Date Filed: September 23, 2026

Witness: Amparo Nieto
Request from: National Railroad Passenger Corp. (Amtrak)

Question:

Explain the derivation of the minimum system classification factors for overhead and underground transformers shown in Table 1 of Exhibit CLP-ACOS-1. Specifically, identify the assumed minimum transformer sizes, average transformer sizes, installed costs, and the treatment of excavation, restoration, and other installation costs used to calculate the customer-related percentages of 42.9% for overhead transformers and 19.1% for underground transformers.

Response:

The Minimum System Study was conducted by the Company using inventory from the Company's Continuing Property Records ("CPR") found in the Asset Management module in PowerPlan. The analysis included, as a starting point, the original cost of all construction of overhead and underground transformers installed. All original cost dollars were brought into year 2025 dollars and added up separately for Overhead ("OH") and Underground ("UG") transformers, by applying the corresponding Handy-Whitman index.

Next, a minimum cost for transformers was calculated, in 2025 dollars. The minimum system represents the minimum size that must be installed for an interconnecting customer before the Company accounts for the customer's expected demand. The Company determined the minimum cost, in year 2025 dollars, using the cost of a 1-phase Overhead 25 kVA transformer as a measure of the minimum size. The cost of this minimum sized transformer, stated in 2025 dollars, was multiplied by the number of OH transformers currently in service to provide the total customer-related share of OH transformers. These costs, divided by the total costs of OH transformers (in 2025 dollars) results in the customer-related portion of 42.9%. The remaining cost represents the demand-related portion of the OH transformers. The same exercise was performed for UG transformers, which results in a customer-related share for all UG transformers in service of 19.1%.

Detailed information on original costs, size of the transformer costs in the inventory, and Handy-Whitman update calculations are included in CIEC-019, Attachment 1.

Date Filed: September 23, 2026

Witness: Donald J. Scacco Jr., Digaunto Chatterjee and Douglas P. Horton
Request from: National Railroad Passenger Corp. (Amtrak)

Question:

Explain the circumstances under which the Company may seek recovery of capital expenditures in excess of the approved capital forecast during the PBMRP term. Specifically, describe how the proposed framework would address material changes in capital requirements arising from load growth, large customer additions, electrification, reliability needs, or other unforeseen circumstances that occur after approval of the PBMRP.

Response:

The Company's proposal is fundamentally designed to align the Targeted System Plan ("TSP") with revenue support necessary to perform the required system investments. That design includes a cap on the level of revenue support provided in each year through the F-Factor mechanism, in relation to the Company's actual core system investment, as ultimately determined in this docket. Therefore, to the extent the actual core system investments are greater than currently forecast, the Company's proposed revenue framework does not adjust upwards during the pendency of the PBMRP.

During the PBMRP, the F-Factor would be subject to a downward-only reconciliation in the event actual plant additions are less than the allowance reflected in the F-Factor calculation. If actual system investments exceed the amounts budgeted, the F-Factor would not be adjusted upward to reflect the increase. Instead, at the time of the Company's next rate case and prospectively from that point forward, projects costs (including amounts placed in service above the forecasted level identified in the TSP) would be subject to a prudence review and eligible for inclusion in rate base, as part of the next base-rate proceeding.

Under this design, the Company does not anticipate having the opportunity to seek recovery of capital additions in excess of the approved capital forecast during the PBMRP term, unless capital investments were required by PURA or legislatively mandated by statute that are not considered in the current capital investment forecast. In these rare circumstances, the cap on the level of investment related revenue support would need to be increased to accommodate the incremental regulatory or statutory requirement. Should that unlikely need arise, the increase to the cap and the resulting impact to the revenue requirement would be an amount deemed appropriate in dockets established to advance those programs and objectives.

Please refer also to the Company's response to data request OCC-436[i], which states:

"a. The Company has not proposed any flexibility with respect to the capital investment that would be permitted to be recovered via the proposed F-Factor. That is, the capital investment forecast provided in this proceeding would serve as a hard cap of the core capital investment eligible for the F-Factor. Incremental capital investment programs mandated by PURA or the state of Connecticut that have not been contemplated as of the time of this submission, or capital programs for which there is or will be distinct cost recovery (such as SHARE, if approved at some point in the future) would not be subject to the cap on investment for purposes of calculating F-Factor revenue requirements. As described on page 102 of Exhibit ES-CLP-ELP-1, the Company's current forecast of capital expenditures presented in Figure 7 of testimony does not include the anticipated capital costs associated with an AMI deployment. If PURA were to approve an AMI deployment before or during the PBMRP term, the Company would need to increase the forecasted budget to incorporate those investments."

Prior Referenced Response:

[i] OCC-436 Question:

Exhibit CLP-RATES-3 Please clarify whether, in any Rate Year, the Company may recover the revenue requirement in excess of the Forecasted Budget amount included in the F-Factor allowance for that Rate Year that may result from capital additions placed in service in a prior year that have not yet been reflected in base rates. In your response, please:

a. Explain the circumstances under which F-Factor recovery may exceed the Forecasted Budget amount for the applicable Rate Year;
b. Explain how the revenue requirement associated with prior-year capital additions is calculated and incorporated into the F-Factor;
c. Explain whether such prior-year capital additions are subject to the same annual downward-only reconciliation and Forecasted Budget cap as capital additions placed in service during the applicable Rate Year;
d. Explain how recovery of prior-year capital additions is consistent with the Company's characterization of the Forecasted Budget as a cap on capital recovery during the PBMRP term; and
e. Explain how this treatment supports the Company's stated customer affordability and rate-stability objectives and preserves the customer protections associated with the downward-only reconciliation.

OCC-436 Response:

Please refer to the Company's responses below. Please also refer to the Company's response to interrogatories OCC-423i and OCC-426ii.

a. The Company has not proposed any flexibility with respect to the capital investment that would be permitted to be recovered via the proposed F-Factor. That is, the capital investment forecast provided in this proceeding would serve as a hard cap of the core capital investment eligible for the F-Factor. Incremental capital investment programs mandated by PURA or the state of Connecticut that have not been contemplated as of

the time of this submission, or capital programs for which there is or will be distinct cost recovery (such as SHARE, if approved at some point in the future) would not be subject to the cap on investment for purposes of calculating F-Factor revenue requirements.

As described on page 102 of Exhibit ES-CLP-ELP-1, the Company's current forecast of capital expenditures presented in Figure 7 of testimony does not include the anticipated capital costs associated with an AMI deployment. If PURA were to approve an AMI deployment before or during the PBMRP term, the Company would need to increase the forecasted budget to incorporate those investments.

b. Please refer to the Company's detailed response to information request OCC-423. The Company's proposed F-Factor is an annual adjustment taking effect July 1 of each year that reflects an allowance based on the annual revenue requirement on the capital expenditures budgeted for the current calendar year (per Exhibit TSP-3), plus a downward-only reconciliation comparing the actual plant additions placed in service as of December 31 of the calendar year prior to rates taking effect. In this way, the F-Factor provides an allowance for capital investment in the Rate Year based on the expected capital expenditures projected in this proceeding (same as the CT-Bar), but is reconciled such that in the end the F Factor measures the actual capital investment, including plant additions, plant retirements, accumulating depreciation, cost of removal, and plant-related accumulated deferred income taxes, cumulatively from the investment allowed in base rates.

c. Yes, that is correct. Prior-year capital additions are subject to the same annual downward-only reconciliation and Forecasted Budget cap as capital additions placed in service during the applicable Rate Year.

d. The Company's proposal to implement an F Factor allowance based on the forecasted budget presented in this proceeding, subject to a downward only adjustment upon reconciliation of prior-year capital additions is consistent with the Company's characterization of the Forecasted Budget as a cap on capital recovery during the PBMRP term because the F Factor reconciliation will only reconcile downward, meaning that if, in the end, the Company's actual costs in a given year are more than it has forecasted in this proceeding, the Company would not be entitled to reconcile the F Factor to reflect the higher (i.e., above the cap) level of spending. It will only be reconciled downward, which will occur if the Company invests less than the amounts budgeted in this proceeding, and used in establishing the F Factor in a given year.

e. Rate stability is enabled by prescribed, annual adjustments, consistent with the Company's experience during the first four years following settlement of Docket No. 17-10-46. By providing the Company with incremental revenues to cover a portion of the rising costs of service, the rate increase requested in the subsequent rate case (for rates effective July 2031) would be significantly reduced both in dollar amount and in percentage change relative to then-effective rates. Moreover, the adoption of the PBMRP will enable the Company to stay-out of a rate case for the duration of the PBMRP, whereas in the absence of a properly designed PBR plan and adequate cast-off rates, the Company will not be in a position to stay out for any period of time and will require more frequent filing of base rate cases, resulting in larger and more choppy rate changes for customers than would be experienced under the PBMRP. The Company's proposed PBMRP incorporates multiple customer protections, including the effect of the cap on capital investment eligible to be supported by the F-Factor, the earnings sharing mechanism, and the consumer dividend.

Date Filed: September 22, 2026

Witness: Julia Frayer
Request from: National Railroad Passenger Corp. (Amtrak)

Question:

Explain why customer count was selected as the output measure in the TFP/PFP Study and why LEI concluded that customer count is a more appropriate output measure than retail energy sales.

a. Were any alternative output measures considered, including retail energy sales, peak demand, system capacity, reliability metrics, or other measures to represent electric distribution system output? If so, describe the results of those evaluations.
b. Explain whether customer count alone adequately reflects the changes in system requirements associated with large-load customers, data centers, electrification, and DER integration.
c. If retail energy sales, peak demand, or other output measures grow materially faster than customers during the PBMRP term, explain whether Eversource would consider reevaluating the output metric used in future TFP/PFP studies.
d. Explain how frequently the Company expects the underlying TFP/PFP studies supporting the X-factor to be updated, recalculated, or reassessed.

