an engagement to proceed with documented conditions, delay the engagement until identified deficiencies are addressed, require formal risk acceptance where residual risk remains, or elect not to proceed with or continue the engagement when risks cannot be mitigated to an acceptable level. Eversource maintains records of vendor risk assessments, remediation activities, approval decisions, and follow-up actions as part of its governance and oversight process.

Date Filed: October 05, 2026

**Witness: John P. DiPaola-Tromba, Sean D. Redding and Jenna Turner**
**Request from: Office of Consumer Counsel**

**Question:**

(MS24E) Please refer to Exhibit ACCT-2(CLP-5A-03)(MS24E), p. 76-77. Please confirm that this vendor was on standby for 13 hours on March 12 and for 13 hours on March 13 and performed no work during that time.

**Response:**

The tree crew worked two 16-hour overnight shifts on March 11-12, 2024, and March 12-13, 2024, which was billed as work time. There is no standby designation or rate for tree crews. The crew did not record ticket locations on March 12 or March 13.

Date Filed: October 05, 2026

**Witness: John P. DiPaola-Tromba, Sean D. Redding and Jenna Turner**
**Request from: Office of Consumer Counsel**

**Question:**

(MS24E) Please refer to Exhibit ACCT-2(CLP-5A-03)(MS24E), p. 79-80. Please confirm that this vendor was on standby for 16 hours each day on March 11 and March 12 and performed no work during that time.

**Response:**

The tree crew worked two 16-hour shifts on March 11-12, 2024, which was billed as work time. There is no standby designation or rate for tree crews. The crew did not record any ticket locations.

Date Filed: October 05, 2026

**Witness: John P. DiPaola-Tromba, Sean D. Redding and Jenna Turner**
**Request from: Office of Consumer Counsel**

**Question:**

(MS24E) Please refer to Exhibit ACCT-2(CLP-5A-03)(MS24E), p. 86-88. The dates on the time sheet (3/11-3/13) do not match the dates on the Tree Contractor Work Location (3/9-3/12 and 3/15). Please clarify the dates for which work is being charged or this invoice.

**Response:**

Referring to Exhibit ACCT-2(CLP-5A-03)(MS24E), pages 86-88, the work being charged to MS24E was performed on March 11-13, 2024. The contractor correctly identified the date and work location on the timesheet but did not correctly transcribe the date on the Emergency Restoration Tree Contractor Work Location report.

Date Filed: October 05, 2026

**Witness: John P. DiPaola-Tromba, Sean D. Redding and Jenna Turner**
**Request from: Office of Consumer Counsel**

**Question:**

(MS24E) Please refer to Exhibit ACCT-2(CLP-5A-03)(MS24E), p. 91-93. Please clarify if this crew performed any work or was stationed at the "Darien Yard" the entire time.

**Response:**

The individual referred to in Exhibit ACCT-2(CLP-5A-03)(MS24E), pages 91-93, is providing contractor tree crew supervision and dispatching to support storm restoration. The contractor's supervisory personnel do not maintain records of specific crew dispatch locations during storm events because they are not personally responding to each work site. Their role is to supervise tree crew operations and dispatch the tree crews performing the work to locations identified through the Company's restoration process.

Date Filed: October 05, 2026

**Witness: John P. DiPaola-Tromba, Sean D. Redding and Jenna Turner**
**Request from: Office of Consumer Counsel**

**Question:**

(MS24E) Please refer to Exhibit ACCT-2(CLP-5A-03)(MS24E), p. 94-96. Please clarify if the crew performed any work or was on standby at the Cheshire Work Center for 3 hours on March 11 and 13 hours on March 12.

**Response:**

The tree crew worked a 16-hour overnight shift on March 11-12, 2024, which was billed as work time. There is no standby designation or rate for tree crews. The crew did not record any ticket locations.

Date Filed: October 05, 2026

**Witness: John P. DiPaola-Tromba, Sean D. Redding and Jenna Turner**
**Request from: Office of Consumer Counsel**

**Question:**

(MS24E) Please refer to Exhibit ACCT-2(CLP-5A-03)(MS24E), p. 97-99. Please clarify if the crew performed any work or was on standby at the Cheshire Work Center for 3 hours on March 11 and 13 hours on March 12.

**Response:**

The tree crew worked a 16-hour overnight shift on March 11-12, 2024, which was billed as work time. There is no standby designation or rate for tree crews. The crew did not record any ticket locations.

Date Filed: October 05, 2026

**Witness: John P. DiPaola-Tromba, Sean D. Redding and Jenna Turner**
**Request from: Office of Consumer Counsel**

**Question:**

(MS24E) Please refer to Exhibit ACCT-2(CLP-5A-03)(MS24E), p. 97-99.

a. It appears on page 104 that the work order and activity code has white out and a new work order and activity code was added. Please indicate what was originally written in those boxes and who changed them.
b. Please clarify if the crew performed any work or was on standby at the Cheshire Work Center for 3 hours on March 11 and 13 hours on March 12.

**Response:**

a. The Company presumes that OCC is referring to Exhibit ACCT-2(CLP-5A-03)(MS24E), pages 103-105, and not Exhibit ACCT-2(CLP-5A-03)(MS24E), pages 97-99, which were referred to in OCC-774. Referring to Exhibit ACCT-2(CLP-5A-03)(MS24E), page 104, the storm code was corrected from MN24F to MS24E after the Company reviewed the crew's work assignment and determined that the work was performed in support of the MS24E restoration effort. The original entry was a tree crew personnel error. The Company Arborist verifies the correction using their personal crew assignment, scheduling, and operational knowledge, which confirmed the work was associated with MS24E. The revised timesheet reflects this correction and aligns the record with the appropriate storm event. The Company Arborist's signature is the verification the work was billed correctly.

b. The tree crew worked a 16-hour overnight shift on March 11-12, 2024, which was billed as work time. There is no standby designation or rate for tree crews. The crew did not record any ticket locations.

**Prior Referenced Response:**

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[i] OCC-774 Question:

(MS24E) Please refer to Exhibit ACCT-2(CLP-5A-03)(MS24E), p. 97-99. Please clarify if the crew performed any work or was on standby at the Cheshire Work Center for 3 hours on March 11 and 13 hours on March 12.

[i] OCC-774 Response:

The tree crew worked a 16-hour overnight shift on March 11-12, 2024, which was billed as work time. There is no standby designation or rate for tree crews. The crew did not record any ticket locations.

Date Filed: October 05, 2026

**Witness: John P. DiPaola-Tromba, Sean D. Redding and Jenna Turner**
**Request from: Office of Consumer Counsel**

**Question:**

(MS24E) Please refer to Exhibit ACCT-2 (CLP-5A-03) (MS24E), p. 106-108.
Please clarify if this crew performed any work or was on standby for 3 hours on March 11 and 13 hours on March 12.

**Response:**

The tree crew worked a 16-hour overnight shift on March 11-12, 2024, which was billed as work time. There is no standby designation or rate for tree crews. The crew did not record any ticket locations.

Date Filed: October 05, 2026

**Witness: John P. DiPaola-Tromba, Sean D. Redding and Jenna Turner**
**Request from: Office of Consumer Counsel**

**Question:**

(MS24E) Please refer to Exhibit ACCT-2 (CLP-5A-04) (MS24E), p. 4-6. Please clarify if the crew performed any work or was on standby at the Cheshire Work Center for 3 hours on March 11 and 13 hours on March 12.

**Response:**

The tree crew worked a 16-hour overnight shift on March 11-12, 2024, which was billed as work time. There is no standby designation or rate for tree crews. The crew did not record any ticket locations.

Date Filed: October 05, 2026

**Witness: John P. DiPaola-Tromba, Sean D. Redding and Jenna Turner**
**Request from: Office of Consumer Counsel**

**Question:**

(MS24E) Please refer to Exhibit ACCT-2 (CLP-5A-04) (MS24E), p. 7-9. This invoice and the associated time sheet indicate work performed on March 18-March 22, 2024, and indicate only that the work was for "STRM" without indicating a specific event. Please explain why the Company allocated these invoices to event MS24E and how it verified this allocation.

**Response:**

Referring to Exhibit ACCT-2 (CLP-5A-04) (MS24E), pages 7-9, the timesheet and Emergency Restoration Tree Contractor Work Location report indicate post-storm work performed to mitigate storm-damaged trees, after the MS24E restoration event was completed, in towns of New Fairfield, New Milford, and Warren. Storm-damaged tree conditions are identified through follow up items noted on restoration events, non-outage events, identified during the restoration, post-restoration patrols by operations, engineering or vegetation management, or inquiries from customers, municipalities, or tree wardens. The Company Arborist's oversee this post-storm tree work and verify that the timesheets are correctly billed to the correct storm event.

Date Filed: October 05, 2026

**Witness: Leanne M. Landry and Jeffrey D. Turano**
**Request from: Office of Consumer Counsel**

**Question:**

Refer to Exhibit CLP-ADDITIONS-12. Please provide, for each year 2017 through 2025, the approved capital plan and actual expenditures by category. For each category and year in which actual expenditures exceeded the plan, identify the projects responsible, explain the variance, and provide the document authorizing the excess.

**Response:**

CLP-ADDITIONS-12 provides a detailed overview of the Capital Investment Plan from 2017 through 2025 at the CT Electric Operations organizational level. The overview identifies key investments by operating company disaggregated by investment category. For CL&P, these categories are Basic Business, New Customer, Peak Load/Capacity, Regulatory Commitments, Reliability, Facilities, Information Technology ("IT"), and Other Investments.

Analysis performed at this level is to provide departmental leaders an overview of the annual budget ultimately proposed to the Board of Trustees and changes made in prior years. In addition to information provided as part of CLP-ADDITIONS-12, please refer to CIEC-008, Attachment 1, for a summary of budgeted distribution capital expenditures for each of the years 2018 through 2025, as annually filed in compliance with Docket No. 17-10-46. These annual compliance filings (and their associated variance explanations in OCC-266, Attachment 1 through OCC-266, Attachment 7) analyze total company variances between budget and actual on a year-to-year basis.

Date Filed: October 05, 2026

**Witness: David L. Gladey, Leanne M. Landry and Jeffrey D. Turano**
**Request from: Office of Consumer Counsel**

**Question:**

Exhibit CLP-ADDITIONS-12 shows a 2023 Connecticut Distribution plan of $466.4 million (PDF p. 121) against 2023 actual expenditures of $557.9 million (PDF p. 145). Explain each driver of the $91.5 million variance in dollar terms, identify each project or program added to the 2023 plan after the plan was set, and provide the 2023 capital variance analysis presented to Company management and to the Board of Trustees.

**Response:**

CLP-ADDITIONS-12 provides the annual capital investment plan from 2017 through 2025 at the CT Electric Operations organizational level. The table provides a list of projects added to the 2023 plan (over $500,000). The two largest projects added to the 2023 capital investment plan for CL&P were the trip-saver program and circuit patrol fixes.

Trip savers are installed to reduce the number of outages caused by transient type events (tree, animal, lightning, etc.). A trip saver is a self-powered, electronically controlled, single-phase, cutout-mounted vacuum interrupter recloser. It is designed to eliminate the sustained interruption that occurs when a lateral fuse cutout operates in response to a transient fault. This device saves outages, improves restoration time to customers and reduces truck rolls. It also eliminates momentary circuit interruptions that occur when a substation circuit breaker or source-side line recloser would trip to prevent a lateral fuse cutout from operating in response to a transient fault.

Additionally, the Company addressed circuit-patrol deficiencies identified by a third party. Distribution circuits patrolled by the third party documented deficiencies that were required to address asset and system improvements. The identified upgrades were completed to maintain a reliability of service to customers.

| | 2023 Actual |
|---|---|
| CD02197:2023 Trip Saver Program | $ 21,972,108 |
| CD02169:TRC Circuit Patrol Fixes | $ 20,016,591 |
| STRM22CP:CL&P MAJOR STORMS 2022 | $ 4,096,195 |
| CD02133:Rentschler Field - New Service | $ 3,963,530 |
| CS00675:Falls Village 9A Replace XFMR | $ 3,159,632 |
| CD02275:Western Lateral Contributors to CEM | $ 1,869,115 |
| CD01866:2023 ROW Priority 3 Poles | $ 1,644,692 |
| CD02296:Eversource CT Hot Line Clamp Repl. | $ 1,226,920 |
| CS00663:Stevenson 12A Install Mobile | $ 1,154,330 |
| CD02270:Eastern CEMI-Lateral Reconductoring | $ 1,150,698 |
| CD02030:6A7 Overload | $ 1,096,932 |
| CD02334:Great Pond, Windsor NS | $ 1,092,976 |
| CD02162:RECOMMENDATION FOR I-95 | $ 1,089,367 |
| CD02121:11R50 PILC Cable Replacement | $ 997,460 |
| CD02004:Canton 5R6 – Contingency Overload | $ 733,499 |
| CD01852:ROW 030 Priority Structures | $ 687,618 |
| CD02279:1B12 PILC Cable Replacement | $ 659,215 |
| CD02045:48C7 Overload Project | $ 568,537 |
| CD01559:11W47 PILC Cable Replacement | $ 561,296 |

Please refer to OCC-780, Attachment 1, for the December 2023 CT Electric Operations Budget Results, which includes the 2023 capital variance analysis that was presented to Company management.

Please refer to OCC-780, Attachment 2 CONFIDENTIAL, for the February 5, 2024 CL&P Board of Directors letter, which includes a 2023 variance analysis for capital expenditures.

