CL&P Consumer Dividend — Historical Backcas

Inputs & Assumptions | (PBR-O · O&M-per-customer trigger) | Privileged & Confidential
Blue = Fixed Assumption as defined in Testimony; Black = formula; Grey highlight input based on Actuals Data

ESCALATOR ASSUMPTIONS (PBR-O% = I− X − CD ; Z ≈ 0)	Rate Case Year								
	RY 1 (2018)	RY2 (2019)	RY3 (2020)	RY4 (2021)	RY5 (2022)	RY6 (2023)	RY7 (2024)	RY8 (2025)	
Inflation factor I (The composite OM&A input price index consisting of the Employment Cost Index ("ECI") for utility labor costs and an economy-wide inflation such as a GDP-FSDP for non-labor operating costs, weighted to reflect the historical industry OM&A labor/non-labor cost structure.	N/A	2.18%	1.68%	3.76%	5.76%	3.85%	2.83%	3.11%	*LEI Spreadsheet email 8/25*
Productivity factor X (near-zero in PBR-O)	N/A	-0.03%	-0.03%	-0.03%	-0.03%	-0.03%	-0.03%	-0.03%	*Set at -.03 per LEI Testimony*
Consumer Dividend CD (starting value)	N/A	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	*design input; 30 bps as discussed in LEI testimony.*
Year of PBR Term (assuming 4 year terms)	1	2	3	4	1	2	3	4	*Design Assumption*
PBR-O% (resulting annual escalation)	**N/A**	**1.91%**	**1.41%**	**3.49%**	**5.49%**	**3.58%**	**2.56%**	**2.84%**	*I − X − CD. CD is a discount before collection; with X near zero, PBR-O% ≈ I − CD.*
PBR-O O&M Base (O&M level escalation factor applied to)	$347	$364	$356	$372	$353	$395	$402	$403	*O&M excluding Storm funding*

O&M BASE ($ millions) — Core Operating Expense - Controllable O&M (Excluding expenses recovered seperately or not subject to management annual control)								
	RY 1 (2018)	RY2 (2019)	RY3 (2020)	RY4 (2021)	RY5 (2022)	RY6 (2023)	RY7 (2024)	RY8 (2025)
O&M Base per Rate Case	$291							
Actual O&M	$281	$308	$295	$316	$328	$341	$352	$352

CUSTOMERS	RY 1 (2018)	RY2 (2019)	RY3 (2020)	RY4 (2021)	RY5 (2022)	RY6 (2023)	RY7 (2024)	RY8 (2025)	
Total CL&P Customers RY1 Rate Case	1,251,053								Uses actual 2018 customer count for illustrative purposes
Actual Total CL&P customers	1,251,053	1,256,150	1,264,653	1,272,110	1,276,313	1,281,654	1,290,879	1,309,940	FF1 pg 300/301

GUARDRAILS		
CD start ≤ Inflation (tariff cap)	OK	Tariff language: the CD may never exceed the inflation factor I.

O&M-per-Customer Trigger — Illustration of how S Factor Determinatior

Core distribution O&M per customer vs. an inflation-escalated benchmark. Drives the ratchet. Fixed base · customer-count denominator ·

BENCHMARK — THE NUMBER TO BEAT

Index-year O&M per customer ($/cust) — $232.85 Year-1 approved core O&M ÷ total distribution customers; escalated at PBR-I each year.

DETERMINATION (Beat = actual O&M/cust below the benchmark)	2018	2018	2019	2020	2021	2022	2022	2023	2024	2025
Year	**Benchmark (RY1)**	**Y1**	**Y2**	**Y3**	**Y4**	**Benchmark**	**Y1**	**Y2**	**Y3**	**Y4**
Benchmark O&M $/cust	$232.85	$232.85	$237.93	$241.92	$251.01	$257.05	$257.05	$266.94	$274.49	$283.02
Core O&M ($M) - (historical)	$281	$281	$308	$295	$316	$328	$328	341	352	352
Total customers (historical)	1,251,053	1,251,053	1,256,150	1,264,653	1,272,110	1,276,313	1,276,313	1,281,654	1,290,879	1,309,940
O&M $/cust	$224.42	$224.42	$245.24	$232.96	$248.35	$257.05	$257.05	$265.74	$272.89	$268.60
Result	— (index)	**Beat**	**Miss**	**Beat**	**Beat**	— (index)	**Miss**	**Beat**	**Beat**	**Beat**
→ to ratchet (1 = beat)	—	1	0	1	1		0	1	1	1

- Benchmark (number to beat) is the Year-1 approved O&M per customer, escalated each year at the PBR inflation factor I. A year Beats when actual O&M per customer comes in below it — i.e., con
- Denominator is customer count, not load: O&M is driven by customers and assets, not throughput. Load would inject weather/economic noise and require normalization (a study we are avoiding).
- Illustration assumes two 4-year PBR terms. The first term is indexed to the 2018 rate case (approved Core O&M per customer) and tests 2018–2021. The second term is indexed to 2022, using 2022 actual Core O&M per customer as the rebased benchmark, and tests 2022–2025. Because the second term's benchmark is set from 2022 actuals, the CD holds at the 0.30% starting level for that year.
- Gaming guard: lock a fixed, filing-consistent definition of controllable O&M so cost cannot be shifted into the separately-reviewed capital tracker to manufacture a Beat.

CD Ratchet Engine — O&M-per-customer trigger

An O&M-per-customer beat drives an asymmetric ratchet: up on a beat (ratepayer-favorable), half-step down on a miss. Floored at CD Starting Level, no cap

RATCHET PARAMETERS		
CD start level (Y0)	0.30%	
Step UP on a beat (ratepayer-favorable)	0.10%	
Step DOWN on a miss (half-step)	0.05%	
Floor (never below starting pt)	0.30%	
Cap	1000.00%	*No cap proposed*

BEAT / MISS — driven by the O&M Trigger sheet					New Rate Plan Starts CD reset back to .30%			
Year	**Y1**	**Y2**	**Y3**	**Y4**	**Y1**	**Y2**	**Y3**	**Y4**
Beat O&M/cust benchmark? (1 = beat)	1	0	1	1	0	1	1	1
CD level (ratchet walk)	0.30%	0.40%	0.35%	0.45%	0.55%	0.30%	0.40%	0.50%	0.60%

start → walks up/down each year, bounded [floor, cap]

O&M-ONLY BASE (OpEx) — LIVE PBR-O case					New Rate Plan Starts CD reset back to .30%			
Escalation base ($M)	$347	$364	$356	$372	$353	$395	$402	$403
Dividend pool ($M) = base × CD level	$1.4	$1.3	$1.6	$2.0	$1.1	$1.6	$2.0	$2.4
Per customer earned ($/yr)	$1.11	$1.01	$1.27	$1.61	$0.83	$1.23	$1.56	$1.85
4 Year Total per customer earned ($/YR)				$5.00				$5.47

Maxium Reductiuon in CD