Response:

a. LEI selected the number of customers served as the output measure because customer count provides an objective, consistently defined, and readily available measure of the scale of distribution service across EDCs and over time. Electric distribution utilities must connect, maintain, and provide reliable service to customers regardless of the amount of electricity consumed in a particular year. In contrast, electricity sales are affected by factors such as weather, economic conditions, electrification, DER adoption, and the addition of large loads, and therefore may change materially without reflecting a corresponding change in the efficiency with which distribution service is provided.

b. Nevertheless, LEI also evaluated electricity sales (measured in annual MWh units and collected from retail statistics) as an alternative output measure. The results are presented in Appendix B of Exhibit CLP-PBR-2. The sales-based sensitivity produced the same general conclusion of declining industry productivity, but a more negative result. For the 2005–2024 period, industry OM&A PFP was approximately -0.99% using sales, compared with -0.03% using customers. LEI did not separately evaluate peak demand, system capacity, reliability metrics, or other measures, as indicated in the question, for use as an output measure in the Industry TFP Study. Indeed, it would be impossible to get high

quality data to conduct a TFP for the US EDC industry with some of the alternatives mentioned in the question.

c. As a matter of practice, in any future TFP/PFP study, LEI would reassess the appropriateness of the output measure based on then-current industry conditions, available data, the design of the applicable PBR framework, and relevant regulatory practice. Material divergence between customer growth and sales or peak-demand growth could be one consideration in that assessment, but would not, by itself, establish that customer count is no longer an appropriate output measure.

d. Under the proposed PBMRP, the X Factor is established for the four-year plan term and is not proposed to be recalculated annually through a new TFP/PFP study. The annual PBMRP filing applies the established PBR formula; the I Factor, in contrast, is updated using the most recently published inflation data at the time of a given annual PBMRP filing. The appropriateness of the TFP/PFP methodology and underlying data could be reassessed in connection with any subsequent PBMRP term.

Date Filed: September 23, 2026

Witness: Douglas P. Horton
Request from: National Railroad Passenger Corp. (Amtrak)

Question:

Describe how each component of the proposed PBMRP will be translated into customer rates during the PBMRP term. Specifically, for each of the following components, identify: (a) the mechanism through which the revenue requirement, credit, penalty, or incentive will be reflected in customer rates; (b) whether the adjustment will be implemented through a separate rider, existing rate components, or another mechanism; (c) how the adjustment will be allocated among rate classes; and (d) how the adjustment will appear on customer bills:

a. The annual revenue adjustment mechanism (I-X adjustment);
b. The capital funding mechanism;
c. The consumer dividend;
d. The earnings sharing mechanism;
e. The performance incentive mechanism, penalties, and rewards; and
f. Any approved Z-factor adjustment.

Response:

In this proceeding the Company has presented the PERFORMANCE-BASED MULTI-YEAR RATE PLAN (PBMRP) RIDER in Exhibit CLP-RATES-3 describing the mechanism, including application of each component outlined in this data request.

In summary, the manner in which an increase or decrease is incorporated is the same as any other components. That is, a revenue increase resulting from the I-X calculation (subpart (a) of this question), for example, would flow through rates mechanically the same way as an increase related to the F-Factor capital funding mechanism (subpart (b) of this question). All components of the revenue formula would flow through base distribution rates on customer bills as established in this proceeding and not through other riders or mechanisms.

Revenue adjustments incremental to the base revenue requirement resulting from this proceeding will be allocated among Customer Classes using the Class Allocation Factors and applied to the Base Rate Components for each Customer Class based on the billing determinants established by PURA in setting Initial Base Rates.

Date Filed: September 23, 2026

Witness: Douglas P. Horton
Request from: National Railroad Passenger Corp. (Amtrak)

Question:

Provide illustrative examples showing how a positive or negative adjustment under each mechanism identified in AMTRAK-11 would be reflected in customer rates and customer bills during the PBMRP term.

Response:

Please refer to AMTRAK-012, Attachment 1, for illustrative examples of how incremental revenues in the Company's PBMRP proposal would be reflected in customer rates.

As described in the Company's response to AMTRAK-011[i], the manner in which an increase or decrease in one revenue component occurs is the same manner as the other components. Therefore, the Company's illustrative examples in AMTRAK-012, Attachment 1, represent the total conceptual result of all revenue components of its PBMRP proposal.

Specifically, Attachment 1 provides an illustrative example for Rate Years 2, 3, and 4, assuming Rate Year 1 revenues are approved as proposed in this proceeding (meaning that, the F-Factor for rate year 1 is set to 0, because rate year capital has been approved to be reflected in base rates with new rates effective in this proceeding). For this response, the incremental revenues for Rate Years 2, 3, and 4 are the result of the Company's illustrative model filed in EOE-156 Attachment 1, worksheet "PBR-1 Total PBRA". Illustrative annual incremental revenues are $77.6 million for Rate Year 2, $81.1 million for Rate Year 3, and $83.0 million for Rate Year 4. These amounts are shown on Line 66, Column L of each page of AMTRAK-012, Attachment 1. Lines 16-64 of the same column then allocate those incremental revenues by customer class according to each customer class's prior rate year revenues as functions of prior rate year revenues. Attachment 1 provides Rate Year 2, 3, and 4 versions of CLP-RATES-2.3 page 1 of 6. Attachment 1, Page 1, Column F ties directly to the Total (Column AP) from the original exhibit (CLP-RATES-2.3 page 1) as a new starting point. All else remains the same except for the annual incremental distribution revenues found in column L for Rate Years 2, 3, and 4. The difference between the Rate Year 1 Total (Column F) and the Rate Year 2 Total (Column AS) is due entirely to Rate Year 2 incremental distribution revenue (Column L) found on Page 1. All other rates and mechanisms (Columns O through AQ) are included for completeness of understanding the illustrative total bill, but do not impact the allocation of illustrative distribution revenue increases to customer classes. Therefore, all other mechanisms included in Attachment 1 are held constant.

Lastly, Rate Year 3 Total differs from Rate Year 2 by the incremental Rate Year 3 distribution revenue only, while Rate Year 4 Total differs from Rate Year 3 by the incremental Rate Year 4 distribution revenue only.

Prior Referenced Response:

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[i] AMTRAK-011 Question:

Describe how each component of the proposed PBMRP will be translated into customer rates during the PBMRP term. Specifically, for each of the following components, identify: (a) the mechanism through which the revenue requirement, credit, penalty, or incentive will be reflected in customer rates; (b) whether the adjustment will be implemented through a separate rider, existing rate components, or another mechanism; (c) how the adjustment will be allocated among rate classes; and (d) how the adjustment will appear on customer bills:

a. The annual revenue adjustment mechanism (I-X adjustment);
b. The capital funding mechanism;
c. The consumer dividend;
d. The earnings sharing mechanism;
e. The performance incentive mechanism, penalties, and rewards; and
f. Any approved Z-factor adjustment.

AMTRAK-011 Response:

In this proceeding the Company has presented the PERFORMANCE-BASED MULTI-YEAR RATE PLAN (PBMRP) RIDER in Exhibit CLP-RATES-3 describing the mechanism, including application of each component outlined in this data request.

In summary, the manner in which an increase or decrease related to one or more of this question's subparts is the same as the other components. That is, a revenue increase resulting from the I-X calculation (subpart 'a'), for example, would flow through rates mechanically the same way as an increase related to the F-Factor capital funding mechanism (subpart 'b'). All of these mechanisms would flow through base distribution rates on customer bills as established in this proceeding and not through other riders or mechanisms.

Revenue adjustments incremental to the base revenue requirement resulting from this proceeding will be allocated among Customer Classes using the Class Allocation Factors and applied to the Base Rate Components for each Customer Class based on the billing determinants established by PURA in setting Initial Base Rates.

Date Filed: September 23, 2026

Witness: Douglas P. Horton, Julia Frayer, Matthew Nelson and Michael Goldman
Request from: National Railroad Passenger Corp. (Amtrak)

Question:

Explain the basis for the proposed 0.30% consumer dividend.

a. Explain how the benchmarking results informed or influenced the proposed consumer dividend value of 0.30%.
b. Specifically identify the conclusions from the benchmarking study that were relied upon in selecting the proposed consumer dividend value of 0.30%.
c. Identify any factors beyond the benchmarking results that were considered in selecting the 0.30%.
d. Identify any alternative consumer dividend values considered and explain why those values were not selected.

Response:

LEI did not derive the proposed 0.30% Consumer Dividend by applying a mathematical formula to CL&P's benchmarking results. Rather, the benchmarking analysis provided evidence regarding CL&P's relative cost performance, which in turn suggests the potential for additional operating-efficiency improvements. In particular, CL&P's historical OM&A costs were modestly above the applicable benchmark, supporting the inclusion of a positive but moderate Consumer Dividend. As explained in OCC-443 and OCC-539, however, the percentage difference between actual and benchmark costs does not establish the annual rate at which those differences can reasonably and sustainably be eliminated and therefore was not translated mechanically into the Consumer Dividend.

LEI also considered regulatory precedent as a reasonableness check. As discussed in Section 5 of Exhibit CLP-PBR-3, approved positive Consumer Dividends and stretch factors reviewed by LEI generally ranged from 0.15% to 0.60%, and the proposed 0.30% falls within that range.

Please refer to the Company's responses to OCC-431[i], OCC-443[ii], OCC-539[iii], and OCC-543[iv], and Section 5 of Exhibit CLP-PBR-3.

Prior Referenced Responses:

[i] OCC-431 Question:

Exhibit CLP-ELP-1 Please explain in detail how the Company determined that a minimum of 30 basis points for the S Factor (Customer Dividend) is appropriate, including all analyses, assumptions, benchmarks, or other considerations relied upon in selecting 30 basis points. Please identify and compare the stretch factors adopted in other jurisdictions that the Company considered in developing its proposed 30-basis-point minimum, including the jurisdiction, utility, applicable percentage or basis-point adjustment, and date and docket of adoption.

OCC-431 Response:

Please refer to Exhibit CLP-PBR-3, particularly Section 5, at pages 36-37, Figure 16 at page 38, and page 58, of Exhibit CLP-PBR 1. As discussed there, LEI concluded that the proposed 0.30% Consumer Dividend is reasonable in light of CL&P's benchmarking results. Moreover, LEI reviewed the other jurisdictions in Figure 16 of Exhibit CLP-PBR-3, as a reasonableness check and CL&P's proposed 0.30% falls within the range of Consumer Dividends or stretch factors adopted in other North American PBR frameworks.