Date Filed: October 05, 2026

**Witness: Donald J. Scacco Jr., Digaunto Chatterjee, Douglas P. Horton, Leanne M. Landry and Jeffrey D. Turano**
**Request from: Office of Consumer Counsel**

**Question:**

Exhibit CLP-ADDITIONS-12 at p. 167 identifies as the first major variance driver for 2024 vs 2025 "Decrease in overall CT capital plan due to regulatory recovery risk." Explain what the Company means by that phrase, and identify each investment deferred, reduced or cancelled in the 2025 plan for that reason, with the amount, the period of deferral, and the reliability or safety consequence assessed at the time, together with the documents recording each decision. State whether any such investment is now included in the docket no. 26-05-10 or specifically in the proposed TSP Plan in Exhibit CLP-TSP-1.

**Response:**

Please refer to OCC-781, Attachment 1, for a detailed description of why the 2025 CT capital plan was reduced relating to regulatory recovery risk.

Please refer to OCC-781, Attachment 2, for a list of deferred projects for the 2025 capital plan with deferred amounts greater than $500,000.

It is important to note that the budget reduction affected only the 2025 fiscal year, which was a fiscal period bookended by an increase in capital expenditures for reliability in 2023 and 2026. As a result, there is no "reliability or safety consequence" associated with such a short-term deviation in budget expenditures. The reliability impact associated with reduced capital investment is identified in OCC-781, Attachment 1, as in the range of 12-15 percent over the next five years, assuming no improvement in the reduced expenditure level. This projection flows from the fact that the electric distribution system is a dynamic operating platform constructed to have a sufficient level of flexibility to withstand the numerous intrinsic and extrinsic operating conditions that influence the system's performance in any given year, or even in any given week or day.

In that context, capital expenditures within one year are not generally viewed as having a discrete, discernible impact (positive or negative) on reliability performance. System reliability is a continually moving target that fluctuates up or down in the short term as a result of a number of factors, including randomly occurring operating conditions. In the longer term, reliability performance will trend up or down across time, on a system basis, with consistent investment (or a lack of consistent investment). For example, over five years, reliability-focused plant additions would be expected to have a positive, discernible impact, if consistently made over that five-year

period, and conversely, capital expenditures that are consistently reduced from year-to-year would be expected to have a discernible negative impact on reliability over a multi-year period.

The intrinsic and extrinsic factors that impact reliability and preclude a direct assessment of reliability benefits (or detriments) in the shorter term include the location of future events on the system, the impact of minor weather event days, aging infrastructure failures outpacing the rate of replacement, surrounding tree conditions and many other factors.

In addition, at the time that the Company identified the need for reduced capital expenditures, the Company took significant care to identify capital work that could be toggled back *without* an immediate impact to safety and reliability. For example, proactive, preventive replacement of underground, direct-buried 4kV cable was reduced following several years of *increased* investment because (1) the Company can maintain safety and reliability in the short run with repairs rather than replacement of this infrastructure; and (2) the Company's investment approach is changing now based on its experience with the proactive replacement program for 4kV.

The work deferred from the 2025 plan listed in OCC-781, Attachment 2, is planned for completion either as part of the 2026 capital plan, or as part of the Company's work plan over the next few years.

Date Filed: October 06, 2026

**Witness: David L. Gladey, Leanne M. Landry and Jeffrey D. Turano**
**Request from: Office of Consumer Counsel**

**Question:**

Exhibit CLP-ADDITIONS-12 at p. 121 attributes the decrease in planned 2023 Basic Business expenditures to "unusually high emergent work ($34M) in 2022." Identify the work comprising that $34 million by project or work order, and for each event provide date, location, asset class, failure cause and cost, and whether the asset had previously been assessed as deficient. State the criteria the Company applies to classify work as emergent rather than planned, and provide the written standard in effect in 2022.

**Response:**

CLP-ADDITIONS-12 provides the annual capital investment plan from 2017 through 2025 at the CT Electric Operations organizational level. The referenced $34 million is the variance between 2022 actual ($85 million) and 2023 budget ($51 million). Please refer to OCC-782, Attachment 1, for a listing of 2022 work order details comprising the $85 million.

Please refer to the Company's response to OCC-568[i], and note that emergent work "includes items identified through routine inspections and maintenance as well as emergent/emergency equipment replacements in a substation or on the overhead and underground distribution system."

**Prior Referenced Response:**

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[i] OCC-568 Question:

In Exhibit CLP-TSP-3, Page 42, Eversource provides a table with investment categories by year. Please clarify how the following categories are mutually exclusive:

a. Reliability
b. Capacity
c. Emergent
d. Asset Health

OCC-568 Response:

Projects and programs shown in Exhibit CLP-TSP-3, at 42, are placed into a category by the main driver for the scope of work, although the project and/or programs may resolve multiple system concerns. For example the identified need to begin project or program development could be identified as capacity, however, a secondary driver could be asset health. In this instance the investment would be placed in the capacity category corresponding to the main driver of

the work, although it resolves multiple system concerns such as asset health. The project and program investments in each of the categories are only accounted for in that category and are not included in additional categories. Exhibit CLP-TSP-3, pages 45 through 95 give additional information to describe the categories noted.

a. Reliability projects are work on the system associated with improving or maintaining SAIDI and SAIFI metrics. Projects in this category could also include double pole removals and the smart switch program.

b. Capacity projects are created to prevent equipment damage due to thermal overloads which could result in customer outages, while also providing operational flexibility to enable outages to be isolated and restored through alternate sources based on Eversource design criteria. They address peak load and capacity needs across the distribution system.

c. Emergent project work includes items identified through routine inspections and maintenance as well as emergent/emergency equipment replacements in a substation or on the overhead and underground distribution system.

d. Asset Health includes the replacement of aging or obsolete equipment that has reached the end of its useful life in order to maintain safe and reliable system performance. Within this scope, key asset types include transformers, switchgear, poles, PILC, conductor, cables, breakers, batteries, reclosers, station service transformers, protective relays, gas monitors, and switches for example. The need for replacement is determined based on inspections, testing, equipment age, safety considerations, operating performance, changes in standards, equipment obsolescence, and spare parts availability.

Date Filed: October 05, 2026

**Witness: David L. Gladey, Leanne M. Landry and Jeffrey D. Turano**
**Request from: Office of Consumer Counsel**

**Question:**

Exhibit CLP-ADDITIONS-12 shows the planned Basic Business line item for emergent equipment replacement rising from $46 million in the 2019 plan (p. 44) to $71 million in the 2025 plan (p. 166). Provide the planned and actual amount for this line item for each year 2017 through 2025, explain the increase and provide the analysis supporting the 2025 amount. Reconcile the increase with the statement in Exhibit CLP-TSP-3 at p. 55 that "As proactive asset health investment increases in future years, emergent work is anticipated to decrease."

**Response:**

CLP-ADDITIONS-12 provides an overview of the annual capital investment plan from 2017 through 2025 at the CT Electric Operations organizational level.

The Company has experienced increases in the cost of material and labor in the category of Emergent Equipment Replacement because these are *unplanned* events that have to be addressed on a reactive basis. In addition, the Company has experienced increases in the number of customer outage events on the overhead, underground and network system caused by factors other than Major Storm events, which is accounted for within the Emergent Equipment Replacement category.

Examples of the factors affecting this cost category include vegetation-initiated overhead events, pole and line damages and associated events due to motor vehicle accidents, unplanned asset failures, residential direct-buried cable failures; underground cable or switchgear events, and network events. Many of these events are the result of weather patterns that occur on the system without rising to the level of a catastrophic event. For example, the Company is experiencing more numerous "minor" weather events during the year caused by frequent wind events during blue sky or grey sky days that cause damage to the system. As presented in OCC-586, Attachment 1, Emergent Equipment Failures are projected to decrease $8M a year in 2030 and 2031 associated with proactive substation-related infrastructure investments.

A consistently applied proactive investment plan will have the benefit of reducing Emergent Equipment Replacement over a multi-year term. A theory of a relatively more proactive investment plan is that it will address infrastructure conditions before there is a system failure.

Date Filed: October 05, 2026

**Witness: Leanne M. Landry, John G. Griffin and Jeffrey D. Turano**
**Request from: Office of Consumer Counsel**

**Question:**

Exhibit CLP-ADDITIONS-12 refers at several points to the capitalization of major storm costs. State the amount of storm cost capitalized to Basic Business in each year 2017 through 2025, provide the accounting policy distinguishing capitalized storm cost from operation and maintenance expense, and identify any amount included both in those capitalized totals and in the storm costs for which recovery is sought in Exhibit CLP-STORM-1.

**Response:**

Please refer to the chart below for the amount of storm costs capitalized to Basic Business each year from 2017-2025. Please refer to OCC-784, Attachment 1, for the Company's Capital versus Expense Criteria policy. None of the dollars below are included in the storm cost recovery sought in Exhibit CLP-STORM-1.

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|
| Basic Business Storm Capital | 396,551 | 25,493,192 | 13,492,424 | 18,814,555 | 10,529,932 | 7,837,418 | 4,704,604 | 5,366,437 | 2,168,942 |

Date Filed: October 05, 2026

**Witness: David L. Gladey, Leanne M. Landry and Jeffrey D. Turano**
**Request from: Office of Consumer Counsel**

**Question:**

Exhibit CLP-ADDITIONS-12, shows Regulatory Commitments actual expenditures of $116 million in 2017 (p. 28) against $5.0 million planned for 2025 in the renamed Regulatory category (p. 167). Explain the decline, and identify each regulatory commitment satisfied between 2017 and 2025 with its year of completion, and each commitment outstanding at December 31, 2025. Also, state when and why the category was renamed.

**Response:**

The main reason for the decline is the shift in System Resiliency/Expanded Reliability from the Regulatory Commitments category to the Reliability category. System Resiliency was approved in Docket No. 17-10-46, for the years 2018, 2019, and 2020 with recovery through the capital tracker (ESI). Since recovery of System Resiliency ended until potential recovery in the next distribution rate case, it was removed from the Regulatory Commitments category.

Another reason for the decline is completion of work for certain Regulatory Commitment categories. Hi Over Lo Voltage Removal work was completed in 2023 and Network 500 kcmil Cable Replacement Program work was completed in 2024.

4.8kv Grounding and Transmission Distribution Reliability Performance (TDRP) are ongoing programs.

There is no real significance to the category being renamed from Regulatory Commitments to Regulatory in the annual capital plan. It is still called “Regulatory Commitments” in the Company’s financial systems.

Date Filed: October 05, 2026

**Witness: David L. Gladey, John P. Dipaola-Tromba, Leanne M. Landry and Jeffrey D. Turano**
**Request from: Office of Consumer Counsel**

**Question:**

Across the Key Investment pages of Exhibit CLP-ADDITIONS-12, resiliency work: right-of-way lines, pole integrity, smart switches and substation security, appears under Regulatory Commitments in the 2019 through 2022 plan books and under Reliability from 2023. State when the reclassification was made and why, and provide this work on a consistent basis for each year 2017 through 2025. Substation security no longer appears in that line item from 2023; state where it is now reported.

**Response:**

System Resiliency was approved in Docket No. 17-10-46, for the years 2018, 2019, and 2020 with recovery through the capital tracker (ESI). Since recovery of System Resiliency ended until potential recovery in the next distribution rate case, it was removed from the Regulatory Commitments category. The reclassification was made in 2023 as there is continued work needed in these program areas.

Please refer to OCC-786, Attachment 1, for the right-of-way lines, pole integrity, smart switches, and substation security categories from 2017-2025.

Substation Security for distribution, essentially ended as a "program" in 2023 as a majority of the work under the program was completed. While there are no significant planned investments in substation security, any capital spending on new or emergent distribution substation security work would be reflected under the Substation Reliability category.

Date Filed: October 05, 2026

**Witness: David L. Gladey, Leanne M. Landry and Jeffrey D. Turano**
**Request from: Office of Consumer Counsel**

**Question:**

Exhibit CLP-ADDITIONS-12 at p. 145 refers to "significant Line capacity project carryover work from 2022 that led to higher spending in 2023." For each year 2017 through 2025, identify every project whose spending carried from one plan year into the next, with the planned and actual in-service date, the planned and actual cost, and the reason for the delay.

**Response:**

Please refer to OCC-787, Attachment 1, for line capacity projects with carryover work including the year the project delay occurred, total authorized and actual cost, planned and actual in-service dates, and the reason for the delay. Please note that there are multiple actual in-service dates by project because work orders are placed in-service, not projects. Also, please note that the "Line capacity project carryover work" in 2023 accounted for only approximately $4 to $5 million of the incremental increase between 2022 and 2023.

Date Filed: October 06, 2026

**Witness: Leanne M. Landry and Jeffrey D. Turano**
**Request from: Office of Consumer Counsel**

**Question:**

Exhibit CLP-ADDITIONS-4, reports project number, description, category, type and cost, but no asset quantities. For every project and work order listed, provide the assets installed, replaced or retired by asset class and quantity, in native electronic format joinable to that exhibit by project number.

**Response:**

Please refer to OCC-788, Attachment 1, through OCC-788, Attachment 2, for a listing of project additions and retirements including asset class and quantity. Note that since 2017 certain adjustments were made as work orders shift to different projects and may result in insignificant offsetting variances across the years. It should also be noted that the quantity associated with a retirement unit should not necessarily be interpreted as a one-for-one count of individual physical assts installed and retired. Depending on the type of property, the quantity may represent a single install or retirement transaction, or lot, rather than a discrete number of units. Accordingly, quantities should be considered in conjunction with the applicable retirement unit and the manner in which the property is maintained in the fixed asset records.

Date Filed: October 05, 2026

**Witness: Leanne M. Landry and Jeffrey D. Turano**
**Request from: Office of Consumer Counsel**

**Question:**
For each annual program on the Annual Projects tabs of Exhibit CLP-ADDITIONS-4, provide the unit cost applied in each year 2017 through 2025 – per pole, distribution transformer, switch or recloser, mile of overhead conductor, mile of underground cable, and meter – together with the source data and the budget-to-actual variance.

