Date Filed: November 20, 2026

Witness: Douglas P. Horton
Request from: Public Utilities Regulatory Authority

Question:

(F-FACTOR) Exhibit CLP-TSP-1; Exhibit CLP-TSP-3; Interrog. Resp. EOE-156. Identify, for each program or sub-program in Exhibit CLP-TSP-3, whether the Company proposes to recover associated capital investments through: (1) base rates, (2) the F-factor mechanism described in the response to Interrogatory EOE-156 and its attachments, or (3) another cost-recovery mechanism. For each program identified as F-factor eligible, provide annual capital additions, expected plant-in-service dates, and the corresponding annual F-factor revenue requirement reflected in the Company's filing.

Response:

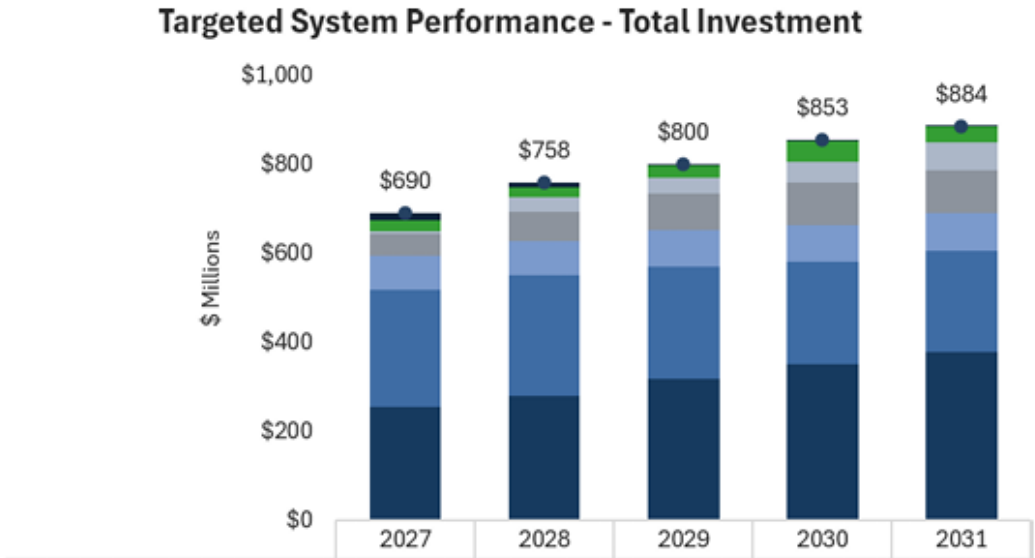
The Company's capital program is designed around the level of system performance that the Targeted System Performance ("TSP") plan will support. This is discussed in Exhibit CLP-TSP-3, addressing the value and purpose of each category of investment. Program classifications do not correlate to a specific rate mechanism – meaning that there are no programs that would be recovered in one mechanism, while other programs are recovered through another mechanism.

If PURA were to accept and approve the Company's proposed PBMRP, then all capital additions placed in service prior to December 1, 2026 would be recovered through base rates effective July 1, 2027. On that same date, the Company's F-Factor would take effect, with an annual adjustment each year on that same date for the duration of the PBMRP.

The F-Factor taking effect on July 1, 2027, would be designed to reflect the prospective revenue requirement on capital investment not captured in base distribution rates as part of the rate case in this proceeding (for instance if base rates are set to include investments through December 31, 2026, the F Factor going into effect on July 1, 2027, would be calculated based on the prospective revenue requirement for forecasted capital expenditures between January 1, 2027, and June 30, 2028). The F-Factor is intended to provide adequate revenue support for all prospective capital expenditures, except and unless PURA authorizes (or requires) a new program that is not currently reflected in the TSP.

The capital expenditures to be supported by the F Factor are summarized in Figure 7 of Exhibit CLP-ELP-1 in the Company's initial filing, pasted below for ease of reference.