[ii] OCC-443 Question:

Exhibit CLP-PBR-1 PBR Testimony Please explain quantitatively how LEI's benchmarking results support a 0.30% Consumer Dividend. Please explain how the Company's proposed 0.30% Consumer Dividend was derived from or otherwise informed by:

a. The Company's 22.9% average OM&A cost gap under the unit cost benchmarking analysis;

b. The Company's 11.9% average OM&A cost gap under the 2015–2024 econometric benchmarking analysis; and

c. The Company's 16.4% average OM&A cost gap under the 2021–2024 econometric benchmarking analysis.

d. Please provide any calculations, assumptions, analyses, or methodologies used to translate the identified efficiency gap into an annual achievable improvement.

e. Please explain why the widening gap does not support a Consumer Dividend greater than 0.30%, and provide all analyses relied upon in reaching that conclusion.

OCC-443 Response:

LEI did not derive the proposed 0.30% Consumer Dividend by applying a mathematical formula to any of the benchmarking gaps identified in parts (a) through (c). LEI′s quantitative analysis was focused on the benchmarking itself. As explained in Exhibit CLP-PBR-3, LEI performed a unit cost analysis followed by an econometric analysis of the Company and the other 88 peers nationally. The benchmarking results measure CL&P′s relative cost position compared with the average of all utilities (for the unit cost benchmarking) or a model-predicted benchmark for the Company′s costs (for the econometrics benchmarking). A benchmarking study will report out relative efficiency, but it cannot measure the amount of cost reduction that can reasonably and sustainably be achieved in any particular year of the PBMRP, as explained in Exhibit CLP-PBR-1. Therefore, LEI examined what other jurisdictions have approved for stretch factor/consumer dividend, especially when the target utility is an average performer like CL&P. Please see Section 5 of Exhibit CLP-PBR-3.

The 22.9% result represents the average amount by which CL&P's OM&A cost per customer exceeded that of the national industry average under the unit cost benchmarking analysis. As LEI explains in Section 1.1 of Exhibit CLP-PBR-3, the unit cost analysis is an initial step in benchmarking analysis. Unit cost benchmarking does not control for differences in operating conditions and important business factors among utilities that will impact costs, such as the scale of business, the network composition, local costs of labor, etc. For that reason, the unit cost benchmarking results are not directly informative of a stretch factor for a utility, especially if the data allows for more rigorous econometric analysis.

The 11.9% result provides a more refined measure of CL&P's relative OM&A cost performance. Indeed, the econometric analysis takes account of such factors such as input prices, scale, and network characteristics. As the 11.9% remains a measure of the level of CL&P's costs relative to the model-predicted benchmark over the historical period (2015-2024), it does not provide guidance on future efficiency gains and must be interpreted cautiously. In addition, LEI considered the broader peer distribution in looking at the OM&A benchmarking results. CL&P ranked 54th out of 88 utilities based on its average result over the 10-year period, placing it within the broad middle of the group. Accordingly, its above-benchmark OM&A costs represent an area for potential improvement, but are not an unusually large or extreme result relative to its peers. Those observations support a positive but modest Consumer Dividend, which based on LEI's collation of data from other jurisdictions, would be 0.30% as discussed in Section 5 of Exhibit CLP-PBR-3.

The 16.4% result comes from the econometric analysis of CL&P's OM&A costs against model-predicted benchmark, but for a much shorter period (2021-2024). Importantly, the recent-period results continue to show favorable overall cost performance: capital costs averaged 16.5% below benchmark (see Figure 15 in Exhibit CLP-PBR-3) and total costs averaged 3.1% below benchmark. As discussed in the Company's testimony, recent O&M cost pressures may include labor and vegetation management, as well as storm-related expenditures. Nevertheless, these provide context for the more recent period but do not establish the extent to which any individual cost category contributed to the 16.4% econometric benchmarking result or whether the same conditions will persist during the PBMRP term. Thus, the 16.4% OM&A result implies that additional operating-efficiency opportunities may exist, but does not give us any direct indication for how to size the Consumer Dividend.

LEI did not perform a calculation that converts the 22.9%, 11.9%, or 16.4% benchmarking differences into an annual achievable productivity improvement, and therefore there are no such calculations to provide. Such a calculation would not be methodologically appropriate because the benchmarking analysis looks at various measures of productivity at a given point of time, and does not say anything about the prospective rate at which cost differences can reasonably and sustainably be eliminated over the next few years. LEI used the benchmarking results as empirical evidence of relative efficiency and confirmation that there is some room for improvement. LEI then considered regulatory precedent for Consumer Dividends and stretch factors, which suggested that regulators have used values ranging from 0.15% to 0.60% for other EDCs, with lower values for those that are more efficient and higher values for those that are very inefficient. LEI then finds the value of 0.30% as a reasonable starting point for the Company's proposed Consumer Dividend.

Two further points place the proposed 0.30 percent in context. First, as shown in Figure 16 of Exhibit CLP-PBR-3, the Consumer Dividends and stretch factors approved in other jurisdictions range from 0.15 percent to 0.60 percent. The Massachusetts consumer dividends in Figure 16 are also conditional on inflation: those mechanisms pay 0.25 to 0.40 percent only when inflation exceeds two percent, reduced amounts at lower inflation, and nothing in low-inflation years. The Company's proposed 0.30 percent applies in all inflation conditions, so the guaranteed minimum benefit to customers is at or above the effective minimum of every mechanism in the comparison.

Second, the comparison is most direct when each mechanism is measured against the base to which it applies. The Company's S-Factor applies to the Core Operating Expense revenue requirement only, because capital is recovered through the separate Capital Funding Mechanism (Exhibit CLP-IAP-1 at 73). The most directly similar plans — an apples-to-apples comparison — are those in which regulators approved an OM&A-only revenue cap: National Grid in Massachusetts, with a 0.40 percent consumer dividend payable only when inflation is at least two percent, and FortisBC in British Columbia, with a 0.25 percent stretch factor (Exhibit CLP-PBR-1 at 47; Exhibit CLP-PBR-3, Figure 16).

Finally, the proposed design bounds its own ceiling. Because the S-Factor begins the first rate year at 0.30 percent and each year's result adjusts the level applied in the following rate year, the level can adjust no more than three times over the four-year term, and the highest level the mechanism can reach is 0.60 percent.

The illustrative calculation of how the Consumer Dividend operates over the PBMRP term is provided in OCC-432, Attachment 1.

[e] Q: *Please explain why the widening gap does not support a Consumer Dividend greater than 0.30%, and provide all analyses relied upon in reaching that conclusion.*

As discussed above in a – d, a benchmarking difference represents a measure of relative cost performance and should not be translated directly into an annual Consumer Dividend.

Finally, 0.30% is the floor, not the ceiling, under CL&P's proposed mechanism. As explained in Exhibit CLP-PBR-1 at page 64, the Consumer Dividend can increase during the PBMRP term if the Company outperforms the applicable controllable O&M benchmark. Thus, the proposed design provides customers with additional benefits if CL&P achieves greater operating efficiencies than assumed in establishing the initial Consumer Dividend.

The Consumer Dividend is an affordability mechanism. As such, it must be evaluated for both providing a benefit to customers, as well as for sustainability. A dividend set too low forgoes customer benefit, while a dividend set beyond sustainably achievable efficiency would function as a rate reduction unsupported by actual cost performance. The proposed design addresses the scale question through movement rather than starting magnitude. The level begins at 0.30 percent, can never fall below that level or become a surcharge (Exhibit CLP-PBR-1 at 64), rises automatically as the Company demonstrates efficiency, and is applied against the Company's O&M revenue requirement under the PBMRP. Unlike an earning sharing mechanism, which provides customer benefits only when earnings exceed the allowed return on equity, this mechanism will share the costs the Company controls, even when under its allowed rate of return. The consumer dividend design provides customers with efficiency gains during the plan term without waiting for the next rate case, and at the next rate case all achieved efficiencies are reflected in rebased rates in full.

[iii] OCC-539 Question:

Performance Based Ratemaking Panel Exhibit CLP-PBR-1

Please explain the relationship, under the Company's proposed framework, between a utility's relative cost efficiency and the appropriate level of the Consumer Dividend.

a. Specifically, all else equal, would a utility whose OM&A costs are materially above its peer benchmark warrant a higher, lower, or unchanged Consumer Dividend relative to a utility whose OM&A costs are below its benchmark?
b. Please explain the economic rationale for the Company's answer and how that rationale was applied to the Company's proposal.

OCC-539 Response:

a. All else equal, a utility whose OM&A costs are materially above the benchmark would generally warrant a higher Consumer Dividend than a utility whose costs are below benchmark, because the former has greater potential for catch-up efficiency improvements. As explained in Section 2 of Exhibit CLP-PBR-3 and illustrated in Figure 4, a relatively less efficient utility may have greater opportunities to "catch up" to the industry's efficiency trajectory by adopting technologies or practices already implemented by more efficient peers. The Consumer Dividend reflects the potential for such improvements beyond the industry productivity trend.

   However, the "benchmark gap" or the percentage difference between CL&P's actual costs and the applicable benchmark cost, does not mechanically determine the annual Consumer Dividend. As explained in Section 5 of Exhibit CLP-PBR-3, benchmarking identifies relative cost performance and potential opportunities for improvement; it does not establish the annual rate at which those improvements can reasonably be achieved or that the entire gap can be eliminated within a single PBR term.

   For CL&P, the above-benchmark OM&A results support a modest Consumer Dividend in its OM&A-only revenue adjustment mechanism, as discussed in Exhibit CLP-PBR-3. In determining the appropriate magnitude, LEI also considered CL&P's favorable overall cost performance and relevant regulatory precedents. Please refer also to the Company's responses to OCC-431[i] and OCC-443[ii].

b. The economic rationale for this response is that benchmarking identifies relative cost performance and potential opportunities for improvement, but the actual Consumer Dividend earned is based on measured results. The Company applied this rationale in two steps, because the proposed Consumer Dividend is not a fixed number. The Company's relative cost position determined where the dividend starts, as described in part (a) and in the Company's responses to OCC-431 and OCC-443. The Company's actual performance as part of a performance-based rate determines whether it increases or stays at the floor.