**Response:**

"Unit cost metrics" are not a reliable means of tracking these types of annual projects due to the scale and scope of the overall endeavor. The Company explained in its testimony, Exhibit CLP-ADDITIONS-1, beginning on page 25, the following process applicable to annual projects:

> *A large volume of work occurs on the system on a daily basis associated with projects that are repetitive, numerous, and routine. These jobs are authorized in the aggregate, or by an annual program authorization. Individual review and authorization of each of these thousands of work orders is not necessary because the jobs are small in scope and highly repetitive in nature – therefore, the costs are highly consistent with the same cost drivers occurring over and over.*
>
> *Reviewing and approving each of these projects independently would require increased staffing levels for little or no marginal benefit, would unnecessarily slow the entire process down, and would negatively impact the Company's ability to undertake routine jobs on a reasonable schedule to continue to provide safe and reliable service. In essence, annual programs represent non-discretionary operational programs required to efficiently operate the electric distribution system. Typically, these program budgets are set each year based on historical averages that may fluctuate depending on supply chain challenges driving up material prices (e.g., pre-capitalized transformers) and customer growth or retraction (e.g., new customer connection annual).*
>
> *The review and approval of annual programs has evolved. Prior to 2024, these programs were documented and supported by the Company's capital book which is sent to the Board of Trustees in January/February of each year. This serves as documentation and approval of the capital plan. Prior to 2024, Eversource managed and balanced its capital plan across the Company and all other entities. Monthly workplans and financial reports sent to Operations and Finance*

*leadership served as the monitoring tool. Since the annuals were based on historical estimates, there were variances, both plus and minus, across the years. Following the RAM hearings at PURA in 2023 and a discussion on annual project documentation, beginning in 2024, the annual programs now have project authorization documents in addition to the Capital Book.*

*Also, beginning in 2018, these annuals have been summarized in the annual RAM/ESI filing with an annual filing requirement to summarize budget versus actual variances greater than +/- 10%. To support the variances in the annuals from 2018-2025, the Company included these variance explanations in the project documentation support.*

Date Filed: October 05, 2026

**Witness: Leanne M. Landry and Jeffrey D. Turano**
**Request from: Office of Consumer Counsel**

**Question:**

Summed across 2017 through 2025, Exhibit CLP-ADDITIONS-3 shows annual programs and annual work orders of approximately $2,289.8 million of the net distribution plant additions. For each annual program and annual work order, provide the authorization documentation required under the Project Authorization Policies at Exhibits CLP-ADDITIONS-10A and 10B, or, if no project-level authorization was required, identify the approval governing the annual amount and the policy provision permitting it.

**Response:**

Please refer to Exhibits CLP-ADDITIONS-6 and CLP-ADDITIONS-12 where the Company has provided Project Authorization Forms and Annual Capital Plan Books, respectively.

CLP-ADDITIONS-1, beginning on page 25, also notes the following with regard to annual projects and their approval process:

*A large volume of work occurs on the system on a daily basis associated with projects that are repetitive, numerous, and routine. These jobs are authorized in the aggregate, or by an annual program authorization. Individual review and authorization of each of these thousands of work orders is not necessary because the jobs are small in scope and highly repetitive in nature – therefore, the costs are highly consistent with the same cost drivers occurring over and over. Reviewing and approving each of these projects independently would require increased staffing levels for little or no marginal benefit, would unnecessarily slow the entire process down, and would negatively impact the Company's ability to undertake routine jobs on a reasonable schedule to continue to provide safe and reliable service. In essence, annual programs represent non-discretionary operational programs required to efficiently operate the electric distribution system. Typically, these program budgets are set each year based on historical averages that may fluctuate depending on supply chain challenges driving up material prices (e.g., pre-capitalized transformers) and customer growth or retraction (e.g., new customer connection annual). The review and approval of annual programs has evolved. Prior to 2024, these programs were documented and supported by the Company's capital book which is sent to the Board of Trustees in January/February of each year. This serves as documentation and approval of the capital plan. Prior to 2024, Eversource managed and balanced its capital plan across the Company and all other entities. Monthly workplans and financial reports sent to Operations and Finance leadership served as the monitoring tool. Since the annuals were based on historical estimates, there were*

*variances, both plus and minus, across the years. Following the RAM hearings at PURA in 2023 and a discussion on annual project documentation, beginning in 2024, the annual programs now have project authorization documents in addition to the Capital Book. Also, beginning in 2018, these annuals have been summarized in the annual RAM/ESI filing with an annual filing requirement to summarize budget versus actual variances greater than +/- 10%. To support the variances in the annuals from 2018-2025, the Company included these variance explanations in the project documentation support.*

Date Filed: October 05, 2026

**Witness: Leanne M. Landry and Jeffrey D. Turano**
**Request from: Office of Consumer Counsel**

**Question:**

State whether the "Pre-Construction Estimated Costs" column in Exhibit CLP-ADDITIONS-4, reflects the estimate at initial Project Authorization Form approval or as revised by a Supplemental Authorization Form, as described at p. 18, and 32–33, of Exhibit CLP-ADDITIONS-1. Where an estimate was revised, provide the original and revised figures and the date of each revision.

**Response:**

The "Pre-Construction Estimated Costs" column in Exhibit CLP-ADDITIONS-4, indicates the latest approved amount for each project. This would be either the current Project Authorization Form (PAF) or, if applicable, Supplemental Authorization Form (SAF). In an effort to be responsive to this request, the Company requests the Office of Consumer Counsel to refer to Exhibit CLP-ADDITIONS-6, in which the Company has provided folders containing PAF (and SAF information, if applicable) support for capital additions. Furthermore, Exhibit CLP-ADDITIONS-11, is designed to assist reviewers in understanding the various parts of CL&P's capital document submission, including folder structures and breakdown as well as an overview on PAF/SAF submittals.

Date Filed: October 05, 2026

**Witness: Digaunto Chatterjee, Lavelle A. Freeman and Elli Ntakou**
**Request from: Office of Consumer Counsel**

**Question:**

Refer Exhibit CLP-TSP-1, p. 60, "the Benefit Cost Analysis (BCA) tool is utilized to determine the most cost-effective reliability improvement work to perform based on historical event data to meet a desired reliability outcome." State the date the tool was first used to select distribution reliability work, provide its ranked candidate list and the work performed for each year it was used, and explain each case in which lower-ranked work proceeded.

**Response:**

Please refer to the Company's response to EOE-151[i]. Per that response, the first results of the ReBOT tool were used to drive reliability work in 2024 to support the selection of the 2025 TripSaver program. ReBOT works as a tool that enables agility in planning reliability programs and projects and as such, ReBOT lists the optimal cost mitigation for all eligible zones, in decreasing order of cost effectiveness as measured by $/SAIDI saved and $/SAIFI reduction. In other words, because work happens for a multitude of reasons and there are typically multiple need triggers, it is possible that projects ranked lower when only considering SAIFI and SAIDI benefits, proceeded when assessing other system needs and potential project benefits.

All rankings provided within the attachments below are based on the specific program/work type identified from the ReBot tool.

**Smart Switch Program – Trip Saver Rankings**

Please refer to OCC-792, Attachment 1 CONFIDENTIAL - Smart Switch (2025 Trip Savers) for the trip saver locations installed in 2025 based on the ReBot optimization tool prioritized by SAIFI.

Please refer to OCC-792, Attachment 2 CONFIDENTIAL - Smart Switch (2026 Trip Savers) for the trip saver locations that will be installed in 2026 based on the ReBot optimization tool prioritized by SAIFI.

Please refer to OCC-792, Attachment 3 CONFIDENTIAL - Smart Switch (2027 Trip Savers) for the trip saver locations that will be installed in 2027 based on the ReBot optimization tool prioritized by SAIDI. These locations are still in the design stage.

Lower ranked devices may not be included based on detailed reviews of each specific location. For example, the recommended trip saver location may not have the required load current for the device to operate properly, the fault rating may exceed the rating of the trip saver or the device may not coordinate properly.

**Smart Switch Program – Smart Switch (Reclosers) Rankings**

Please refer to OCC-792, Attachment 4 CONFIDENTIAL - Smart Switch (2027 Smart Switch Reclosers) for the zone locations where reclosers will be installed to reduce customers zones to less than 500 customers in 2027 based on the ReBot optimization tool prioritized by SAIDI.

Lower ranked devices may not be included if those locations were already designed within existing projects or if no further sectionalizing was possible.

**Reliability Program – Reliability (Reconductoring) Rankings**

Please refer to OCC-792, Attachment 5 CONFIDENTIAL – 2027 Reconductoring for zones that will be reconductored in 2027 based on the ReBot optimization tool prioritized by SAIDI.

Lower ranked devices may not be included if those locations were already designed within existing projects.

**Prior Referenced Response:**

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[i] EOE-151 Question:

(VEGETATION MANAGEMENT PROGRAM) Refer to Exhibit CLP-ELP-1, p. 67. Please provide the cost benefit analyses the Company performed for determining reliability projects for the 2025 Test Year.

EOE-151 Response:

As part of compliance with Docket No. 17-12-03RE08, the Company performed the referenced Benefit-Cost Analysis ("BCA") in 2023 using historical reliability projects, their associated costs, and their observed impact on SAIDI and SAIFI.

In 2024, the BCA results were incorporated into the Reliability Budget Optimization Tool ("ReBOT"). ReBOT uses the BCA results as a baseline to determine the cost-optimal reliability mitigation measure for each zone. It first creates a list of zones eligible for reliability mitigation by evaluating historical outage performance at the individual-zone level. The tool then estimates the potential reduction in customer interruptions and customer minutes of interruption associated with various eligible remediation alternatives. The estimated reliability benefit of each alternative is then evaluated relative to its estimated project cost using $/SAIDI or SAIFI per unit reduction as the metric to determine the most cost-effective mitigation measure. This process identifies and prioritizes potential device deployments and

other remediation alternatives that are expected to provide the greatest reliability improvement in a cost-effective manner.

The initial ReBOT recommendations were produced in late 2024. Due to the timing of the Company's project-planning cycle, the recommendations were used to support project selection for the 2025 and 2026 TripSaver Program. ReBOT's use was subsequently expanded to support both the TripSaver, Smart Switch and reconductoring Programs in 2027.

ReBOT is an evolving analytical tool, and the Company continues to refine its methodology and expand its application as additional experience and data become available.

The BCA and ReBOT are used as project-screening and prioritization tools and are not intended to predict the precise impact of future projects or programs. Final project selection also considers engineering judgment, constructability, local system conditions, operational requirements, and other project-specific factors. As such, benefits and costs of each project may differ from the tool's results for a multitude of reasons.

Date Filed: October 05, 2026

**Witness: Leanne M. Landry, Jeffrey D. Turano and Marisa B. Paruta**
**Request from: Office of Consumer Counsel**

**Question:**

Refer to Exhibit CLP-ADDITIONS-1, p. 45. Approximately $4.3 billion of capital additions has been placed in service since January 1, 2017. Identify all such additions retired, abandoned or written off before the end of their depreciable life, with the in-service and retirement dates, the original cost, the amount remaining in rate base, and the reason.

**Response:**

Please refer to OCC-793, Attachment 1, for all additions of specific property since January 1, 2017, that were retired before the end of their depreciable life including in-service and retirement dates, original cost, amounts remaining in rate base and the reason for retirement.

Retirements of specific property are generally recorded at the full value of the individual asset, whereas mass property retirements are accounted for using the applicable mass property retirement methodology. In some cases, specific property asset retirements are partial, or trended. This occurs when the original asset record includes units of property not separately unitized at the time of installation. When the original cost of the retired asset cannot be specifically identified, the Company utilizes the Handy-Whitman index to trend the replacement cost back to the original installation year to estimate its historical cost. The estimated amount is then retired from the existing asset and charged to the accumulated depreciation account. This process ensures that the cost of the replacement is removed from utility plant while the remaining portion of the original asset continues to be reflected in plant in service.

CL&P predominantly utilizes the Broad Group Procedure to depreciate utility property. Under the Broad Group Procedure, homogenous assets are grouped together and depreciated under a single average service life. When an asset within the group is retired, the asset is considered fully accrued, regardless of the asset's actual service life, and accumulated depreciation is debited for the full book cost of the asset. If an asset is retired prior to the average service life, any impact to depreciation expense will be recovered over time by assets that exceed the average service life of the group. The asset retirement dispersion is analyzed in future depreciation studies when creating an updated, proposed average service life and accompanying accrual rate.

Date Filed: October 06, 2026

**Witness: Leanne M. Landry and Jeffrey D. Turano**
**Request from: Office of Consumer Counsel**

**Question:**

Refer to Exhibit CLP-ADDITIONS-4 reports projects and programs whose actual cost exceeds the pre-construction estimate by more than 25 percent, a number of which carry no entry in the Project Notes / Variance Explanations column. Identify each such project, and for each provide the variance explanation and the supplemental authorization, or state the policy provision under which no supplemental authorization was required.

**Response:**

Please refer to OCC-794, Attachment 1, for Projects listed on CLP-ADDITIONS-4 with actual costs exceeding the pre-construction estimate by more than 25% along with the variance explanation or policy provision reference.

The Company will supplement this response for annual program projects with variances greater than 25%.

Date Filed: October 06, 2026

**Witness: David L. Gladey, Lavelle Freeman, Steven Lamontagne, Elli Ntakou, Leanne M. Landry and Jeffrey D. Turano**
**Request from: Office of Consumer Counsel**

**Question:**

Refer to Exhibit CLP-ADDITIONS-12. Planned Reliability capital falls 41 percent, from $209.4 million for 2023 at page 121 of to $123.4 million for 2025 at page 167, and the 2025 book gives the reason as regulatory recovery risk. Exhibit CLP-TSP-1 at page 42 describes approximately $667.3 million in 2027 as the baseline investment necessary to maintain existing reliability levels. State:

a. Whether the 2025 planned amount was below the level the Company considered necessary to maintain reliability at the time the plan was set
b. If so, the shortfall in dollars and the work deferred, and
c. The reliability effect of that deferral in SAIDI, SAIFI and customer interruptions.