Figure 7: CL&P Capital Funding Requirements (2027-2031)



	2027	2028	2029	2030	2031
Information Technology	$18	$10	$5	$1	$1
Facilities	$23	$24	$25	$47	$36
Regulatory Commitments-ED	$6	$31	$36	$46	$61
Peak Load / Capacity-ED	$50	$67	$84	$96	$96
New Customer-ED	$75	$77	$80	$82	$86
Basic Business-ED	$264	$269	$252	$231	$226
Reliability-ED	$254	$280	$319	$350	$378
Total	$690	$758	$800	$853	$884

The Company's response to OCC-858[i] provides annual forecasted capital investment for 2027 through 2031, by category and by program, and explains the relationship between forecast expenditures and plant additions. During the PBMRP, the F-Factor would provide incremental revenue support for the capital program based on eligible plant additions placed into service, subject to a downward-only reconciliation. The associated revenue requirement would be limited to the lesser of the cumulative approved forecast or cumulative actual eligible plant in service. Cumulative capital investment above the forecast would therefore not increase the amount of F-Factor support during the initial PBMRP term. Instead, capital investment above forecast, or otherwise incomplete investment, would not be eligible for recovery until the next base-rate proceeding is conducted.

Incremental capital programs not contemplated in the current forecast, including, for example, additional investments arising from AMI, EV programs and other specifically identified initiatives would require appropriate regulatory treatment, such as being added to the F-Factor allowance established for the current forecast.

> Because the F-Factor supports the Company's distribution capital program rather than establishing separate allowances for individual programs, the F Factor is not calculated at a program level.

The distinction between base-rate recovery and F-Factor support establishes the starting point in Rate Year 1, by determining which capital investment is already reflected in base rates. Thereafter, the focus shifts to the capital program contemplated by the approved forecast, with the F-Factor providing incremental revenue support as eligible capital is placed in service, subject to the downward-only reconciliation. Then, in the next base-rate proceeding, all capital additions placed in service and recovered through the F Factor during the term of the PBMRP would transfer into base rates for recovery, same as would occur in any rate case.

Prior Referenced Response:

---

[i] OCC-858 Question:

Refer to Exhibit CLP-ELP-1, figure 7. Please explain whether the amounts shown in Figure 7 are capital expenditures versus plant additions. Please explain any differences in the nature, or timing of the amounts shown in Figure 7 and the amounts of plant addition that would be used in comparing [i.e., determining "lessor of"] annual plant addition costs in the annual reconciliation filings.

a. Please identify, in disaggregated table form, all of the component costs included in each category of the amounts shown in Figure 7.

OCC-858 Response:

Plant additions and capital expenditures represent two different ways of viewing the same underlying investment. Capital expenditures are generally organized and managed around specific business objectives, programs, projects, or asset installation efforts, such as substation expansions, feeder rebuilds, pole replacement programs, or other distribution system investments. Capital expenditures are incurred over the course of project execution and may span multiple months or years depending on project scope, complexity, and construction schedules.

Plant additions, by contrast, are recognized when utility assets are placed in service and meet the applicable accounting criteria for recording as utility plant. Accordingly, a plant addition is generally recorded at a specific point in time, whereas the associated capital expenditures may have been incurred over an extended period.

The Company develops its forecast of plant additions using its capital investment plans, project schedules, anticipated in-service dates when possible, and historical experience. However, actual in-service dates may differ from forecasted in-service dates (where available) due to changes in project scope, construction sequencing, permitting, material

availability, operational considerations, weather, or other factors. Consequently, the timing of annual plant additions may differ from the timing of annual capital expenditures.

While such timing differences may occur in any given year, over a multi-year period it is reasonable to expect that plant additions, together with associated cost of removal, will generally track with capital expenditures.

The amounts shown in Figure 7 are forecasted capital expenditures associated with the Company's planned investment programs. As stated in its response to OCC-423i and other interrogatories, the Company's annual F-Factor reconciliation would consider specifically the plant additions actually placed in-service through the calendar year-end prior to a given annual filing.

For subpart (a) of this request, please refer to OCC-858, Attachment 1.