   The dividend begins at 0.30 percent and moves each year based on measured results: up 0.10 percentage points in a year when the Company's Core Operating Expense per customer is below the inflation-adjusted benchmark, down 0.05 percentage points when it is not, and never below the 0.30 percent floor. The steps are deliberately asymmetric in customers' favor: the dividend rises twice as fast on demonstrated efficiency as it declines otherwise, and it can never fall below its starting level. The level customers receive therefore reflects how the Company actually performs, not a one-time judgment made before the period begins. An illustration of the mechanism's operation is provided in the Company's response to OCC-423iii, and a historical illustration in the Company's response to OCC-432iv.

The efficiency incentive in the Revenue Cap Formula is the I minus X structure, combined with the power of the stay-out requirement. The Consumer Dividend supplements that structure and is deliberately sized small enough to preserve the incentive that produces the gains to be shared. The design shares efficiency -- as it is demonstrated -- rather than assuming it in advance. If the Company outperforms the benchmark, the dividend rises automatically during the term, up to the top of the approved range; if it does not, customers keep the guaranteed minimum every

year. Because the rate at which efficiency gains can be sustainably achieved cannot responsibly be set in advance (please refer to OCC-443, parts (d) and (e)), the mechanism determines it from actual results, and an efficiently operating company returns more to customers than a fixed value would, both during the term and through the full rebasing of its relatively lower cost level at the next rate case. The design protects customers on the downside, and any reduction in Core Operating Expense per customer that improved near-term earnings would register against the benchmark and increase the dividend, converting that reduction into an automatic, growing customer credit.

[iv] OCC-543 Question:

Performance Based Ratemaking Panel Exhibit CLP-PBR-1
Given that the proposed Consumer Dividend applies to the OM&A portion of the PBMRP, please explain why the Company's below-benchmark capital and total cost performance is relevant to determining the appropriate Consumer Dividend. In your response:

a. a.Explain the relative weight or consideration given to OM&A, capital, and total cost benchmarking results in supporting the proposed 0.30% Consumer Dividend
b. b.Explain why favorable capital performance should moderate the Consumer Dividend when capital costs are recovered outside the I-X OM&A revenue adjustment mechanism.

OCC-543 Response:

a. LEI's Benchmarking Study presented the results of three different cost models, which were individually estimated using the same econometric techniques, but in some cases different business drivers because of relevance and statistical significance. LEI did not use any weighting methodology to combine the OM&A, capital, and total cost benchmarking results, as implied in the question. Rather, the OM&A cost benchmarking results provide direct evidence regarding potential operating-efficiency improvement and support the inclusion of a Consumer Dividend for the Company's PBMRP. Capital cost and total cost benchmarking results were considered only as complementary context in assessing CL&P's overall cost performance, and reasonableness of the overall PBMRP (and not specifically the starting value of the Consumer Dividend). Please also refer to Section 5 of Exhibit CLP-PBR-3.

b. Favorable capital performance was not used as a mathematical offset, credit, or adjustment to the OM&A benchmarking result or to calculate the Consumer Dividend. As explained in response to part a), the capital benchmarking results were considered as complementary context regarding CL&P's overall cost performance. Please also refer to OCC-443[i].

Date Filed: September 24, 2026

Witness: Douglas P. Horton
Request from: National Railroad Passenger Corp. (Amtrak)

Question:
Explain whether the implementation of the proposed rates, effective July 1, 2027, will result in a reset or modification of any existing RAM component. In addition, explain whether future RAM proceedings will continue as scheduled.

Response:

Implementation of the proposed rates, effective July 1, 2027, will result in the following modifications and resets to existing RAM components:

1) **Electric System Improvements (ESI)** - The Company is proposing to eliminate the existing ESI in accordance with legislation enacted in 2023, pursuant to Section 5 of Public Act 23-102 (also referred to as SB7), effective with the date of new base rates, except that the retired mechanism will need to remain in place for a period of time after the implementation of new base rates on July 1, 2027, to complete recovery of the revenue requirement eligible for recovery through the ESI up until the effective date of new base rates.

   Base rates will be designed to recover the costs incurred after July 1, 2027 associated with all plant additions that PURA authorizes for recovery in rates at that time, as part of this proceeding (i.e., if the Company's proposal is accepted as filed, rates effective July 1, 2027, will be designed to recover the revenue requirement on plant additions placed in service up to and including the rate year as of July 1, 2027, and forward).[1]

   The ESI provides for recovery of capital additions of up to $300 million annually through the effective date of new rates on July 1, 2027, and will need to remain in place after that date, only for the purpose of completing recovery of the annual revenue requirement incurred prior to that date for ESI-eligible capital additions. This means that the

[1] As described in the Company's response to EOE-156, the Company's F-Factor would take effect the first day of the first Rate Year coming out of the rate case, which eliminates the need for Rate Year capital to be embedded in base rates, subject to later downward-only reconciliation. To the extent capital investment currently factored into the Company's proposed revenue requirement for Rate Year 1 is "rolled back" to an earlier date (for example, to a capital investment cutoff date of February 28, 2027 for inclusion in base rates), the F-Factor revenue-requirement calculation would inherently adjust to reflect capital investment as of that cutoff date.

elimination of the ESI need to occur in several steps through April 30, 2029 for the recovery of the following amounts:

(1) A true-up of the revenue requirement on all ESI in-service capital additions for years 2017 through 2025 for which a 2026 revenue requirement is currently being recovered as a known and measurable adjustment in rates from May 1, 2026 through April 30, 2027;

(2) Because these capital additions will not be reflected in base rates until July 1, 2027, the revenue requirement on these 2017 through 2025 in-service capital additions for the period January 1, 2027 through June 30, 2027 will also still need to be recovered;

(3) Because PURA does not allow contemporaneous recovery of current year in-service plant additions as a known and measurable adjustment, the 2026 revenue requirement on 2026 in-service plant additions will still need to be recovered as part of the normal RAM process;

(4) In addition to the recovery of the 2026 revenue requirement on 2026 in-service plant additions, because these plant additions will not be reflected in base rates until July 1, 2027, the revenue requirement on these 2026 in-service capital additions for the period January 1, 2027 through June 30, 2027 will also still need to be recovered; and

(5) Because PURA does not allow contemporaneous recovery of current year in-service plant additions as a known and measurable adjustment, the January 1 - June 30, 2027 revenue requirement on 2027 in service plant additions through June 30, 2027 will still need to be recovered as part of the normal RAM process.

<u>How these steps will occur:</u>

Item (1) Recovery will occur as part of the normal RAM process as part of the ESI rate that will go into effect May 1, 2027 through April 30, 2028.

Item (2) recovery will occur as a known and measurable adjustment as part of the normal RAM process for the ESI rate, which will go into effect from May 1, 2027 through April 30, 2028.

Item (3) will be included in rates for the first time as part of the December 31, 2026, under recovery that will be included in the ESI rate, which will go into effect May 1, 2027 through April 30, 2028.

Item (4) recovery will occur through the normal RAM process as a known and measurable adjustment that will be included in the ESI rate that will go into effect May 1, 2027 through April 30, 2028.

Item (5) will be included in rates for the first time as part of the December 31, 2027 under recovery that will be included in the ESI rate that will go into effect May 1, 2028 through April 30, 2029. Upon conclusion of the May 1, 2028 through April 30, 2029 rate period, the ESI rate will be retired in accordance with the statutory mandate included in Section 5 of Public Act 23-102.

2) **Revenue Decoupling Mechanism (RDM)** – Upon the issuance of a Decision in the Company's rate case, it is expected that a new allowed revenue target for purposes of the RDM will be established. This new allowed revenue target resets the currently allowed revenue target used in the RDM to reconcile the Company's actual total revenues to the allowed target amount for the rate year. Any under or over collection of the allowed revenue target is either collected or refunded to customers as part of the following year's RAM process.

Additionally, the Company is proposing to roll into base distribution rates two cost categories that are currently recovered through the Company's RAM. First, the Company proposes to roll the revenue requirement on all capital projects currently recovered through the Company's RAM into base distribution rates. Second, the Company is proposing to roll into base distribution rates the cost of full-time equivalents ("FTEs") which are incremental to current base distribution rates and therefore recovered in the Company's RAM.

With respect to capital projects currently recovered through the RAM, the Company is proposing to roll into base distribution rates the following:

1. All capital currently being recovered through the Company's ESI, which includes (but is not limited to) the following categories:

    a. System Resiliency (exclusive of enhanced tree trimming O&M), which represents the cost of CL&P's system resiliency plan as defined in Docket No. 17-10-46;

    b. 2017 Over-Estimate of Plant Additions (credit), which represents the difference between what was included in base distribution rates for calendar year 2017 and the actual capital placed in service;

    c. Capital additions over $270 million for the years 2018 – 2020; and

    d. Core Capital additions up to $300 million for the years 2021 through June 30, 2027.

2. All capital currently being recovered through the Company's NBFMCC, which includes (but is not limited to) the following categories:

    a. DER Map – Represents the IT capital costs associated with CL&P's DER Map, which was approved by PURA on October 4, 2017 in Docket No. 17-06-02;

    b. CT Solar Tariff – Represents the IT capital costs resulting from the implementation CL&P's residential and non-residential solar tariffs approved in Docket No. 20-07-01;

    c. Shared Clean Energy Facilities ("SCEF") – Represents the IT capital cost resulting from the implementation of the SCEF program approved in Docket No. 19-07-01; and

    d. Bill Redesign – Represents the IT capital cost resulting from the customer bill redesign work approved in Docket No. 14-07-19RE06.

3. All capital currently being recovered through the Company's SBC, which includes (but is not limited to) the following categories:

    a. Low-Income Discount Rate ("LIDR") – Represents the IT capital cost resulting from the implementation of LIDR approved in Docket No. 17-12-03RE11;

    b. Rolling Hardship – Represents the IT capital cost resulting from the rolling hardship verification process approved in Docket No. 23-05-01;

    c. New Matching Payment Program – Represents the IT capital cost resulting from the implementation of the new matching payment program approved in Docket No. 23-05-01; and

    d. Matching Payment Program Re-Enrollment – Represents the IT capital cost resulting from the implementation of the matching payment program re-enrollment changes approved in Docket No. 24-05-01.