**Response:**

a. To confirm, the amount of $667.3M is the total baseline investment for all categories of investment and necessary to maintain the overall reliability of the system – it is not the dedicated reliability investment. In 2027, the amount of dedicated reliability investment is $236.6M (comparable to $209.4 million in 2023 and $123.4 million in 2025).

   No, the 2025 investment amount was not below the level the Company considered necessary to maintain reliability in the short term. Please refer to the Company's response to OCC-781[i].

   In re-scaling the 2025 capital work, the Company took significant care to identify capital work that could be toggled back *without* an immediate impact to safety and reliability. For example, proactive, preventive replacement of Substation Elimination-Line Work was reduced following several years of *increased* investment because the Company can maintain safety and reliability in the short run with repairs rather than replacement of this infrastructure. Also, the work deferred from the 2025 plan listed in OCC-781, Attachment 2, is planned for completion either as part of the 2026 capital plan, or as part of the Company's work plan over the next few years.

b. Please refer to the Company's response to OCC-781 and OCC-781, Attachment 2.

c. Please refer to the Company's response to OCC-781 and OCC-781, Attachment 2.

**Prior Referenced Response:**

[i] OCC-781 Question:

Exhibit CLP-ADDITIONS-12 at p. 167 identifies as the first major variance driver for 2024 vs 2025 "Decrease in overall CT capital plan due to regulatory recovery risk." Explain what the Company means by that phrase, and identify each investment deferred, reduced or cancelled in the 2025 plan for that reason, with the amount, the period of deferral, and the reliability or safety consequence assessed at the time, together with the documents recording each decision. State whether any such investment is now included in the docket no. 26-05-10 or specifically in the proposed TSP Plan in Exhibit CLP-TSP-1.

OCC-781 Response:

Please refer to OCC-781, Attachment 1, for a detailed description of why the 2025 CT capital plan was reduced relating to regulatory recovery risk.

Please refer to OCC-781, Attachment 2, for a list of deferred projects for the 2025 capital plan with deferred amounts greater than $500,000.

It is important to note that the budget reduction affected only the 2025 fiscal year, which was a fiscal period bookended by an increase in capital expenditures for reliability in 2023 and 2026. As a result, there is no "reliability or safety consequence" associated with such a short-term deviation in budget expenditures. The reliability impact associated with reduced capital investment is identified in OCC-781, Attachment 1, as in the range of 12-15 percent over the next five years, assuming no improvement in the reduced expenditure level. This projection flows from the fact that the electric distribution system is a dynamic operating platform constructed to have a sufficient level of flexibility to withstand the numerous intrinsic and extrinsic operating conditions that influence the system's performance in any given year, or even in any given week or day.

In that context, capital expenditures within one year are not generally viewed as having a discrete, discernible impact (positive or negative) on reliability performance. System reliability is a continually moving target that fluctuates up or down in the short term as a result of a number of factors, including randomly occurring operating conditions. In the longer term, reliability performance will trend up or down across time, on a system basis, with consistent investment (or a lack of consistent investment). For example, over five years, reliability-focused plant additions would be expected to have a positive, discernible impact, if consistently made over that five-year period, and conversely, capital expenditures that are consistently reduced from year-to-year would be expected to have a discernible negative impact on reliability over a multi-year period.

The intrinsic and extrinsic factors that impact reliability and preclude a direct assessment of reliability benefits (or detriments) in the shorter term include the location of future events on the system, the impact of minor weather event days, aging infrastructure failures outpacing the rate of replacement, surrounding tree conditions and many other factors.

In addition, at the time that the Company identified the need for reduced capital expenditures, the Company took significant care to identify capital work that could be toggled back without an immediate impact to safety and reliability. For example, proactive, preventive replacement of underground, direct-buried 4kV cable was reduced following several years of increased investment because (1) the Company can maintain safety and reliability in the short run with repairs rather than replacement of this infrastructure; and (2) the Company's investment approach is changing now based on its experience with the proactive replacement program for 4kV.

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The work deferred from the 2025 plan listed in OCC-781, Attachment 2, is planned for completion either as part of the 2026 capital plan, or as part of the Company's work plan over the next few years.

Date Filed: October 06, 2026

**Witness: Leanne M. Landry and Jeffrey D. Turano**
**Request from: Office of Consumer Counsel**

**Question:**

On the Annual Projects Pre 2022 tab of Exhibit CLP-ADDITIONS-4, the 2017 and 2019 Line Reliability annual programs report actual cost 231.89 percent and 233.24 percent above estimate (lines 53 and 95), and the 2019 Emergent Line annual program reports 51.87 percent above estimate (line 90). For each, state how the estimate was set, explain the variance, and how the overrun was authorized.

**Response:**

Line Reliability and Emergent Line annual programs, and all annuals programs in general, are estimated based upon historical trends. As estimates, the Company always retains a level of flexibility in the budget process to address contingencies that inevitably occur during the year. Actual circumstances for Line Reliability annual programs in 2017 and 2019 and Emergent Line annual programs in 2019 exceeded historical trends used for the estimate.

Regarding Line Reliability, the Company's Western region experienced an increase in reliability work in those years. The work in this area arose from the Company's experience in larger storms that happened in this area in this timeframe.

In addition, the Company has experienced increases in the number of customer outage events on the overhead, underground and network system caused by factors other than Major Storm events, which is accounted for within the Emergent Line category. Examples of the factors affecting this cost category include vegetation-initiated overhead events, pole and line damage and associated events due to motor vehicle accidents, unplanned asset failures, residential direct-buried cable failures; underground cable or switchgear events, and network events. Many of these events are the result of weather patterns that occur on the system without rising to the level of a catastrophic event. For example, the Company is experiencing more numerous "minor" weather events during the year caused by frequent wind events during blue sky or grey sky days that cause damage to the system.

Date Filed: October 13, 2026

**Witness: Leanne M. Landry and Jeffrey D. Turano**
**Request from: Office of Consumer Counsel**

**Question:**

Refer to Exhibit CLP-ADDITIONS-12 shows planned transformer purchases rising from $27 million in the 2019 plan (p. 44) to $40 million in the 2025 plan (p. 166). For each year 2017 through 2025, state the number of distribution transformers purchased, installed, and held in inventory at year end, the average unit price paid, and the number installed to replace failed units as distinct from those serving new load.

**Response:**

Please refer to the Table below for the transformers received/purchased, issued/installed and the average unit price for poletop, three phase and single phase transformers:

**Poletop Transformers**

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|
| Quantity Received | 6,998 | 7,663 | 6,139 | 8,153 | 6,342 | 5,804 | 6,074 | 5,518 | 4,932 |
| Quantity Issued | 5,970 | 5,727 | 5,128 | 6,838 | 5,416 | 4,033 | 4,597 | 3,949 | 4,373 |
| Average Price | $ 1,309 | $ 1,239 | $ 1,425 | $ 1,265 | $ 1,187 | $ 1,545 | $ 1,939 | $ 2,276 | $ 3,337 |

**3 Phase Padmount**

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|
| Quantity Received | 607 | 459 | 572 | 613 | 446 | 647 | 262 | 666 | 804 |
| Quantity Issued | 432 | 394 | 505 | 450 | 415 | 396 | 385 | 478 | 412 |
| Average Price | $ 12,729 | $12,974 | $12,334 | $ 13,579 | $ 12,184 | $ 16,594 | $ 28,306 | $ 24,389 | $ 34,573 |

**1 Phase Padmount**

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|
| Quantity Received | 1,004 | 998 | 999 | 1,000 | 827 | 710 | 612 | 854 | 1,195 |
| Quantity Issued | 818 | 809 | 835 | 867 | 837 | 667 | 541 | 530 | 807 |
| Average Price | $ 2,258 | $ 2,248 | $ 2,468 | $ 2,215 | $ 2,415 | $ 2,953 | $ 3,702 | $ 7,431 | $ 6,169 |

The year end inventory balance as of December 31, 2025 is 9,206 transformers (6,979 poletop, 1,029 3 phase, 969 single phase and 229 other)

Of the transformers installed each year, approximately 50% are driven by new customer load the other 50% are for emergent work.

Date Filed: October 06, 2026

**Witness: David L. Gladey, Steven Lamontagne, Leanne M. Landry and Jeffrey D. Turano**
**Request from: Office of Consumer Counsel**

**Question:**

Exhibit CLP-ADDITIONS-12 shows planned underground residential direct buried cable work declining from $43 million in the 2020 plan (p. 64) to $28 million in the 2025 plan (p. 166). State the total circuit miles of direct buried cable on the system, the miles replaced in each year 2017 through 2025, the cost per mile realized, the miles remaining at December 31, 2025, and the failure rate of the replaced and remaining populations.

**Response:**

Over the time period covered by this question, the Company has implemented differing approaches for addressing reliability concerns associated with direct buried cables. Historically, the Company addressed reliability issues on direct buried cables mainly as repair work, when the need arose, with targeted replacement work performed on an as-needed basis. However, the Company was experiencing rising reliability and costs concerns on an emergent basis associated with this infrastructure, causing the Company to come to the conclusion that a more proactive and comprehensive replacement program would mitigate these concerns.

Therefore, beginning in 2019, the Company implemented a more proactive, preventive replacement approach for underground, direct-buried cable, which increased replacement costs as compared to historical work, but would have the benefit of obviating future repair costs. Under this approach, the Company instituted a plan to replace and upgrade longer segments of cable around failure points, eliminating the risk of future failure in those areas.

Because of the continuing impacts on the system for reliability and the need to address these concerns in the most cost-effective, feasible manner, the Company has continued to innovate on its construction methods for this replacement program. Beginning in 2024, the Company instituted a hybrid approach combining proactive replacements with repair work to extend the life of segments that had not experienced as many failures. In addition, the Company began using new installation methods for placing new cable in conduit (i.e., cable in conduit construction or "CIC"). Collectively, these measures have reduced both the amount of miles replaced and the time for construction, helping to mitigate construction cost increases driven by increases in labor and materials costs.

The costs reported in the table below are the total cost to replace and restore customers, including the work required to replace the cable, as well for temporary generation and temporary work until the cable is replaced. The cost also includes other equipment replaced along with the cable. For this response, the mileage replaced and cost of cable replacement was determined based on work order as-builts under the cable replacement project for primary cable.

Miles Replaced Each Year:

| Year | Mileage |
|---|---|
| 2017 | 17.30 |
| 2018 | 23.81 |
| 2019 | 60.47 |
| 2020 | 46.61 |
| 2021 | 40.78 |
| 2022 | 30.46 |
| 2023 | 37.15 |
| 2024 | 19.52 |
| 2025 | 20.40 |

Cost Per Mile Realized:

| Year | Cost Per Mile | |
|---|---|---|
| 2017 | $ | 399,571 |
| 2018 | $ | 653,419 |
| 2019 | $ | 567,974 |
| 2020 | $ | 906,990 |
| 2021 | $ | 803,309 |
| 2022 | $ | 1,229,449 |
| 2023 | $ | 1,050,430 |
| 2024 | $ | 1,190,929 |
| 2025 | $ | 1,250,441 |

This cost reflects the total cost to replace and restore the customers which includes the work required to replace the cable as well as temporary generation or temporary work until the cable is replaced. This cost also includes other equipment that would be replaced as a result of the cable replacement. Other factors could include a change from injecting cable in 2017/1018 and also using CIC (cable in conduit construction).

Failure Rate:

| Year | Failure Rate Per Mile |
|---|---|
| 2017 | 0.12 |
| 2018 | 0.14 |
| 2019 | 0.12 |
| 2020 | 0.11 |
| 2021 | 0.09 |
| 2022 | 0.10 |
| 2023 | 0.08 |
| 2024 | 0.07 |
| 2025 | 0.09 |

Miles Remaining at December 31, 2025 are 5,347 miles. However, please note all conductors within Underground Residential Distribution (URD) areas in Connecticut are classified as "direct buried (DB)." This approach is used because direct-buried status was not historically tracked in the Company's systems (i.e., Smallworld). During GIS consolidation, this rule was established to standardize the identification of URD assets.

Date Filed: October 09, 2026

**Witness: David L. Gladey and Steven Lamontagne**
**Request from: Office of Consumer Counsel**

**Question:**

Refer to Exhibit CLP-ADDITIONS-1 at p 13. Please provide the results of the condition assessments described in the Planning Process section for distribution poles, overhead conductor, underground cable, network equipment and substation transformers, showing units inspected, units assessed as deficient, units replaced, and units carried forward.

**Response:**

Distribution pole replacements are driven by The Company's inspection and assessment program. Poles are inspected and evaluated based on an inspection cycle and assets identified as deficient through the inspection process are replaced. For overhead conductor, underground cable, and network equipment programs, The Company does not perform condition assessments that produce a discrete population of assets inspected, found deficient and replaced. Instead, these replacement programs are based on defined populations of assets that are evaluated and prioritized using risk-based asset management methodologies. Substation transformers are evaluated based on an asset health score (please refer to OCC-596)[i].

- Distribution Poles.

Connecticut's electric distribution pole system was largely designed and constructed under historical engineering standards that reflected the environmental conditions, loading assumptions, and vegetation characteristics existing at the time of installation. Since then, changes in weather patterns, increased storm intensity, aging vegetation, and evolving reliability and resiliency requirements have materially altered the operating environment in which these assets must perform.