Please note that the same transition and timing as was described earlier in this response related to the phase-out of the ESI will be required for the capital being moved from the NBFMCC and SBC RAM components into base distribution rates.

The Company is also proposing to roll the incremental costs associated with FTEs currently recovered through the NBFMCC into base distribution rates. These FTEs were either hired after the Company's last base distribution rate case into newly established roles or were transferred into

newly established roles, which were created after the last rate case. These FTEs were hired to support various initiatives such as energy storage solutions, innovative energy solutions, electric vehicle programs, shared clean energy facility initiatives, low/zero emission renewable energy certificates and residential/non-residential solar programs.

To effectuate this roll-in, there will be a transition period between recovery through the NBFMCC and base distribution rates for the identified FTE costs. In accordance with the current RAM process, the Company includes estimates for the current year costs which are then trued up in the next year's RAM process. Consistent with this requirement, the Company will include an estimate of the January 1 – June 30, 2027, FTE costs in RAM rates effective May 1, 2027 through April 30, 2028. The Company will then true up the actual FTE costs for the period January 1 – June 30, 2027 in rates effective May 1, 2028 through April 30, 2029, which will be the final true-up for these specific FTEs.

Please note that the Company views the interim recovery of incremental FTEs through the RAM as a best practice. There have been numerous instances where, in order for PURA initiatives to move forward, the Company has had to hire incremental resources and has incurred incremental costs. The costs of implementing and administering these programs cannot be included in base distribution rates if such programs do not exist at the time of the base distribution rate case. As described in the Company's rate case application, the Company is proposing to implement a Performance Based Multi-year Rate Plan (PBMRP) as part of this proceeding, inclusive of an exogenous factor to allow for rate adjustments up or down for exogenous events that impose costs (or reduce them) to a level of significance warranting a rate change. The Company has proposed the exogenous cost threshold will be set at 0.5 percent of distribution revenues. Therefore, if PURA adopts the Company's proposed PBMRP, additional FTE costs to support RAM programs would be eligible for recovery upon a showing that they have exceeded the exogenous cost threshold.

Future RAM proceedings are expected to continue as scheduled. Please also refer to the Company's response to EOE-156[i] for a description of the Company's proposed F-Factor.

Prior Referenced Response:

[i] EOE-156 Question:

(PBMRP CAPITAL SUPPORT MECHANISM) Refer to Exhibit CLP-ELP-1, pp. 101-103. Provide a working, unlocked Excel spreadsheet that would serve as a representative tool used to calculate the Company's incremental revenue requirements resulting from the proposed capital support mechanism (F-Factor) for each year of the MRP. As part of the submission, discuss the calculations and separately identify and explain all critical assumptions, using cited information from the Company's rate case submission where relevant (e.g., depreciation rate from the Company's depreciation study). In support of the request, please use the Company's proposed 5 Year Targeted System Performance (TSP) Plan within the spreadsheet's initial inputs and apply an initial assumption that the Company incurred actual plant-in-service additions of 5% more than the proposed annual TSP funding. Additionally, please

configure the spreadsheet to allow for the weighted average carrying costs (WACC) to be individually adjusted for both ROE and Cost of Debt.

EOE-156 Response:

The Company appreciates the opportunity to respond to EOE's thoughtful question regarding the operation of the PBMRP proposed in this proceeding, which the Company views as key to reaching a long-term reliability and resiliency plan for Connecticut, while meeting affordability needs for customers. The Company's response to this request is organized as follows:

A. Overview and Results
B. F-Factor Discussion
C. Impact of 5% Additional Capital Investment
D. Model overview

Attachments referenced in this response:
EOE-156, Attachment 1, provides the Company's working model, with projected capital investment as filed in this proceeding. See, e.g., Exhibit CLP-ELP-1, Figure 7.
EOE-156, Attachment 2, provides a second model that is identical in every respect to Attachment 1 except that capital investments are 5% greater than the forecast submitted to this proceeding in Exhibit CLP-ELP-1, Figure 7, as stipulated by EOE's data request.

A. Overview and Results

Ultimately, the Company's goal in this proceeding is to establish a sustainable, cohesive ratemaking framework that supports electric utility service in the State of Connecticut in an affordable manner for customers, over a long term. This is the Company's goal because the CL&P system needs investment for reliability, resiliency and modernization. For this infrastructure investment to be affordable for customers, a coherent ratemaking plan needs to be instituted that will consider the interests of customers over a longer term than just the next rate case. That framework needs to balance: (1) the reliability and performance requirements of the Company's customers and the broader State of Connecticut; (2) customer rate stability and affordability; (3) incentives for cost efficiency in utility operations; and (4) implementation of a revenue support mechanism sufficient to cover the cost of delivering these objectives to customers, including the cost of capital.

The Company's PBMRP is designed to address these objectives in a holistic, balanced way. To do this, the Company started with the ratemaking framework under discussion in PURA's PBR docket (Docket No. 21-05-15RE01), while also introducing certain new elements to remediate the flaws that would ultimately hinder PURA's (draft) PBR model from supporting the necessary stay out terms. As discussed below, the stay-out term is the critical element of the PBMRP that creates the cost-efficiency incentive inherent in a performance based ratemaking plan.

This context is vital to understand both the design and mechanics of the Company's proposed PBMRP, including both the F-Factor and "I-X" components. To augment understanding of how the plan would work over the stay-out period, the Company has incorporated the projected costs of service set forth in EOE-156, Attachment 1, Worksheet, entitled "COS-1 Total," which is the Company's cost of service, as filed. The Company does not intend to imply that these dollar amounts are certain for the future and there will undoubtedly be changes in a litigated result. However, these figures serve as a reasonable basis for presenting this analysis to reflect the Company's PBMRP proposal. Moreover, assuming that there will be changes to the underlying cost of service that serves as the "going in revenue requirement," all of the projections made herein become highly optimistic, as discussed below.

Increasing capital investment on the Connecticut distribution system is a given for the reasons described in the testimony of the Company's Leadership Panel and Targeted System Plan ("TSP") Panel – the Connecticut distribution system needs additional investment to maintain service reliability to customers and even more investment to achieve a level of modernization. The Company will need to make this investment to meet the interests of customers, with or without a multi-year plan. However, without a multi-year rate plan, whether in the form of the Company's proposed PBMRP or another reasonable model, the Company's only viable course of action to support this level of needed investment will be to file traditional cost-of-service rate cases, as closely to annually as possible. Effectively, these sequential cases will "roll in" unrecovered capital investment into base rates to maintain a nexus between what the Company needs to invest in the system and what rates are reflecting for recovery of costs.

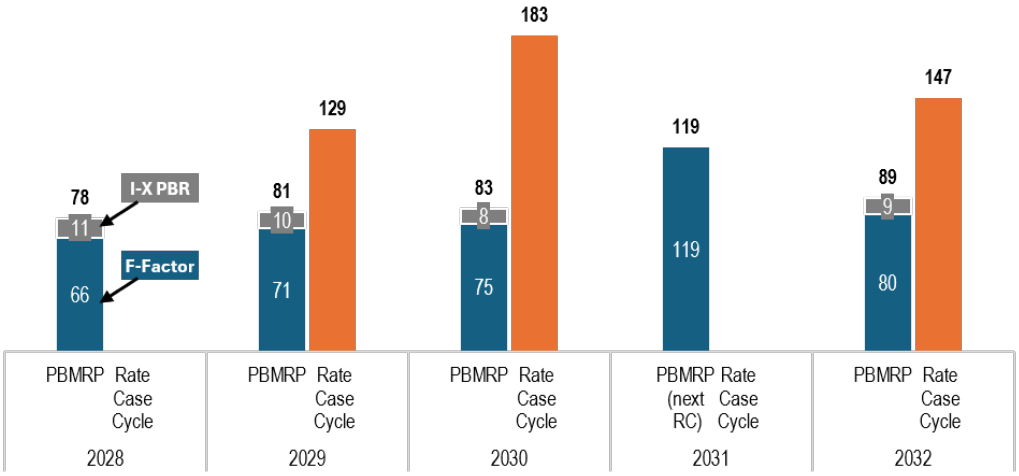
In a world in which system investment needs are relatively flat, economy-wide inflation is modest and predictable at 2% annually, and rates are fully coupled with growing sales revenues (and no revenue decoupling mechanism), it is conceivable that a utility could offset the cost increases it incurs with organic sales growth, as electric utilities could do in past decades. However, that is not the reality of today's operating environment. The distribution system investment needs are extensive and growing and the financial consequences of these circumstances are factors that need to be considered in determining a reasonable and workable regulatory plan. Establishment of a reasonable multi-year, performance-based ratemaking plan is the mechanism that can support the system needs in a manner that is wholly transparent and stable for customers, allowing for a smoother trajectory of rate changes than would otherwise occur.

Results of F-Factor Implementation Assuming Capped Forecast Investment

EOE-156, Chart 1, below, provides illustrative rate increases comparing circumstances where the Company is pursuing a traditional rate-case cycle with filings as close to annually as possible under Connecticut law, as compared to the proposed PBMRP. These amounts assume the Company's revenue requirement proposed in this docket is authorized without modification, except that the Company has used its existing weighted average cost of capital to perform the analysis, in order to isolate the functioning of the F-Factor operation - apart from changes in the cost of capital (i.e., the analysis uses a 9.25% return on equity and 47%/53% debt to equity capital structure). As noted above, the cost-of-service projections are shown in EOE-156, Attachment 1, Worksheet "COS-1 Total," Line 35.

In the absence of a multi-year rate plan, the Company anticipates filing rate cases on a rolling basis, with base rate changes effective January 1, 2029, July 1, 2030, and January 1, 2032. Chart 1, below, also spans the time period covering one year beyond the Company's proposed four-year plan. 2032 is shown for illustrative purposes.

EOE-156, Chart 1
Annual Incremental Revenue Increase, $ Millions



Note: Chart 1 assumes base-rate amendments effective 1/1/2029, 7/1/2030 and 1/1/2032.

In Chart 1, a rolling rate-case cycle is depicted as the orange series, with the Company estimating new rates effective January 1, 2029 (18 months after the present docket concludes), with additional revenues of $129 million; followed by another $183 million rate change effective July 1, 2030, and a further $147 million effective January 1, 2032. These rate adjustments arise primarily as a result of capital investment rather than O&M changes, which means that the associated rate changes are reasonably foreseeable and ultimately predictable.

In contrast, the Company's proposed PBMRP would yield revenue increases of $77.6 million for rates effect July 1, 2028, $81.1 million July 1, 2029, and $83 million July 1, 2030 (EOE-156, Attachment 1, worksheet "PBR-1 Total PBRA", Line 41). For purposes of discussion, the Company estimates that the subsequent rate case taking effect after the proposed PBMRP would be $119 million in 2031, followed by $89 million in 2032 assuming continuation of the proposed framework. Uncertainty grows as the timeframe of projections extends, as the Company will inevitably experience cost increases in relation to both operating expenses and capital investment, as time passes. Therefore, the later years (particularly 2031 and 2032) should be interpreted as illustrative for purposes of discussing the principles and conceptual impacts of the PBMRP and traditional rate case frameworks.

As Chart 1 illustrates, whether through a multi-year rate plan or sequential rate cases, ongoing revenue support is essential to the electric system. Revenue increases for the Company are rate increases for customers, so that a smoother and more predictable customer impact occurs through the Company's PBMRP, which is the fundamental purpose of the PBMRP. The Company's proposal results in rate increases amounting to approximately 1.5-2.1% on a total bill basis, annually (Line 3). In contrast, a rolling rate-case cycle yields rate increases nearly double at 3.4% (Line 4). Essential to this discussion is that both frameworks are designed to roughly track with the cost of service, although the stay-out feature of the PBMRP forces the Company to absorb the risk of deviation from the cost of service given the likelihood that operating and investment costs will increase over the period. The difference is the gradualism of the Company's PBMRP, which results in smoother, more predictable bill changes for customers.

EOE-156, Table 1

Line	Description	2028	2029	2030	2031	2032
	Incremental Revenues ($ Millions)					

1	Company Proposal	77.6	81.1	83.0	118.6	89.0
2	Rate Case Cycle	0.0	129.0	183.0	0.0	147.0
	Annual Increase, % Total Bill					
3	Company Proposal	1.5%	1.5%	1.5%	2.1%	1.6%
4	Rate Case Cycle	0.0%	2.4%	3.4%	0.0%	2.6%

The rolling rate-case cycle is characterized by larger changes that are more disruptive to customers, in addition to being administratively burdensome for all Connecticut stakeholders. Importantly, the Company's PBMRP does not undermine the applicability or efficacy of prudence reviews in terms of establishing a strong incentive for cost control. Under the Company's proposal, prudence reviews can occur annually, preserving accountability and cost-control incentives with increased transparency, as well.

B. F-Factor Operation

At its core, the Company's proposed F-Factor mechanism is designed to provide a revenue allowance sufficient to support the level of capital investment needed by the system, including the cost of capital. Several essential characteristics of the F-Factor mechanism mutually contribute to its viability and potential longevity:

1. **Like the CT-Bar1 the Company's F-Factor would take effect the first day of the first Rate Year coming out of the rate case, which eliminates the need for Rate Year capital to be embedded in base rates, subject to later downward only reconciliation.** To the extent capital investment currently factored into the Company's proposed revenue requirement for Rate Year 1 is "rolled back" to an earlier date (for example, to a capital investment cutoff date of February 28, 2027 for inclusion in base rates), the F-Factor revenue-requirement calculation would inherently adjust to reflect capital investment as of that cutoff date.

2. **Like the CT-Bar, the Company's F-Factor does not pre-emptively or categorically exclude any type of capital investment.** The Company regularly makes capital investments that do not directly affect the performance of the electric grid the way utility poles, transformers, lines, substations, etc. clearly do, but are nonetheless essential capital investments in the provision of service to customers. Capital investments for facilities safeguarding equipment, information technology enabling self-service customer portals, and vehicles needed for transporting materials to work sites are but a few examples of core capital investments that are necessary and, therefore, inform the F-Factor allowance.

3. **Like the CT-Bar, the Company's F-Factor aligns the capital investment necessary for the target performance of the electric grid outlined in the Company's Targeted System Plan, with the revenues required to support those investments.** In developing the F-Factor the Company sought to establish a means of tying the F-Factor revenue allowances to the capital investment forecast that would be discussed extensively in this docket. This allows the focus of the TSP to remain on the system needs and plan objectives while simultaneously acknowledging that those needs and objectives, whatever they may be, require some measure of revenue support. The F-Factor serves as a necessary link between the system needs evaluated in this docket and necessary revenues.

4. **The Company's F-Factor properly includes the cost of capital**. If CT-bar is evaluated separately from going-in revenue requirements, no single design factor would guarantee its failure more so than the absence of the cost of capital from its revenue requirement calculations. Though the cost of capital is not visible the way other costs of service are, such as the maintenance cost that keeps an older piece of equipment online or the cost of gasoline in a line truck, it is just as real a cost of service.

The Company regularly operates with a cash deficit. That is, the cash necessary to support ongoing operations exceeds the cash received from customers through bills. The direct result is the Company must secure funds through some other means. Those other means are debt and equity investors: the individuals, banks, corporations and other institutions supplying funds to capital markets. Those entities have choice in terms of the entities to whom they provide their funds, choices that weigh other utility companies, industries, countries and continents, type of security, duration, expected return, the presence (or absence) of dividends, environmental, social, and governance characteristics, and countless other variables against the investor's tolerance for risk. Not surprisingly, the Company cannot expect that investors, facing the choice between the Company and essentially all other investment opportunities, would or should accept zero return in exchange for their funds. Thus, the cost to acquire the funds necessary to perform the ongoing capital investments required of the system is real, fundamentally non-zero, and more specifically the Company's cost of capital filed in this proceeding.

5. **The Company's F-Factor captures all elements of the Company's capital investment base, including plant additions, plant retirements, accumulated depreciation, cost of removal, and accumulated deferred income taxes.** The Company's F-Factor calculation fundamentally captures the impact of ongoing depreciation accumulating in rate base, which has the effect of reducing overall revenue requirements. Additionally, the Company's F-Factor calculation inherently captures the reduced revenue requirement resulting from plant retirements and accumulated deferred income taxes, while also incorporating the effect of cost of removal on rate base.

6. **Like the CT-Bar, annual reconciliation of the revenue requirement ensures customers ultimately pay only for prudent capital investment while balancing the utility's need to cover the ongoing costs of providing ongoing service.** Critically, the Company's F-Factor proposal does not circumvent prudence reviews – essential pillars of properly-functioning regulatory frameworks – nor undermine the value that effective prudence reviews bring customers. Ultimately, the Company is acutely aware that any capital investment must successfully withstand the scrutiny of a prudence review. Whether that review happens next year, three years from now, or at any other interval, the Company knows the decisions made today must withstand a prudence examination. Any eventual findings of imprudence regarding capital investments made today have significant, negative financial implications, regardless of when those findings are made. Thus, the very expectation of future prudence reviews reinforces the prudence ingrained in decision-making today. Further, the risk of a future finding of imprudence and the negative financial implications thereof eliminates any perceived financial benefit for the Company to "over invest" today.

   Annual reconciliation, including the prudence reviews involved, is a critical element of the Company's PBMRP proposal. As part of each annual PBMRP adjustment effective July 1 each year of the PBMRP2, the Company's actual capital additions for the Prior Year are allowed for inclusion in the calculation of the F factor to the extent that the actual capital additions do not exceed the Forecasted Budget (referred to as the F-factor allowance). To the extent that the cumulative actual capital costs in-service through the Prior Year, in aggregate, exceeds the Forecasted Budget through the Prior Year, then the F Factor allowance is capped at the cumulative Forecasted Budget. This downward-only reconciliation will ensure that, in the end upon reconciliation, customer bills reflect the costs associated only with projects that are in service to customers and no more, and that if the Company invests more than the Forecasted Budget, customer bills will not reflect amounts above the Forecasted Budget, until such time as those capital investments are allowed into rates at the time of the Company's next rate case. The prior-period reconciliation will be reflected in the F-Factor, in addition to the revenue requirement associated with the Forecasted Budget for the upcoming rate year, effective July 1 annually. The F Factor allowance will be calculated to determine the revenue requirement (inclusive of depreciation expense, property tax expense, return on rate base, and income tax) on actual plant additions (including plant additions, cost of removal, plant retirements, accumulated depreciation, and plant

related accumulated deferred income taxes ("ADIT")) up to the Forecasted Budget amount, and to reflect the revenue requirement for the Prior Year and through the Rate Year on in service capital additions placed in service in the Prior Year, provided that those in service capital additions are not reflected in base rates or in another rate mechanism. In addition, the F Factor allowance will reflect the revenue requirement for rate year capital, established at the Forecasted Budget, subject to downward-only reconciliation in the subsequent F Factor filing.

As noted above, annual reconciliation will consider plant-related ADIT on the Company's books through the end of the calendar year, prior to a given annual filing. To the extent the Company has recorded cumulative plant additions in excess of the capital expenditure forecast provided in this docket or supported by a mechanism other than the F-Factor, the plant-related ADIT will be adjusted in the Company's annual reconciliation to avoid overstating the ADIT relevant to the F Factor.

In total, the Company's proposed F-Factor will provide revenue support for, and ultimately reconcile, the capital investment placed into service from the cutoff date for inclusion in base rates through the effective date of the Company's subsequent rate case at the conclusion of the proposed PBMRP term. Per the Company's proposal, and as depicted in the illustrative attachments for this response, the F Factor would ultimately reconcile capital investments made up to July 1, 2031 (the effective date of the subsequent rate case). Should the subsequent rate case be effective later than the July 1, 2031 illustrative date, the F-Factor would continue to reconcile capital investments placed into service until such time as that rate case does take effect.