As wood utility poles age beyond their expected service life, they enter the wear-out phase of the asset life cycle, during which the probability of failure increases due to factors such as decay, deterioration, physical damage, and loss of structural capacity. Under normal operating conditions and with proper maintenance, roadside wood utility poles are generally expected to remain in service for approximately 40 to 45 years. However, the average age of Connecticut's roadside pole population is currently approximately 47 years. For poles located within Rights-of-Way ("ROW"), the average age is approximately 50 years. Many of these assets exhibit visible signs of

deterioration, including pole and crossarm degradation, as well as damage caused by wildlife activity and environmental exposure.

The aging condition of the ROW pole population, when combined with changing weather patterns and increasingly mature tree canopy conditions, heightens the risk of pole failures during wind, snow, ice, and other severe weather events. This risk is further elevated where existing assets were constructed to historical design standards that do not reflect current reliability and resiliency expectations.

Wood utility poles are categorized according to a nationally recognized classification system based on strength and height. Under this system, Class 1 poles provide the greatest structural capacity, while higher numerical classes represent progressively smaller and less robust poles. Consistent with current engineering requirements, the Company's present construction standard requires, at a minimum, the installation of Class 2 poles for new facilities. This standard reflects the need to accommodate taller and stronger overhead configurations capable of withstanding modern loading conditions associated with storms, vegetation contact, and system reliability requirements.

Approximately 39% of existing distribution poles do not meet The Company’s current minimum pole class standard. These poles possess materially less structural capacity and height than contemporary design requirements contemplate. As a result, a substantial portion of the existing pole fleet was installed under prior engineering standards and may not be capable of supporting current loading conditions associated with modern conductor configurations, vegetation impacts, and severe weather events without increased risk of failure.

Recognizing the importance of proactively managing this aging infrastructure, the Company reviewed its pole inspection practices in 2025 and adopted a revised inspection cycle that reduces the interval between inspections from 15 to 10 years. The enhanced inspection program is intended to identify deterioration and structural deficiencies earlier in the asset life cycle, thereby enabling more timely corrective action and reducing the likelihood of in-service failures. Beginning in 2026, the Company expects to inspect approximately 41,000 to 42,500 custodial poles annually under the revised inspection schedule.

The number of poles requiring replacement each year is driven by the results of the inspection program and the number of assets identified as failed or deficient. Poles designated as "rejects" are removed from service because their remaining structural capacity has deteriorated below 67 percent of original strength or because they have sustained mechanical damage that precludes their continued safe and reliable operation. Such poles cannot remain in service and must be replaced

to maintain public safety, system reliability, and compliance with applicable engineering standards.

Given the age, condition, and structural characteristics of the existing pole population, replacement of the pole fleet to current design standards represents a long-term asset management initiative requiring systematic, risk-based investment. Through a prioritized replacement strategy focused on the highest-risk assets, the Company seeks to improve system reliability, enhance storm resiliency, reduce failure risk, and ensure that the distribution system is capable of meeting present and future operational requirements.

- Overhead Conductor,

The Company's distribution system consists of approximately 16,640 circuit miles of overhead primary construction consisting of bare wire and covered wire. Primary distribution voltages range from 4.16kV to 34.5kV with the majority of circuits operating at 4.8kV, 13.2kV, 13.8kV and 23kV.

These statistics indicate that there are approximately 7,577 miles or 47 percent bare wire, and approximately 9,140 miles, or 53 percent covered wire miles that includes aerial and spacer cable. Further, the statistics indicates that bare cooper wire, run through and under some of the most mature, densely forested corridors of any utility in the United States. Approximately 85 percent of the state's trees are over 61 years old, tall and heavily canopied, with many growing directly into or over utility lines.

When storms arrive, these are the trees that fall first and most often directly onto distribution lines. This wire has no protection against tree contact. When a branch or limb touches bare wire, it creates an immediate fault, which means at least a momentary interruption for all customers downstream. The vegetation operating environment and the increase of wind events and storms combined with the high proportion of bare overhead distribution circuits, is at the core of any real or perceived reliability and resiliency performance issues on the Connecticut distribution system.

The Company in support of its capital investment decision to improve electric distribution reliability is using both historic performance and forward-looking analytics, and is proposing to reconductor approximately 3,774 miles of its #2, #4, and #6 bare copper conductor because it has exceeded its expected service life, typically 50 years, and has experienced significant mechanical degradation, including embrittlement and reduced tensile strength. These aging conductors exhibit elevated failure rates under normal loading, environmental stress conditions and contribute to an increased number of failure events during inclement weather that are directly associated with bare Cu conductors.

Under the Targeted System Performance, the Company will prioritize lateral zones with the highest asset-related failure risk using data driven and Customer Minutes Interrupted (CMI) over a four-year evaluation period and $/CMI saved. Data-driven prioritization ensures that efforts target zones where replacement yields the greatest reliability improvement and mitigation of repetitive outages. The Company has identified this area at exhibit CLP-TSP-3 page 38. The Company has requested baseline funding of $16M per year to prioritize the areas with bare cooper conductors and replace them with stronger cover conductors- tree wire.

- Underground cable and PILC

The Company's Underground distribution system consists of approximately 6,997 circuit miles of underground primary construction, including both direct-buried and underground duct and manhole primary construction. Urban centers such as Hartford, Waterbury, Norwalk and Stamford are served primarily by underground cable and interconnected network systems. Although these systems are largely immune to weather and tree events, each system presents its own challenges.

When underground cables fail, locating and repairing the fault takes much longer than an overhead repair, often resulting in outage durations of many hours to days. A second cable failure during abnormal operating conditions could result in the loss of an entire network, affecting a large number of customers. Paper-insulated lead-covered (PILC) cable, a legacy underground cable type, is approaching end of life in many locations. These older cables, which now have higher failure rates, must be proactively replaced to prevent manhole events, manhole fires, and worker safety incidents.

PILC cables were widely installed through 1984, primarily on circuit getaways and in networked underground systems. The designed service life of approximately 40–50 years; many remaining cables have exceeded their expected life. Aging PILC cables experience roughly 1 failure per 20 miles once they are over 45-year-old.

Rather than waiting for failures to occur which in underground systems can mean extended outages, manhole events, and serious worker safety risks, the Company is taking a proactive approach to replace and prioritize replacement of PILC cable, which now have higher failure rates to prevent manhole events, manhole fires, and worker safety incidents.

Approximately 270 miles of PILC cable remain on more than 200 feeders in Connecticut. Under the Targeted System Performance ("TSP") plan, the Company will prioritize replacement of PILC based on circuit load, number of reliability events, customers at risk and number of customers impacted. The Company is proposing a current baseline of $11 million/year resulting in a 25-year replacement program or 17 years with ~$5.5M of incremental funding per year.

- Direct Buried ("DB") Cable replacement

This program targets the replacement of direct buried distribution cables in underground residential and commercial developments that are reaching the end of their useful lives. It has been determined on an industry-wide basis that much of the original Cross-Linked Polyethylene ("XLP") and High Melting Point ("HMP")-insulated primary cable installed in the DB system has not achieved its engineered life expectancy. The Eversource distribution system encompasses a substantial component of DB cable which was installed in the 1970s and 1980s. At that time, the installation of the cable did not include any conduit. The current standard places all below-grade cable in conduit and/or duct system to prevent degradation.

There are approximately 5,347 circuit miles of UG Primary Direct Buried in Connecticut. To provide a perspective, baseline funding of $28.4M yields a 200-year completion timeline in all towns in CT.

- Network Equipment

Underground Network Automation projects support the replacement of aging distribution switch gear, provide quicker restoration, telemetry, and improved safety.

The replacement of switchgear that has reached end-of-life proactively prior to failure would reduce both customer outages and prevent abnormal system configurations. Switchgear replacement will enable the electrical system to be switched remotely and allow for the operators to see real time load data, which will improve the outage restoration times by not having to dispatch a crew to manually operate the gear.

The newly installed switchgear is dead-front constructed (use of elbows vs bolted on connections) and provides the crews safer ways to switch customers, reducing potential injuries while improving restoration times.

The replacement program is prioritized based on customers at risk and equipment conditions. Baseline funding of ~$3.5M per 9 years would result in a 41-year replacement program or 18 years with ~$4.6M of 10 incremental funding per year.

- For Substation Transformers please refer to OCC-596.

The Company performs maintenance of its distribution system on a continuing scheduled basis. Please refer to Table 1, for all the list of activities outlined in the plan.

**TABLE 1.**

| The Connecticut Light and Power Company Inspection and Maintenance System Report | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| January 1 Through December 31, 2025 | | | | | | | | | |
| System Report | | | | | | Number of scheduled and completed | | | |
| Ref. No | I&M Program Description | Group Responsible | Procedure Number | Unit Description | Total Number of Units | Scheduled for 2025 | Completed by 12/31/25 | % completed by 12/31/25 | Notes |
| 1 | DB Facilities | Operations | EMP 5.11 EMP 6.11 | Switch/Transformer | 72,633 | 1,176 | 1,137 | 97% | 1 |
| 2 | Capacitor Banks | Maintenance | EMP 5.05 EMP 6.05 | Capacitor Bank | 1,745 | 1,745 | 1,745 | 100% | 3 |
| 3 | Automatic Voltage Regulators | Maintenance | EMP 5.01 EMP 6.01 | Regulator | 964 | 306 | 306 | 100% | 3 |
| 4 | Reclosers | Maintenance | EMP 5.44 - Inspections | Recloser | 3,958 | 968 | 968 | 100% | 2, 3 |
| 5 | UG System Network Transformers | Maintenance | EMP 5.29, EMP 5.30- Routine Inspection | Transformer/Protector | 818 | 666 (I) | 666 | 100% | 3,7 |
| | | | EMP 5.29 EMP 5.30 Major Maintenance | | | 152 (M) | 152 | 100% | 3, 7 |
| 6 | UG Plant | Operations | EMP 5.59 | UG Structure (Manholes & Vaults) | 10,792 | 1,486 | 1,472 | 99% | 4, 6 |
| 7 | Street Lights | Operations | EMP 5.48 | Pole/Fixture | 4,016 | 2,712 | 2,712 | 100% | |
| 8 | Infrared Inspection | Maintenance | EMP 5.22 | Circuit | 1,017 | 1,017 | 1,017 | 100% | |

## Prior Referenced Response:

[i] OCC-596 Question:

Refer to Exhibit CLP-TSP-1 at 55, "…plan to maintain a transformer fleet that does not exceed 70 years of age." Identify every law, regulation, manufacturer requirement, or mandatory engineering standard that requires a substation transformer to be retired at 40 years, 70 years, or any other specified age. If no such requirement exists, please confirm.

a. Provide all existing studies, analyses, and historical data relied upon by the Company to conclude that transformer failure risk increases rapidly as transformers approach or exceed 70 years of age. If the Company has not performed an empirical analysis using its transformer-failure experience, please justify.
b. Provide the Company data and analyses used to establish the transformer age thresholds or replacement criteria in the TSP, including the stated 40-year useful life and increased failure risk near 70 years. Include the age and cause of failure for each Company transformer that failed during the period covered by the analysis. If the criteria are not based on the Company's actual failure experience, identify the source on which they are based.

OCC-596 Response

There are no laws, regulations, manufacturer requirements, or mandatory engineering standards that require substation transformers to be retired at a specific age. The age of a power transformer is one of the most important factors in assessing asset condition. Although actual service life varies widely depending on the manufacturer's design, quality of assembly, materials used, operating history, current operating conditions, and maintenance history, the average expected life for an individual transformer is approximately 40 years according to industry consortiums, and

manufacturers. International reliability surveys (i.e., CIGRE) report major failure rates on the order of ~0.3% per transformer-year across large populations, with failure behavior influenced by aging and asset condition. Industry asset-management guidance supports risk-based decision-making that balances failure risk and cost.

Eversource employs several methods to both actively and passively monitor the health of distribution power transformers within its service area. Active and continuous monitoring methods include out of specification alarming. Alarms may include indications for bushing monitoring (if applicable), LTC trouble, dissolved gas (if applicable), oil level alarms, and oil temperature alarms, among others.

This information along with periodic maintenance and testing reports provide data into Eversource's condition-based asset management methodology that draws on multiple sources including:

• Transformer nameplate characteristics
• Oil quality and DGA trends
• Abnormal thermal, electrical, or core indicators derived from PTX health modeling
• Maintenance and inspection records
• Power Factor Testing

Eversource utilizes a detailed asset health score generated through the Electric Power Research Institute (EPRI) PTX tool to assess power transformer asset health. OCC-596, Attachment 4 CONFIDENTIAL, is a technical guide to the EPRI Power Transformer Expert System (PTX). The PTX tool evaluates normal degradation, abnormal operating conditions, oil quality, and age to produce two critical indicators: the Long-Term Health Index (LTI) and the Short-Term Health Index (STI). The PTX health index is measured in the range of 0 to 1, with 0 meaning healthy and 1 needing immediate replacement. A value greater than 0.5 is considered poor health, such that if repair/replacement is not performed the transformer will continue to decline leading to equipment failure.

Eversource has 27 transformers in CT, or about 8.6% of the fleet, that fall within the range considered to be in poor condition. This means that without repair or replacement, their condition is expected to continue declining, increasing the risk of equipment failure. As a result, Eversource continues to prioritize and initiate replacement projects for these transformers.

Attachments included note that multiple industry sources discuss aging and failure rates of substation power transformers.