C. Impact of 5% additional capital investment

EOE-156, Attachment 2 is the same working model as Attachment 1, except that the Company's actual capital investments are assumed to be 5% greater than the current forecast. These increases are reflected on the worksheet "COS-2 Capital," at Lines 19 and 26.

As shown in EOE-156, Table 2, below, in the event that the Company's actual capital investments over the period 2027-2031 were 5% greater than current projections, which is a realistic scenario, the Company's proposed F-Factor revenue would not increase, highlighting two crucial design characteristics.

First, the core capital investment forecast provided in this docket is proposed to be a hard cap on the capital plant additions eligible for recovery through the F-Factor. That means the Company, PURA and stakeholders will be adequately informed of the maximum future revenues as calculated today.

Second, where core plant additions greater than forecast will not be supported through the F-Factor mechanism, there is pressure on the Company to stretch to find efficiencies to maintain a viable rate of return. As Table 1 demonstrates, investing beyond the current forecast provides no benefit in the form of greater revenue during the PBMRP, while putting downward pressure on the Company's earned rate of return. Consequently, over the term of the PBMRP, the Company's financial interest is to operate within its budgets and with a high rate of efficiency in order to achieve a viable rate of return.

EOE-156, Table 2

	Rate Year 1	Rate Year 2	Rate Year 3	Rate Year 4
Base Capital Investment Forecast				
(As Filed, Docket No. 26-05-10)				
Annual Incremental F-Factor Revenue ($ millions)		$66.2	$71.4	$74.5
Return on Equity	9.10%	8.98%	8.87%	8.75%
Savings required to earn allowed ROE ($ millions)	**$7.6**	**$14.3**	**$21.2**	**$29.0**
5% Additional Capital Investment				
Annual Incremental F-Factor Revenue ($ millions)		$66.2	$71.4	$74.5
Return on Equity	9.01%	8.80%	8.61%	8.42%
Savings required to earn allowed ROE ($ millions)	**$11.9**	**$23.8**	**$36.1**	**$49.3**

As shown in Chart 1 and discussed previously the sequential rate cases have a larger impact for customers and are more disruptive, while also creating administrative burden for all Connecticut regulatory stakeholders. Conversely, the Company's PBMRP produces smoother changes in revenues/rates without undermining the importance or efficacy of prudence reviews that would occur in the traditional cost-of-service ratemaking context. Under the Company's proposal, prudence reviews would happen annually. Thus, accountability and cost-control incentives are preserved in the Company's proposal, with an improvement in ratemaking transparency.

However, the larger point illustrated in Table 2 is the powerful impact of the stay-out term.

Under PBR, a benefit for the Company is the line of sight it has on a predictable revenue stream that will replace the loss of sales growth associated with the revenue decoupling mechanism, while providing a level of support for the ongoing operation of the system, including needed investment. However, a significant risk for the Company is that its costs will deviate from the "going in revenue requirement" from the minute rates are set through the end of the stay-out term. These cost changes will impact operating expenses, as well as the drivers of investment costs.

The power of the stay-out term, therefore, arises in relation to the Company's impetus to offset the earnings attrition it will inevitably experience as a result of these cost changes, through efficiency initiatives that will reduce costs on a going forward basis, to the benefit of customers. That is, to maintain a viable rate of return, the Company will be pressed to seek out and achieve cost efficiencies somewhere in the business. Those efficiencies achieved during the stay-out period unavoidably inure to the benefit of customers when base-rates are next set on a cost-of-service basis. This is the fundamental power of a PBR framework, which the Company is experiencing in its Massachusetts companies.

In this case, Table 2 (above) and the working model included as part of this response, each show that it would be necessary for the Company to realize cost savings of approximately $29 million annually, by the end of the PBR term, in order to be able to offset the downward pressures on the (currently) authorized return on equity ("ROE") of 9.25%, all else equal. (See, EOE-156, Attachment 1, worksheet "Financial Summary", Line 24). "Downward pressures" mean increased costs, whether operating expense or the cost of carrying unrecovered capital investment.

For context, the Company's O&M reflected in this docket (per Exhibit CLP-REVREQ-2, Schedule C-3.0), excluding vegetation management, storm restoration and uncollectible expense, is $352 million, annually. Cost

efficiency gains of $29 million therefore equate to a reduction on total O&M of approximately 8 percent, which is a significant reduction in the normal course of business.

At the same time, Table 2 further highlights that this $29 million annual gap is almost doubled to a gap of $49.3 million with only a five percent increase in capital investment as compared to the capped F-Factor. This computation highlights the extreme sensitivity that exists within the cost-of-service ratemaking model when operating expenses and investment costs are increasing and the point at which base rates will be reset and realigned with actual costs is extended to a future point in time.

For example, recall that this analysis is founded on a "going in revenue requirement" that is equal to the Company's filed, proposed revenue requirement – and assumes only one change in the modelling over the entire PBR term, which is the 5% increase in capital investment. However, in reality, there is a virtual certainty of operating cost increases and investment additions that well exceed the 5% shown here, which would only further suppress the rate of return. Accordingly, this analysis highlights the inherent power of the stay-out term associated with a multi-year rate plan that provides revenue support, but without any guarantee of aligning with the actual cost of service along the way. The growing gap is the pressure that is created for efficiency gains that will then be passed on to customers at the next rate-setting interval.

D. Model Overview

Please refer to EOE-156, Attachment 1, for the Company's illustrative PBR model. The model incorporates the Company's proposal with respect to inflation measurement, revenue increases related to operating expenses, F-Factor, and combined effect on the financial results of the Company.

Key assumptions include:

i. The base rate increase, PBMRP, and catastrophic storm cost recovery authorized in this docket are all assumed at the level filed by the Company in this proceeding, with the only exception being the Company used the return on equity and equity capitalization as currently allowed, which is 9.25% and 53.0%, respectively.

ii. The sum of plant additions and cost of removal each year are equal to the capital investment forecast provided in this proceeding, as shown in Exhibit CLP-ELP-1, Figure 7.

iii. Capital and O&M costs related to AMI are excluded from the projected cost of service and illustrative F-Factor revenue requirement calculations. Should the F Factor be approved as the mechanism enabling revenue support for AMI, the cap on capital investment would need to be increased to accommodate the costs for that program.

iv. Catastrophic storm costs, both the recovery of existing deferred costs as well as the costs related to future events, have no bearing on the model. Importantly, this implies the catastrophic storm and pre-staging costs in base rates perfectly match future costs (i.e. future revenue equals future cost for each and every year).

v. O&M cost pressure is assumed to be 1% greater than inflation, annually.

The model is organized into three primary sections:

1) **Financial Summary**, which presents illustrative results of the combined effect of the Company's proposed rate increase, PBR framework, and cost projections

2) **PBR Model,** which covers "I – X – CD" and F-Factor

    a. Worksheet "PBR-1 Total PBRA"
    b. Worksheet "PBR-2 Inflation"
    c. Worksheet "PBR-3 F-Factor Summary"
    d. Worksheet "PBR-4 F-Factor"
    e. Worksheet "PBR-5 F-Factor Property Tax"
    f. Worksheet "PBR-6 Capital Forecast"
    g. Worksheet "PBR-7 Going-In Capital RR"
    h. Worksheet "PBR-8 GDP"
    i. Worksheet "PBR-9 ECI"

3) **Cost of service**, which consists of three worksheets, provides a forecast of the actual cost of providing electric service

1) Financial Summary

The "Financial Summary" provides the combined results of going-in revenues along with the rate increases determined through the Company's PBR proposal, the operating costs of service projected over the same timeframe, and the investment base that enables the Company's essential service to customers.

Lines 15-27 show the calculation of the Company's actual, earned return on equity over the four years of the Company's PBMRP term. Specifically, Line 22 provides the annual earned return on equity; Line 23 provides the cumulative average annual ROE; and Line 24 provides the revenue requirement (excluding GET and uncollectible) or cost savings necessary to achieve the allowed ROE.

Lines 28-44 provide a simplified Income Statement for the four years of the Company's PBMRP, including revenue projections as well as the operating costs of service. These costs represent the projected costs of doing business whether or not those costs are supported with rates.

Lines 46-61 provide a summary of the revenue increases calculated in the PBR model and the corresponding impacts on uncollectible expense and gross earnings tax.

2) PBR

The PBR worksheets are the working calculations that drive the illustrative distribution rate increases discussed above. Each one of which is discussed separately below:

a. Worksheet "PBR-1 Total PBRA"

This worksheet summarizes the results (i.e. rate increases) of the model's other "PBR" worksheets and is organized into four sections: (1) Going-In Revenue Requirements; (2) PBR-O Adjustment; (3) F-Factor Adjustment; and (4) Total Performance Base Revenue Adjustment. "Going-In Revenue Requirements" reflects the eventual revenues authorized as a result of this proceeding. For purposes of this response, this reflects revenues as proposed in this docket and adjusted, as discussed above. The purpose of this section is to orient the reader to the authorized levels of operating revenue (Line 17) and O&M (Line 21) established in this proceeding and, second, to perform calculations necessary to establish

Rate Year 1 baselines for use with subsequent rate year revenue calculations. Line 19 is the resulting base distribution revenue requirement that represents the overall starting point for distribution revenues to which any and all PBMRP rate adjustments for Rate Year 2 would be added or subtracted as appropriate. Line 23 is the level of O&M to which the PBR-O percentage increase for Rate Year 2 would apply.

The PBR-O adjustment section (Lines 25-30) provides the calculations for inflation-driven rate increases, which are initially applied to line 23 discussed above. Line 27 is the combined percentage increase resulting from the Company's proposed composite inflation measure, -0.03% productivity ("x") factor, and consumer dividend. For this analysis, the Company has assumed a 30-basis point consumer dividend for all years. Line 28 provides the resulting annual incremental revenues.

The F-Factor adjustment section on this worksheet references the results determined on other worksheets of the model (discussed below). Here, Line 33 provides the resulting annual incremental revenues, while Line 34 provides the cumulative F-Factor revenue requirement.