- OCC-596, Attachment 1 CONFIDENTIAL, A2 Cigre Brochure 939 AC Transformer Reliability
- OCC-596, Attachment 2 CONFIDENTIAL, 1013566 Plant Support Engineering Large Transformer End of Expected Life Considerations and the Need for Planning
- OCC-596, Attachment 3, EXEC-2022-001242 - Large Power Transformer Resilience Report 7-10-24
- OCC-596, Attachment 4 CONFIDENTIAL, 3002026877_Power Transformer Expert System (PTX) Software Application Guide_ Introduction to PTX, Overview, Technical Basis and Application Information

Based on industry experience, while transformers can operate beyond their typical design life of 40 years, the risk of failure exponentially increases after 70 years of service life, due to paper insulation degradation. OCC-596, Attachment 1 CONFIDENTIAL, a CIGRE study from 2024, shows the failure rate of transformers has a noticeable increase starting at 40 years and exponentially increases as the asset exceeds 65 years old. This study reviewed analysis of thousands of transformers including many voltage classes from around the world to build depth into the data available. OCC-596, Attachment 2 CONFIDENTIAL is an EPRI paper discussing "Large Transformer End-of-Expected Life" which notes "the useful life of a large, oil-filled transformer is between 30 and 40 years with insulation

or bus supports being the most likely to fail due to age. For the insulation, thermal aging of the paper insulation is the likely cause of failure."

OCC-596, Attachment 3, is a Department of Energy report from 2024, citing that large power transformers "are typically considered to have a design lifetime on the order of 40 years. In 2014, a DOE report estimated that the average age of LPTs in the North American grid was 38–40 years, indicating that a substantial fraction of those LPTs are at or over that design lifetime. These LPTs will ultimately need to be replaced or refurbished." These industry research groups and others have provided basis within their published studies to support the concerns of failure with any transformer over 40 years in-service.

As a result, Eversource's Asset Health philosophy for transformers is to operate transformers to their maximum useful life, but plan to maintain a transformer fleet that does not exceed 70 years of age and an average age of approximately 35 years. The objective is to find the balance between affordability and preventing an aged transformer fleet that approaches the "knee of the curve" which results in failure rates that increase significantly. With a large portion of the transformer fleet being between 50 and 80 years old, as these transformers continue to approach and exceed 70 years, the rate of failure will increase rapidly. Due to the complexity and time duration of procuring and replacing transformers, a significant increase in failures would result in the inability to maintain reliability by reactively replacing an increased volume of transformer failures.

The six most recent failures of transformers in CT were all attributed to internal failures of the transformer. The ages of the failed transformers were 32, 50, 52, 52, 56, and 83 years old at the time of the failure.

Date Filed: October 06, 2026

**Witness: David L. Gladey and Steven Lamontagne**
**Request from: Office of Consumer Counsel**

**Question:**

State the criteria the Company applies in deciding whether an asset is replaced, repaired, or left in service, and provide the written standard with the effective date of each version in force between 2017 and 2025.

**Response:**

The Company does not rely on a single replacement standard applicable to all distribution assets. The Company applies a condition-based asset management approach to determine whether a distribution overhead ("OH") or underground ("UG") asset should remain in service, be repaired, or be replaced. These decisions are governed by the applicable Distribution Eversource Maintenance Program (EMP) standards and asset-specific EMP standards in effect during the period 2017 through 2025. The Company's EMP establishes inspection requirements, inspection frequencies, maintenance requirements, and corrective action processes for distribution assets.

Under the EMP, distribution assets are required to have routine inspections, testing, and preventive/predictive maintenance activities completed on a time-based maintenance program. There are also condition-based maintenance requirements dictated on an as required basis. Inspection and maintenance findings are documented and evaluated through the Company's maintenance management systems, and follow-up corrective work orders are generated when deficiencies are identified.

Following inspection, testing, or maintenance activities, an asset may:

**Remain in Service** when the asset is found to be operating as intended, meets applicable inspection criteria, does not present safety or reliability concerns, and has sufficient remaining useful life to continue providing service.

**Be Repaired** when identified deficiencies can be effectively corrected through maintenance, repair, refurbishment, adjustment, or replacement of individual components. Repair is generally the preferred corrective action when it is technically feasible, cost-effective, and expected to restore the asset to an acceptable operating condition while maintaining an appropriate remaining service life. Examples include corrective maintenance identified through inspections, replacement of failed or degraded components, and routine replacement of consumable items such as batteries used in control boxes, fault indicators, and similar distribution devices.

**Be Replaced** when inspection findings, testing results, maintenance history, or condition assessments indicate that the asset has reached the end of its useful life or cannot be reasonably restored through repair. Conditions that may warrant replacement include substantial corrosion or rust, advanced deterioration, structural degradation, significant physical damage, repeated failures, obsolescence, or circumstances where repair would not provide an adequate remaining service life or would not be economically justified.

Consistent with EMP 5.00, inspection findings requiring follow-up action are prioritized based on the severity of the condition and potential safety, reliability, and structural impacts. Deficiencies that present significant structural, safety, or reliability concerns are assigned the highest priority for corrective action. Less severe deficiencies are scheduled for repair based on risk, condition, and maintenance cycle requirements.

Date Filed: October 05, 2026

**Witness: David L. Gladey, Steven Lamontagne, Leanne M. Landry and Jeffrey D. Turano**
**Request from: Office of Consumer Counsel**

**Question:**

For each year 2017 through 2025, state the number and installed cost of assets replaced under the annual programs in Exhibit CLP-ADDITIONS-4 that had not been assessed as deficient at the time of replacement, and the basis on which those replacements were made.

**Response:**

The Company establishes annual projects and programs to proactively maintain, replace, and enhance electric distribution infrastructure based on asset condition, system performance, safety requirements, reliability objectives, and forecasted operational needs. Annual programs provide a structured framework for planning and executing capital investments, enabling the Company to efficiently manage anticipated asset additions and retirements and develop budgets based on historical investment levels, operational experience, and forecasted system needs.

The Company does not replace equipment solely based on age or failure risk without first conducting an appropriate assessment. Equipment is evaluated to determine its condition and the appropriate corrective action in accordance with applicable engineering standards, technical guidelines, asset management practices, and industry best practices. Replacement is undertaken only when the assessment indicates that it is the prudent and technically justified course of action to maintain the safety, reliability, and integrity of the electric distribution system.

The Company asset replacement strategy is primarily focused on proactively identifying and addressing equipment performance and degradation before impact to the system or service to our customers. While certain assets may remain in service until the end of their useful lives, the Company may elect to replace equipment before failure occurs when inspections, condition assessments, or predictive analytics identify an elevated risk of failure. This proactive approach reduces the likelihood of service interruptions, enhances public safety, and supports the reliable and efficient operation of the distribution system. In addition, planned replacements are more cost-effective than emergent-driven reactive replacements, as they minimize outage-related costs, avoid expedited procurement and increased labor expenses, and reduce the potential for collateral damage to adjacent facilities.

As a general matter, asset replacement decisions under the Company's annual capital programs are not based exclusively on asset monitoring, deficiencies or condition assessments. While identified

deficiencies, poor performance, reliability concerns, safety considerations, and risk mitigation are important drivers in determining replacement, assets could be replaced as part of planned system work.

For example, replacement of existing equipment may be required in conjunction with distribution system upgrades such as new customer service installations, system reconfigurations, capacity improvements, or other planned capital work written under an annual program. In these circumstances, the scope of work may necessitate replacement of an existing asset to accommodate new facilities or to meet current design and engineering standards, regardless of whether the existing asset had been previously assessed as deficient or not.

Date Filed: October 06, 2026

**Witness: David L. Gladey, Lavelle Freeman, Steven Lamontagne, Elli Ntakou, Leanne M. Landry and Jeffrey D. Turano**
**Request from: Office of Consumer Counsel**

**Question:**

System resiliency and expanded reliability are reported in Exhibit CLP-ADDITIONS-12 at $30 million (page 82), $38 million (page 101), $58 million (page 120), $61 million (page 144) and $26 million (page 166). Disaggregate each amount by program and provide, per program and year, the units installed, replaced or removed, the unit cost, and the reliability benefit measured after completion.

**Response:**

Please refer to the table below for disaggregated System Resiliency/Expanded Reliability amounts by program.

**CL&P Distribution**
**System Resiliency Budget by Year**
**$ Millions**

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Pole Integrity Program | 10 | 11 | 13 | 8 | 8 |
| Recloser Control Program | 1 | 0 | 0 | 0 | 0 |
| Right of Way Lines | 10 | 13 | 13 | 25 | 4 |
| Smart Switches Program | 4 | 8 | 29 | 26 | 10 |
| Double Pole Removals | 2 | 5 | 5 | 5 | 5 |
| Substation Security | 2 | 2 | 1 | 1 | 0 |
| | 29 | 39 | 60 | 63 | 27 |

Note: Totals may be slightly different due to project categories being updated for certain projects over time.

The amounts noted above are budget amounts from the capital plan books. The specific details supporting the budget amounts are included in the Exhibit CLP-ADDITIONS-4 for the project listing including those projects under the pole integrity program, recloser control program, right of way lines, smart switches program, double pole removals, and substation security, and Exhibit CLP-ADDITIONS-6 where the Company has provided Project Authorization Forms with the details of each project.

Date Filed: October 09, 2026

**Witness: David L. Gladey, Lavelle Freeman, John P. Dipaola-Tromba, Leanne M. Landry, Elli Ntakou and Jeffrey D. Turano**
**Request from: Office of Consumer Counsel**

**Question:**

For each project or program classified as Reliability, Network Reliability or Expanded Reliability in Exhibit CLP-ADDITIONS-1 during 2017 through 2025, identify the circuit, substation or device affected and provide SAIDI, SAIFI and customer interruptions for that circuit for the three years before and the three years after the in-service date.

**Response:**

Please refer to OCC-803, Attachment 1, for the requested circuit-level SAIDI, SAIFI, customer interruption, and in-service date information.

The Company designs and manages distribution work through its Work Management System ("WMS"). The WMS contains a hierarchical structure in which programs contain projects, and projects contain work orders. Work orders include a free-form circuit field and may be associated with one or more circuits. Work orders also contain multiple point locations or station references, which generally correspond to physical structures such as poles, pads, manholes, vaults, or similar construction locations where equipment and construction units are installed. These structures are not maintained within the WMS in a manner that can be readily associated with a specific protective or isolating device for purposes of extracting historical reliability performance at the individual device level. As a result, the Company cannot reasonably identify and provide device-level SAIDI, SAIFI, and customer interruption metrics for all reliability-related work performed between 2017 and 2025.

The level of analysis required to associate individual reliability investments with specific devices and outage performance was previously performed as part of a reliability benefit-cost analysis conducted in 2023. That effort required approximately one year of detailed engineering review and manual analysis. Given the volume of work orders and projects included within the Reliability, Network Reliability, and Expanded Reliability investment categories over the 2017-2025 period, the Company cannot replicate that level of device-specific analysis in response to this interrogatory. A subset of reliability projects was analyzed as part of that study, and information regarding that analysis is available in response to EOE-364[i].

Notwithstanding these limitations, the Company was able to identify one or more associated circuits for approximately 95 percent of the work orders within the requested investment

categories. The associated circuit information and the requested circuit performance metrics are provided in OCC-803, Attachment 1.

The Company also notes that the requested comparison of pre- and post-construction SAIDI and SAIFI metrics should be interpreted with caution. Many reliability investments are intended to address risks that are not directly reflected in circuit reliability indices, or whose benefits may only materialize through the avoidance of infrequent but high-impact failures. As described in Exhibit CLP-ADDITIONS-1, several of the identified programs are primarily focused on asset condition, system resiliency, worker safety, public safety, operational flexibility, or risk mitigation rather than direct circuit reliability improvements. For example:

- The Underground Structure program rebuilds or replaces deteriorated manholes, vaults, service boxes, and duct structures to address structural deficiencies and public safety risks. The primary purpose of this program is to prevent catastrophic structural failures rather than drive measurable SAIDI or SAIFI reductions.

- The Underground Cable & Equipment Replacement and Direct Buried Replacement programs replace aging underground cable assets that have exceeded their expected service lives. These investments primarily reduce the risk of future failures and improve long-term system reliability, but year-over-year changes in circuit performance metrics may not fully capture the value of avoided outages.

- The Pole Integrity program replaces deteriorated poles that no longer meet structural requirements due to decay or insect infestation. The benefits of these investments are primarily related to safety, storm resiliency, and reducing the likelihood of future failures.

- The Right of Way program replaces aged conductors, poles, switches, and crossarms on critical overhead facilities using resiliency standards. These investments address aging infrastructure and public safety concerns and may not result in an immediate or directly observable change in annual SAIDI or SAIFI performance.

- The Smart Switch Program, Reliability Improvement Projects, and Reliability Improvement-DR Annual programs are more directly targeted toward reducing customer outage exposure through sectionalization, automation, and other targeted reliability improvements. However, the work performed under these programs frequently addresses a specific backbone segment or lateral section of a circuit, rather than the entire circuit, although some larger projects may have broader circuit-wide impacts. As a result, the benefits of these investments may be realized within a limited portion of the circuit and may not be readily discernible in circuit-level SAIDI, SAIFI, or customer interruption metrics. Furthermore, reliability outcomes remain influenced by weather, vegetation, third-

party damage, equipment failures outside the project area, and other factors that are independent of the project itself.

Accordingly, while OCC-803, Attachment 1, provides the requested circuit-level performance information where circuit associations could be identified, the Company does not believe that circuit-level SAIDI, SAIFI, or customer interruption trends alone are sufficient to evaluate the benefits of many of the reliability investments included in the requested categories. Numerous projects were undertaken to address asset health, safety, resiliency, operational flexibility, and risk reduction objectives that are not fully reflected in historical circuit reliability metrics. In addition, many circuits were subject to multiple reliability investments performed under different programs and in different years during the study period. As a result, circuit-level reliability performance reflects the cumulative effects of numerous projects, operating conditions, weather events, vegetation activity, equipment failures, and other factors, and should not be interpreted as being attributable to any single project, work order, or program investment. Consequently, changes in circuit-level SAIDI, SAIFI, or customer interruption metrics before and after a particular project may not fully capture the benefits associated with that investment and should not be viewed as a comprehensive measure of project effectiveness. Additionally, many projects included in the requested period were placed in service during 2023 through 2025. Because only a limited amount of post-construction outage history is available for these more recent investments, and because reliability benefits often emerge over multiple years of system operation, the available data may not yet provide a representative measure of their long-term effectiveness.

**Prior Referenced Response:**

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[i] EOE-364 Question:

(VEGETATION MANAGEMENT PROGRAM) Refer to Response to EOE-151. The interrogatory requested the Company to "provide the cost benefit analyses the Company performed for determining reliability projects for the 2025 Test Year"; however, no such BCA was provided.

a. Provide the 2024 Reliability Budget Optimization Tool (ReBOT) referenced in the response, along with the 2023 BCA.
b. Explain how the BCA was incorporated into the ReBOT and, if necessary, provide an exhibit demonstrating how the BCA inputs were used.

EOE-364 Response:

Please refer to EOE-364, Attachment 1, for details regarding the 2023 Benefit-Cost Analysis ("BCA") and an overview of the 2024 Reliability Budget Optimization Tool ("ReBOT") referenced in the Company's response to EOE-151[i].

The BCA was developed to evaluate the historical effectiveness of several reliability improvement strategies by analyzing the relationship between investment costs and observed reliability benefits. Specifically, the analysis

examined more than $250 million of reliability investments completed between 2010 and 2020 and measured the resulting reliability impacts, including reductions in Customer Minutes Interrupted ("CMI") and Customers Interrupted ("CI"), by work type. The study produced estimates of the average reliability improvement and cost-effectiveness associated with each mitigation strategy.

The results of the BCA were subsequently incorporated into the ReBOT investment optimization model. ReBOT evaluates active outage zones, determines which mitigation strategies are applicable based on system configuration and operating characteristics, and applies the BCA-derived reliability improvement factors and cost assumptions to estimate the expected reliability benefits and cost-effectiveness of potential investments. For each outage zone, ReBOT calculates the anticipated reliability benefit associated with each applicable mitigation strategy and identifies the most cost-effective alternative. Recommended investments are then ranked across all programs based on estimated reliability benefit relative to cost and may be selected subject to budgetary constraints and reliability performance objectives.

Slides 16 through 23 illustrate how the BCA outputs are incorporated into ReBOT. As shown, historical outage and work management data were used in the BCA to develop cost and performance relationships by work type. These relationships, including estimated percentage reliability improvements and unit cost assumptions, serve as inputs to ReBOT and are applied to current outage zone performance data to estimate expected CMI reductions, project costs, and cost-effectiveness metrics. ReBOT then uses these calculations to prioritize investments and develop an optimized portfolio of reliability projects.

ReBOT is not a standalone application but rather a collection of SQL Server database tables, business rules, analytical calculations, and ETL (Extract, Transform, and Load) processes used to integrate and analyze outage, asset, and work management data. As such, the tool itself cannot reasonably be produced in response to this interrogatory. EOE-364, Attachment 2, provides a representative example of the most recent ReBOT output generated using the latest available system data.

The history of the BCA/ReBOT development Process is as follows:

- **December 2023**: Completion of the Benefit-Cost Analysis evaluating the historical effectiveness and cost-effectiveness of various reliability mitigation strategies.
- **January 2024 - October 2024**: Development of the ReBOT framework, including creation of database structures, analytical methodologies, and ETL processes necessary to address data quality, integration, and modeling challenges.
- **October 2024**: Preliminary recommendations were provided to Engineering for review and feasibility assessment, including evaluation of the top twenty device-level recommendations. Engineering feedback was subsequently incorporated into the model and prioritization logic.
- **2025 - June 2026**: Calibration and refinement period. Engineering feedback was continually incorporated to improve recommendation quality, increase the percentage of actionable recommendations, and enhance model performance. Additional analysis of the original BCA results was performed to normalize observed reliability impacts relative to overall Company reliability performance. ReBOT recommendations generated for the 2025 TripSaver program were used to support investment prioritization decisions.
- **June 2026**: First production-ready ReBOT output was used to develop proposed 2027 reliability work plans, including reconductoring projects, TripSaver installations, backbone sectionalizing projects, and radial recloser installations.

The Company has not included ReBOT outputs generated during 2024 because those results were produced during the initial development and testing phase of the tool and do not reflect subsequent model enhancements, calibration efforts, data quality improvements, and engineering feedback that were incorporated between 2025 and June 2026.

During this period, the Company refined the underlying benefit assumptions, improved data integration processes, normalized historical reliability results relative to overall Company performance, and incorporated engineering review of recommended investments to improve the quality and applicability of model outputs. Accordingly, the Company believes that the most recent 2026 ReBOT output, provided as EOE-364, Attachment 2, is the most representative and informative example of the tool's current functionality and investment prioritization methodology. Providing earlier developmental outputs could be misleading because they do not reflect the current model logic and capabilities used to support reliability investment planning.

[i] EOE-151 Question:

(VEGETATION MANAGEMENT PROGRAM) Refer to Exhibit CLP-ELP-1, p. 67. Please provide the cost benefit analyses the Company performed for determining reliability projects for the 2025 Test Year.

EOE-151 Response:

As part of compliance with Docket No. 17-12-03RE08, the Company performed the referenced Benefit-Cost Analysis ("BCA") in 2023 using historical reliability projects, their associated costs, and their observed impact on SAIDI and SAIFI.

In 2024, the BCA results were incorporated into the Reliability Budget Optimization Tool ("ReBOT"). ReBOT uses the BCA results as a baseline to determine the cost-optimal reliability mitigation measure for each zone. It first creates a list of zones eligible for reliability mitigation by evaluating historical outage performance at the individual-zone level. The tool then estimates the potential reduction in customer interruptions and customer minutes of interruption associated with various eligible remediation alternatives. The estimated reliability benefit of each alternative is then evaluated relative to its estimated project cost using $/SAIDI or SAIFI per unit reduction as the metric to determine the most cost-effective mitigation measure. This process identifies and prioritizes potential device deployments and other remediation alternatives that are expected to provide the greatest reliability improvement in a cost-effective manner.

The initial ReBOT recommendations were produced in late 2024. Due to the timing of the Company's project-planning cycle, the recommendations were used to support project selection for the 2025 and 2026 TripSaver Program. ReBOT's use was subsequently expanded to support both the TripSaver, Smart Switch and reconductoring Programs in 2027.

ReBOT is an evolving analytical tool, and the Company continues to refine its methodology and expand its application as additional experience and data become available.

The BCA and ReBOT are used as project-screening and prioritization tools and are not intended to predict the precise impact of future projects or programs. Final project selection also considers engineering judgment, constructability, local system conditions, operational requirements, and other project-specific factors. As such, benefits and costs of each project may differ from the tool's results for a multitude of reasons.

Date Filed: October 05, 2026

**Witness: Lavelle A. Freeman and Elli Ntakou**
**Request from: Office of Consumer Counsel**

**Question:**

Refer to Exhibit CLP-TSP-1, p. 76. Table 1 reports Blue-Sky SAIDI of 70.7 minutes in 2021 and 77.5 minutes in 2025. Reconcile that performance with the reliability capital placed in service over the same period, and state the reliability performance the Company expected to achieve from that investment as documented at the time of authorization.

**Response:**

Please refer to OCC-804, Attachment 1 - CL&P Distribution Reliability Plant Inservice – 2021-2025 for the reliability capital placed in service between 2021 and 2025.

It is accurate that, between 2021 and 2023, the Company's plant additions placed in service increased from approximately $161M (in 2021) to $236M (in 2023) and that the Company's Blue-Sky SAIDI improved from 70.7 to 68.0 minutes, which is a reduction of approximately 3.8%, although Blue Sky SAIDI then increased in 2024 and 2025. This performance experience demonstrates that reliability-based capital additions are critical to system health, flexibility and overall system performance; however, the impacts of capital additions cannot necessarily be directly and instantaneous translated to SAIDI and SAIFI performance. Changes in plant additions do not necessarily have an immediate effect and, instead, more typically produce results that are experienced over a multi-year period and accrue over the life of the assets. This is why reliability investments are most successful with consistent and adequate investment combined with an analytical planning approach. The factors that impact reliability within a given year include the timing, location intensity of external impacts on the system, the circumstances of minor weather events, aging infrastructure failures outpacing the rate of replacement, changing surrounding tree conditions and other circumstances. Reliability is not a "set it and forget it" system property and this is the reason that consistent investment is required to maintain and improve reliability. For example, Eversource's ReBOT model shows that maintaining reliability comes at an increasing cost as opportunities that defer a lot of historical outages or predicted risk are gradually mitigated.

Consequently, one year's investment does not necessarily produce an immediate corresponding reduction in SAIDI.

In addition, many investments are targeted at infrastructure replacement versus driving SAIDI performance such as the replacement of underground PILC cable and direct buried cable.

Reliability investments made in reducing aging infrastructure primarily prevent further deterioration of an aging infrastructure versus year over year reliability improvements.

Lastly, many of the investments target resiliency as opposed to Blue Sky SAIDI, such as pole integrity, right-of-way rebuilds and enhanced tree removals. These programs are designed to reduce the impact of major storms and high-impact events that represent benefits that may not be fully reflected in Blue-Sky SAIDI.

Date Filed: October 05, 2026

**Witness: Lavelle A. Freeman, Gerhard Walker, Juan F. Martinez, Steven C. Osuch, Leanne M. Landry and Jeffrey D. Turano**
**Request from: Office of Consumer Counsel**

**Question:**

Refer to Exhibit CLP-ADDITIONS-12, p. 145. Company attributes the 2024 decrease in Peak Load/Capacity to "large Substation capacity projects (6 in 2023 versus 3 in 2024)." Identify each substation capacity project undertaken during 2017 through 2025, with the load forecast and planning criterion relied upon at authorization, the measured peak load in the five years after in-service, the total cost, and any non-wires alternative evaluation.

**Response:**

Please refer to OCC-80,5 Attachment 1. This Excel workbook contains a list of substation transformer projects driven by capacity needs that were installed and in service between 2017 through 2025. The Company has also added capacity projects to the list that had significant capital spend within the same timeframe but are not yet in service. All historical load forecasts available for these substations at the time of authorization are provided in the separate worksheets within the attachment. Please note that some projects are not listed with a standardized 10-year forecast because they were developed prior to 2017. However, The Company has provided the 2017 (earliest available) forecast for these projects. Columns I through M of the table identify the recorded peak load value for the following 5 years after in service date, if available.

For projects initiated and developed prior to 2017, the Company relied on a different application for forecasting substation loads. The historical load forecasts and values are not maintained in this application as the values become overwritten by, non-weather normalized, actual peak loads once they occur and are recorded.

Date Filed: October 05, 2026

**Witness: David L. Gladey, Brendan J. O'Brien, Garrett J. Murray, Marisa B. Paruta, Leanne M. Landry and Jeffrey D. Turano**
**Request from: Office of Consumer Counsel**

**Question:**

Refer to Exhibit CLP-TSP-1 at p. 39 to 71, section IV – Roadmap of the 5-Year TSP plan. State whether any asset placed in service during 2017 through 2025 and included in the recovery request at page 45 of Exhibit CLP-ADDITIONS-1 is scheduled for replacement, upgrade or removal under that plan, with the amount in rate base, the remaining book life, and the reason.

**Response:**

The Company does not anticipate or intend to proactively replace recently installed equipment prior to the end of its useful life. When an asset is replaced, the Company designs and installs the replacement equipment in accordance with the design standards and requirements applicable at the time.

Any future replacement decision would be evaluated based on the circumstances existing at the time, including applicable design standards, asset condition, reliability considerations, safety requirements, and other relevant factors. While it is possible that a change in standards or other circumstances could result in replacement of an asset before the end of its useful life, the Company expects such instances to be limited.

Please refer to OCC-793[i] regarding the remaining book life for when assets are replaced.

**Prior Referenced Response:**

[i] OCC-793 Question:

Refer to Exhibit CLP-ADDITIONS-1, p. 45. Approximately $4.3 billion of capital additions has been placed in service since January 1, 2017. Identify all such additions retired, abandoned or written off before the end of their depreciable life, with the in-service and retirement dates, the original cost, the amount remaining in rate base, and the reason.

OCC-793 Response:

Please refer to OCC-793, Attachment 1, for all additions of specific property since January 1, 2017 that were retired before the end of their depreciable life including in-service and retirement dates, original cost, amounts remaining in rate base and the reason for retirement.

Retirements of specific property are generally recorded at the full value of the individual asset, whereas mass property retirements are accounted for using the applicable mass property retirement methodology. In some cases, specific property asset retirements are partial, or trended. This occurs when the original asset record includes units of property not separately unitized at the time of installation. When the original cost of the retired asset cannot be specifically identified, the Company utilizes the Handy-Whitman index to trend the replacement cost back to the original installation year to estimate its historical cost. The estimated amount is then retired from the existing asset and charged to the accumulated depreciation account. This process ensures that the cost of the replacement is removed from utility plant while the remaining portion of the original asset continues to be reflected in plant in service.

CL&P predominantly utilizes the Broad Group Procedure to depreciate utility property. Under the Broad Group Procedure, homogenous assets are grouped together and depreciated under a single average service life. When an asset within the group is retired, the asset is considered fully accrued, regardless of the asset's actual service life, and accumulated depreciation is debited for the full book cost of the asset. If an asset is retired prior to the average service life, any impact to depreciation expense will be recovered over time by assets that exceed the average service life of the group. The asset retirement dispersion is analyzed in future depreciation studies when creating an updated, proposed average service life and accompanying accrual rate.