Line 37 provides the total annual revenue increase, which is the sum of Lines 28 and 33.

Line 43 is the final resulting base distribution revenue requirement that begins with Rate Year 1 amounts and adjusts annually thereafter by the amounts described above.

For purposes of this analysis, there are no exogenous cost recovery assumptions reflected in the accompanying working model. If PURA were to authorize the Company's proposal, including mechanics related to exogenous cost provisions and the consumer dividend, the PBR model would need to be adapted from the attached to include additional worksheets as appropriate.

b. **Worksheet "PBR-2 Inflation"**

This worksheet first aggregates the relevant indices' data points from worksheets 10 and 11 (discussed below), which are shown on Lines 13-16 for GDP-PI and Lines 21-24 for ECI. Each index is then averaged for a given calendar year (Lines 17 and 25), which then form the basis for the annual growth calculations on Lines 18 and 26. As discussed in the Company's pre-filed testimony, the Company is proposing to weight the indices 66.9% for GDP-PI and 33.1% for ECI. The composite resulting inflation is shown on Line 32.

Line 33 provides the -0.03% productivity factor, while Line 34 shows the consumer dividend, which assumes 30 basis points for simplicity of this analysis. The combined result of inflation, productivity factor and consumer dividend is shown on Line 35, which is before the imposition of a 5% cap. To the extent line 35 exceeds the proposed 5% cap, Line 36 would provide the adjustment such that Line 37, the final result, is the lesser of the 5% cap and Line 35.

Note that projections of inflation are used for analytical purposes in this response and to assist with discussion pertaining to future rate increase implications. Actual calculations of PBR adjustments in future annual PBR filings would rely exclusively on published data available at the time of a given year's annual PBR filing.

c. Worksheet "PBR-3 F-Factor Summary"

Like the CT-Bar, the Company's proposed F-Factor is calculated on a monthly basis. The "F-Factor Summary" worksheet aggregates the results of those calculations on Lines 17-29 and presents in 6-month increments to enable both calendar-year and rate-year views of the same information. Property taxes (Line 19) are not calculated monthly, but rather on a fiscal year basis. Line 28 provides the resulting cumulative F-Factor revenue requirement, while Line 29 is the annual incremental amount shown on the worksheet "PBR-1 Total PBRA," line 33.

d. Worksheet "PBR-4 F-Factor"

This worksheet provides the monthly calculation of the F-Factor revenue allowance summarized on the previous worksheet and is the "engine" of the overall F-Factor model. Broadly, it aggregates the necessary inputs, including rate base activity assumptions (Lines 18-25) and relevant rates resulting from this proceeding, including depreciation expense as a function of gross plant (Line 49) and pre-tax return on rate base (Line 51).

Note also that this worksheet includes a "switch" (Line 16) that enables this model to adapt to the cutoff date of capital investment for inclusion in base rates. However, due to the large number of possibilities for a potential cut-off date and similarly large variation of resulting Going-In revenue requirements, the model is currently configured to use this line as an adjustment for Rate Year 1 only. That is, the model is not currently built such that the user can specify a cutoff date for capital investment inclusion in base rates and have that date adjust the going-in capital revenues, as well as the F-Factor. Conceptually, this switch is intended to affix the start of the F-Factor calculations to the last date capital investment is reflected in base rates.

As presently configured, the F-Factor revenue requirement assumes the capital investment reflected in base rates is per the Company's proposal, which is through June 30, 2028. However, the capital-driven rate year revenue requirement calculations reflected in the Company's filed cost of service are based on rate year averages. For example, the rate base referenced in the return on rate base calculations found on Exhibit CLP-REVREQ-2, Schedule A-1.0, Line 16 is average rate base, while Rate Year 1 depreciation expense is based on rate-year average plant in-service, as denoted on WP C-3.34, line 13 of the same exhibit. Consequently, the F-Factor calculation is currently configured to rely on 50% of Rate Year 1 capital investment to effectively build the proper ending balances as of 6/30/2028 upon which subsequent rate year calculations can grow. Note that the interaction between the F-Factor and the cut-off date for capital investment inclusion in base rates is a critical component to the longevity of the Company's proposal as it assures that the F-Factor starting point aligns with the endpoint for base rates, leaving no gap over the duration of the rate plan.

For purposes of this written response, the Company does not detail the calculations of this worksheet here. Instead, the Company refers to the line references provided on the last page of this worksheet (Model PDF, page 8) for both Attachments 1 and 2, which detail the calculations performed. For emphasis, note that Line 33 captures the accumulation of depreciation recovered in base rates. By design, the F-Factor intentionally reflects this to properly estimate a reasonably true capital driven revenue requirement.

The resulting F-Factor revenue requirement, excluding property tax, which is referenced by the preceding worksheet, is shown on line 53.

e. Worksheet "PBR-5 F-Factor Property Tax"

This worksheet provides the fiscal year calculations for incremental property tax expense based on capital investments made since 2024 and forecast through 2031. Line 12 references capital investment assumptions discussed elsewhere, while Lines 13-24 perform the calculations of depreciation expense pursuant to Conn. Gen. Stat. §12-63(b)(6), net book value, assessed value pursuant to Conn. Gen. Stat. §12-63(a), and the eventual property tax expense by applying the composite mill rate calculated in Exhibit CLP-REVREQ-2, Schedule WP C-3.37 p17 to 21, Page 20, Line 73. The result is shown on line 24.

Lines 28-32 then summarize that result by calendar year, while Lines 38-40 summarize by rate year. After adjusting for the extent to which base rates recover the property tax related to these same investments on Line 41, as discussed in previous sections, the final property tax amount reflected in the F-Factor allowance is shown on Line 42.

f. Worksheet "PBR-6 Capital Expense Forecast"

This worksheet is provided to create the necessary link between the F-Factor revenue allowance calculations and the capital investment forecast discussed in this docket. The capital investment forecast included aligns with the Company's filed capital investment forecast, as can be seen in Exhibit CLP-ELP-1, Figure 7. The F-Factor capital investment assumptions reflected in the revenue allowance calculations of "PBR-4 F-Factor" necessarily agree with this worksheet.

g. Worksheet "PBR-7 Going-In Capital RR"

This worksheet is a collection of select data points as approved in the Company's "Going-In" rates (or, in this case, as proposed in the Company's filed cost of service schedules, Exhibit CLP-REVREQ-2-A, B, C, D Schedules, adjusted to reflect the currently authorized return on equity (9.25%) and equity capitalization (53.0%), as stated previously:

- Lines 12-16 provide the dollar amounts related to capital-driven costs of services, which are depreciation, property taxes and costs of capital. Amounts shown are currently as proposed in this illustrative model (except where noted), but ultimately will reflect the amounts as approved in this docket.

- Lines 21-28 provide a summarized view of the Company's filed rate base for the test year, rate year beginning, rate year ending, and rate year average balances. These balances serve as the basis (denominators) for establishing the capital-driven costs above as a percentage of approved balances. Those percentages are used on the other "PBR" worksheets, as well as the cost of service worksheet to estimate future costs of service based on approved levels (Lines 30-32)

- Lines 47-81 provide rates for uncollectible expense, gross earnings tax, and the costs of capital as well as necessary calculation of gross-ups to those rates for use in the model's calculations.

- Additional details are shown in column (F) of this worksheet.

h. Worksheet "PBR-8 GDP"

This worksheet presents raw Gross Domestic Product-Price Index (GDP-PI) data obtained from the Bureau of Economic Analysis. For illustrative purposes only, this model also includes a projection of GDP-PI obtained from Moody's September 14, 2026. As noted above, actual calculations of PBR

increases, if approved as filed, rely only on historical data available at the time of a given year's annual PBR filing.

i. Worksheet "PBR-9 ECI"

This worksheet contains raw Employment Cost Index (ECI) data obtained from the Bureau of Labor Statistics. Note that projections of inflation are used for analytical purposes and to assist with discussion pertaining to future rate increase implications. Calculations of PBR increases, if approved as filed, rely only on historical data available at the time of a given year's annual PBR filing.

3) Cost of Service

The cost of service included for analytical purposes in the Company's working model consists of three worksheets: "COS-1 Total," "COS-2 Capital," and "COS-3 Property Tax."

a. Worksheet "COS-1 Total"

This worksheet provides projections of the Company's actual costs through the end of the PBMRP term as a means of assessing the impact the capital investment forecast and O&M cost pressures have on the overall cost of service as well as the degree to which revenues align with the Company's cost of service (as reflected on the "Financial Summary" worksheet).

Lines 15-37 summarize the results of the cost drivers, including especially O&M (Lines 16-19), depreciation (Line 21), property taxes (Line 22), and costs of capital, including corresponding income taxes (Lines 24-27).

Gross earnings taxes and uncollectible expense are calculated on Lines 33 and 34 as if the full cost of service (Line 28) is in rates.

Non-storm O&M is shown on Lines 38-44, while storm O&M is shown on Lines 45-50, where non-catastrophic costs are identified separately from catastrophic storm / pre-staging funding.

Non-storm rate base is shown on Lines 52-59, which reflect the capital investment forecast (exclusive of AMI) filed in this docket.

Lastly, capital-driven costs of service are shown on Lines 61-67. Depreciation, property tax, uncollectible, gross earnings taxes, and costs of capital are based on the Company's filed cost of service in this docket, specifically Exhibit CLP REVREQ-2-A, B, C, D Schedules, except that the return on equity (9.25%) and equity capitalization (53%) are shown at currently authorized amounts.

b. Worksheet "COS-2 Capital"

This worksheet functions nearly identically to "PBR-4 F-Factor" except that it relies on actual capital investment projected over the term of the PBMRP. This is essential to understanding actual costs of service, whether or not those costs are supported by revenues. It forms the basis for evaluating the degree to which the F-Factor is sufficient. For additional details pertaining to the mechanics, please see the line references found at the end of this worksheet (or model PDF page 19).

c. Worksheet "COS-3 Property Tax"

Similarly, this worksheet is included to assist with the calculation of actual costs of service. It operates mechanically identically to "PBR-5 F-Factor Property Tax" except that it relies on actual capital investment projections (Line 12).