Date Filed: October 05, 2026

**Witness: Lavelle A. Freeman and Elli Ntakou**
**Request from: Office of Consumer Counsel**

**Question:**

Refer to Exhibit CLP-TSP-3, at p. 7. The Company states that the Sustained tier maintains current reliability at minus 0.7 minutes of SAIDI, and that the Targeted System Performance tier improves performance by 6.1 minutes. Provide the calculation that produces the 6.1 minutes, identify the programs credited with the improvement, and state the SAIDI benefit assigned to each.

**Response:**

The SAIDI improvement is attributable to the following programs:

| **Programs** | **Sustained Performance** | **Targeted System Performance** |
|---|---|---|
| RELIABILITY IMPROVE SPEC PROJ | -4.7 | -8.9 |
| SMART SWITCHES PROGRAM | -9.2 | -10.4 |
| **Capital Improvement Total** | -14 | -19.3 |
| - Vegetation Improvement | -2.3 | -2.3 |
| + System Degradation | 15.6 | 15.6 |
| **Net Impact to SAIDI** | -0.7 | -6.1 |

Actual SAIDI improvements will vary based on a number of factors and minor storm events occurring within a given year and the pace at which aging infrastructure impacts system reliability.

In the year that the reliability upgrades are implemented, reliability performance will continue to be a function of the type of circumstances experienced by the system in that year (emergent work, pole hits, storm impact, asset failures and other circumstances). Reliability benefits will not necessarily be experienced immediately upon implementation of the reliability upgrade, as the benefit of these investments accrue over the lifetime of the asset. In addition, historical events cannot be assumed to repeat themselves in the same location. For example, capital improvements may be performed in one section of an overhead line where historical events have occurred, however those events may not recur at that location, or may occur again at a location downstream of the new plant addition in the future. For this reason, ReBOT utilizes historical outages that recur more frequently, indicating a concurrence of issues and a higher probability of recurrence, rather than focusing on large, isolated events.

Date Filed: October 05, 2026

**Witness: Lavelle A. Freeman, Leanne M. Landry, Elli Ntakou and Jeffrey D. Turano**
**Request from: Office of Consumer Counsel**

**Question:**

Refer to Exhibit CLP-TSP-3, at p. 7. There are no dedicated resiliency investment in the Sustained tier. Exhibit CLP-ADDITIONS-12, records system resiliency and expanded reliability spending in every year from 2019 through 2025, covering right-of-way lines, pole integrity, smart switches and substation security. Identify the storm resiliency work in the Targeted System Performance tier that was not already performed under those programs.

**Response:**

The system resiliency and expanded reliability programs recorded in Exhibit CLP-ADDITIONS-12, addressed individual components and functions on the existing system, including right-of-way lines, pole integrity, smart switches, and substation security. These programs were performed using a different approach than the storm resilience work proposed under the Targeted System Performance Plan. The programs in Exhibit CLP-ADDITIONS-12 were aimed at providing foundational resilience and reliability applicable to specific system components based on industry best practices, technology advances and Company standards.

The storm resiliency work included in the Targeted System Performance tier is designed from a different perspective that leverages a more proactive, holistic and longer-term approach that is informed by data analytics not historically available to the Company. Specifically, the storm resiliency work in the Targeted System Performance tier consists of full zone-level rebuilds starting in the zones with the highest potential for cost-effective resiliency improvement. These zones are identified using a data-driven methodological approach to identify at-risk zones based on historical performance, as well as predicted performance based on construction type, tree conditions, and customer impact.

In these zones, the Company will replace the existing bare-wire construction with spacer cable, an insulated-conductor design that can tolerate incidental tree contact, installed on current design standard poles. Therefore, rather than addressing individual components, this work is focused on replacing the complete bare wire overhead line spans in each targeted zone with a construction type that is more storm-resistant. This type of approach was not historically implemented for the programs identified in Exhibit CLP-ADDITIONS-12.

Date Filed: October 05, 2026

**Witness: David L. Gladey, Lavelle Freeman, John P. Dipaola-Tromba, Jennifer A. Schilling and Elli Ntakou**
**Request from: Office of Consumer Counsel**

**Question:**

Refer to Exhibit CLP-TSP-3, at p. 8. The Company shows the Targeted System Performance tier adding $374 million over five years above the Sustained tier, described as Enhanced Reliability, Asset Health and Resiliency Programs. Identify every program funded by that $374 million, with the amount and year for each, and state what each delivers that the Sustained tier does not.

**Response:**

The breakdown of the $374M per program and per year is as follows:

| Year of Program | Resilience ($1,000) | Asset Health ($1,000) | Enhanced Reliability ($1,000) |
|---|---|---|---|
| **2027** | 5,000 | 7,688 | 10,000 |
| **2028** | 25,000 | 17,440 | 15,280 |
| **2029** | 30,000 | 19,897 | 15,680 |
| **2030** | 40,000 | 45,137 | 16,113 |
| **2031** | 55,000 | 53,175 | 18,685 |
| **Total** | 155,000 | 143,337 | 75,758 |

Please refer to CLP-TSP-3, page 11, listing the benefits of the incremental spending on these programs from Sustained to Targeted System Performance Plan, namely rows "RE08 Resilience/ Reliability" for columns Resilience and Enhanced Reliability and "Asset Health Risk" for the Asset Health column, above.

There are multiple asset-health initiatives included in the $374M differential over the years 2027-2031. For example, $25M is included in the 2030 and 2031 investments for substation aging infrastructure replacements and transformer asset health programs. These investments would facilitate additional replacements of aging substation batteries, station service transformers, electromechanical relays, and circuit breakers. Transformer asset health is allocated $15M of the incremental investment each year in 2030 and 2031. This would facilitate the replacement of two additional substation transformers. These additional units bring the quantity of planned transformer replacements to the recommended level of eight replacements per year versus the six replacements in the Sustained plan. This plan includes $155M of resiliency funding focused on

targeted reconductoring with spacer cable design to improve storm performance and lower storm cost. Smart switch funding is accelerated by $27M to more quickly reduce the number of zones that impact over 500 customers and aging infrastructure is also accelerated in right-of-way ($22M), underground cable PILC replacement ($27M), and overhead bare Cu replacement ($20M) to prevent additional failures of these aging assets impacting both reliability and operational flexibility. Customer focused funding is also included to address CEMI ($21M) and to improve poor town scorecard performance ($27M) which typically impacts smaller groups of customers experiencing poor reliability performance.

In all of these categories, the work included in the Targeted System Performance tier is designed from a different perspective that leverages a more proactive, holistic and longer-term approach informed by data analytics not historically available to the Company. In each of the investment categories, programs and projects are identified using a data-driven methodological approach to identify at-risk zones based on historical performance, as well as predicted performance based on construction type, tree conditions, and customer impact. The fundamental theory in this shift to a more data-driven planning function is to drive efficiency and effectiveness so that the dollars invested go further and achieve more for customers due to the ability to harness analytical constructs to inform decisions.

Date Filed: October 05, 2026

**Witness: David L. Gladey, Lavelle Freeman, John P. Dipaola-Tromba, Jennifer A. Schilling and Elli Ntakou**
**Request from: Office of Consumer Counsel**

**Question:**

Refer to Exhibit CLP-TSP-3, at p. 11. In the table, The Targeted System Performance column is blank for Substation Capacity, DER Enablement, Substation Transformer Replacements per Year, Average Fleet Age in 2040, and Oldest Unit in 2040. Provide the value for each of those rows under the Targeted System Performance tier.

The Sustained tier and the Targeted System Performance tier both expecting one transformer failure per year starting in 2030, both showing Grid Mod average annual impact of $14 million, and both showing vegetation management of $91 million per year starting in 2028. State what the incremental $374 million changes in each of those three measures.

**Response:**

Exhibit CLP-TSP-3, at p. 11, rows are blank for Substation Capacity and DER Enablement as there are no incremental investments specifically for substation peak load/capacity projects under the Targeted System Performance plan. As shown in Exhibit CLP-TSP-3, at p. 93-95, all substation peak load/capacity projects are either in the (current) 2026 Plan or the Sustained Performance Plan.

The row of information noted for Substation Transformer Replacements/Year in the Advancing the Grid column was incorrectly placed and should have been noted under the Targeted System Performance plan. These incremental funds of $15M per year starting in 2030 support the increase of the average quantity of transformer replacements from six to eight units per year. The increased quantity of replacements reduces the risk of aging transformers failing and creating abnormal system conditions and customer impacts. Lowering the risk enables the reduction in the funding necessary to cover transformer failures starting in 2030 and allows this funding to be diverted into other areas of need within the asset health portfolio.

The $374M changes in the investment plans from the Sustained tier to the Targeted System Performance plan do not include any proposed changes to the investments for Substation Capacity, DER Enablement, Grid Mod, or Vegetation (O&M).

Date Filed: October 05, 2026

**Witness: David L. Gladey, Lavelle Freeman, John P. Dipaola-Tromba, Jennifer A. Schilling, Leanne M. Landry, Elli Ntakou and Jeffrey D. Turano**
**Request from: Office of Consumer Counsel**

**Question:**

For New Customer, Peak Load and Capacity, and substation transformer replacement, provide the five-year amount in each of the three tiers shown at page 7, of Exhibit CLP-TSP-3. For each category, state the amount already placed in service during 2017 through 2025 as recorded in Exhibit CLP-ADDITIONS-12, and what remains to be built.

**Response:**

Below, the table provides the five-year total planned investments in the categories of New Customer, Peak Load & Capacity, and Substation Transformer Asset Health (replacements). The investment values noted are for ongoing or future planned projects. These investments are not included in the 2017-2025 in-service plant addition values.

**5-Year Amounts by Tier:**

| | 2027-2031 Investment ($M) | | |
|---|---|---|---|
| Program | Sustained Performance | Targeted System Performance | Advancing the Grid |
| New Customer | $400.0 | $400.0 | $447.6 |
| Peak Load / Capacity | $393.0 | $393.0 | $403.7 |
| S/S Transformer Asset Health | $243.3 | $273.3 | $273.3 |

Please refer to the table below for amounts placed in service from 2017 through 2025 for the New Customer, Peak Load and Capacity, and substation transformer replacement categories.

**CL&P Distribution**
**2017-2025 In-Service Plant Additions**

| | 2017-2025 |
|---|---|
| New Customer-ED | $ 383,195,893 |
| Peak Load / Capacity-ED | $ 278,911,851 |
| S/S TRANSFORMER RELIABILITY | $ 76,997,671 |

For clarification purposes, Exhibit CLP-ADDITIONS-12, reflects the values of capital expenditures, not the values for in-service plant additions.

Date Filed: October 05, 2026

**Witness: Lavelle A. Freeman and Gerhard Walker**
**Request from: Office of Consumer Counsel**

**Question:**

Refer to Exhibit CLP-TSP-1, at 49.

a. Provide hourly load forecast in MW and MWh for next 10 years for each proposed capacity project.
b. Provide the contingency standard applied to the proposed stations including the normal and emergency ratings at feeder and substation level.

**Response:**

a. The Company does not currently generate an hourly load forecast.

b. Please refer to CLF-SC-023, Attachment 1, for the Distribution System Planning Guide ("DSPG"). All substation contingency limits are defined by the Load Carrying Capability, or "LCC." Specifically, substation ratings are defined starting on page 22, of the DSPG.

For substation capacity projects referenced in the Sustained performance plan, the LCC ratings are provided in the individual tables in OCC-591, Attachment 1.

For Feeders, the contingency standard per the DSPG is as follows:

Contingent Operation (N-1)

**Cables**
During contingent system conditions of the electric system, load levels may not exceed Normal Ratings for Cables. System changes are developed when cable limits are expected to exceed 100% of Normal rating during contingency operations. Operating above the Normal rating may involve loss of life or loss of tensile strength for conductors, loading must be reduced after one load cycle (24-hour period).

**Wires**
During contingency system conditions of the electric system, load levels may not exceed the following criteria:

- NH – Wires shall not exceed emergency rating, as per Distribution System Planning and Design Criteria Guidelines (ED-3002)
- CT/MA – Wires shall not exceed normal rating

For feeder capacity projects, the normal ratings are provided in OCC-594, Attachment 1.

Date Filed: October 05, 2026

**Witness: Lavelle A. Freeman, Gerhard Walker and David L. Gladey**
**Request from: Office of Consumer Counsel**

**Question:**

Refer to Exhibit CLP-TSP-1 at 49. List all projects included in both New Customer Load and Peak Load/Capacity categories. For each individual project, include:

a. A summary of the project scope, including the existing conditions and proposed solution.
    i. breakdown of project cost, including labor, materials, overhead, and contingency, etc.
    ii. The year of the constraint driving the project.
b. The in-service year for the project.
    i. State whether NWA solutions were considered for each project, and if so, provide the analysis, including benefit-cost-analysis.

**Response:**

a. The 2027 New Service and Load Capacity Projects are shown in OCC-813, Attachment 1 CONFIDENTIAL.

b. New customer load projects are not subject to NWA considerations per PURA's ruling in its Final Decision in Docket No. 24-08-08. For peak load/capacity projects, the Company submitted all projects to the process monitor as part of Docket No. 25-08-08 and the ongoing Docket No. 26-08-08. As these projects proceed through the solution selection and engineering stages, NWA and other alternatives will be vetted. The results will be submitted during the annual grid needs filing as part of the NWS docket.

    As part of that PURA approved process, the complete Benefit Cost Analysis (BCA) is available only after projects advance to a competitive solicitation, as the analysis relies on pricing and solution details provided by developers through the solicitation process. Without developer-specific cost information, a comprehensive BCA cannot be completed. As noted in PURA's Final Decision in Docket No. 26-08-08, no project was ordered to proceed with a competitive solicitation.