Date Filed: October 08, 2026

Witness: Douglas P. Horton, Brendan J. O'Brien and Garrett J. Murray
Request from: ALLCO

Question:

(Follow-up to ALLCO-054 — earned return, capital-forecast contingency, and incremental equity.) (a) The Company's response to ALLCO-054(a) states that it "is currently earning below its authorized return on equity of 9.25 percent." Produce, in native (Excel) format, the calculation supporting that statement, showing for the Test Year and for each calendar year 2023 through 2025 and each completed quarter of 2026 the earned return on common equity for the Connecticut distribution business, the net income, the average common equity balance, every adjustment made in deriving the earned return (including any normalization, exclusion of storm, pension, or other items, and any adjustment for the capital structure), and a reconciliation to the earned-return figures reported to PURA in the Company's annual and quarterly earnings reports for the same periods. (b) The response to ALLCO-054(c) states that if revenues are insufficient the Company "would have no choice but to reconsider its capital investment forecast." Identify each project, program, or category of capital investment in the Application that the Company would defer, downsize, or cancel if the currently authorized 9.25% return on equity were retained, stating for each the amount and timing of the investment affected, and produce every analysis, presentation, or communication (including to the Eversource Energy Board of Trustees, rating agencies, or investors) that identifies capital investment as contingent on the outcome of this proceeding; if no such project, program, or analysis exists, so state. (c) The response to ALLCO-054(d) describes the practice of pricing debt at embedded cost while pricing the entire equity balance at the requested return as "consistent with . . . PURA practice." Identify each PURA decision the Company relies on for that practice, and state whether the Company has ever, in any jurisdiction, prepared or presented an analysis in which only incremental common equity is priced at a requested return; if so, produce it. (d) State the after-tax equity return and income-tax gross-up, for the Rate Year and each subsequent year of the proposed PBMRP term, that would result from applying (i) the currently authorized 9.25% return and (ii) the Company's calculation of its currently earned return, to the rate base in service at December 31, 2025, in the same format as ALLCO-054, Attachment 1. (e) Identify the Moody's ratings criteria referred to in the response to ALLCO-054(c) by title and date, and produce the most recent Moody's and S&P credit opinions or reports on The Connecticut Light and Power Company and on Eversource Energy.

Response:

a. Please refer to the Company's response to EOE-062[i] for the actual ROEs filed for each of the requested periods.

b. No project-by-project contingency study was performed. Capital allocation decisions are dynamic, and result from multiple considerations, including safety, reliability, legal and regulatory obligations, customer needs, and the Company's financial considerations. As with any business, the Company's financial resources are not unlimited, and management continuously evaluates how best to allocate available capital to meet customer, operational, and regulatory obligations.

c. Utility ratemaking compensates investors for the opportunity cost and risk associated with all investor-supplied equity capital committed to utility operations, not merely recently issued or incremental equity contributions. This principle reflects several fundamental aspects of utility finance and ratemaking:

   i. Retained earnings remain shareholder-supplied capital and continue to represent investor funds committed to utility operations.

   ii. Investors continue to bear the risks associated with that capital for so long as it remains invested in the utility.

   iii. Regulatory capital structures are applied to the entire rate base and capital supporting utility operations, not solely to incremental investments.

   iv. The authorized return on equity applies to the full common equity component supporting utility assets and service to customers.

   Connecticut ratemaking practice has consistently applied the authorized return on equity to the common equity component of the utility's capital structure supporting utility operations. However, the following examples of rate cases in which the authorized return on equity applied to the entire balance of equity that supported rate base:

   - Docket No. 24-10-04, *The United Illuminating Company*
   - Docket No. 24-12-01, *Yankee Gas Services Company*
   - Docket No. 23-11-02, *Connecticut Natural Gas Corporation and Southern Connecticut Gas Company*
   - Docket No. 23-08-32, *Connecticut Water Company*
   - Docket No. 22-08-08, *The United Illuminating Company*
   - Docket No. 18-05-10, *Yankee Gas Services Company*

- Docket No. 17-10-46, *The Connecticut Light and Power Company*

d. The Company provided the after-tax equity return on rate base in its response to ALLCO-054, Attachment 1. The amount associated with rate base as of December 31, 2025, is presented in Column C, Line 2 of that attachment. The return requirement attributable to that investment base does not change solely as a result of the passage of time during the proposed PBMRP term. To the extent the return requirement changes in subsequent years, such changes result from changes in rate base and are reflected on Line 2 of the applicable yearly amounts contained in the attachment.

   With respect to part (ii), the Company's currently earned return is provided in response to subpart (a). The Company does not calculate, and has not relied upon, a forecasted future "earned return" on the December 31, 2025, rate base held constant through future periods. Earned return is a measurement of performance that reflects the relationship between the revenues, expenses, and capital supporting utility operations during a particular period. Applying a historical earned-return percentage to a fixed historical rate base and then extending that result into future years would not reflect the revenues, costs, capital investments, or operating conditions expected to exist during those future periods and therefore would not provide a meaningful measure of future utility performance

e. Please refer to ALLCO-136, Attachment 1, for Moody's Rating Methodology for Regulated Electric and Gas Utilities, dated August 6, 2024. Specifically, page 5 discusses "Sufficiency of Rates and Returns." Please refer ALLCO-136, Attachment 2 and ALLCO-136, Attachment 3 for the latest credit opinions from Moody's and S&P, respectively.

Prior Referenced Response:

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[i] EOE-062 Question:

(EARNINGS SHARING MECHANISM-ESM) Provide an unlocked Excel spreadsheet detailing the Company's annual ESM results (i.e., calculated return on equity-ROE) in comparison to the Company's authorized ROE each annual ESM filing since the Company's last rate case. Separately, provide a similar comparison of the Company's "hypothetical" annual ROE results to the Company's authorized ROE whereby the "hypothetical" ROE results are capped at the equity ratio authorized in the last rate case.

EOE-062 Response:

In accordance with Section 10(a) of the 2018 Rate Settlement approved by PURA in Docket No. 17-10-46, earnings at the end of each calendar year above the authorized return on equity ("ROE") of 9.25% shall be shared between customers and the Company on a 50/50 basis. The Company reports its ROE at the end of each calendar year in Docket

No. 76-03-07 (2018 – 2020) or Docket No. 76-03-07RE01 (2021 – 2025) as the basis for any earnings sharing.1 The Company did not earn above the authorized 9.25% at the end of any calendar year between 2018 and 2025.

Please refer to Exhibit 1(C)(1) of Attachments 1a through 5a for each actual ROE for the period 2018 through 2022. Please refer to Exhibit 1(C)(1a) of Attachments 6 through 8 for each actual ROE for the period 2023 through 2025.

Please refer to Exhibit 1(C)(1) of Attachments 1b through 5b for each illustrative ROE for 2018 through 2022 utilizing the Company's authorized equity ratio from Docket No. 17-10-46. The Company began reporting an illustrative ROE utilizing the Company's authorized equity ratio from Docket No. 17-10-46, beginning with its year-end 2023 results. Please refer to Exhibit 1(C)(1b) of Attachments 6 through 8 for each illustrative ROE for 2023 through 2025 utilizing the Company's authorized equity ratio from Docket No. 17-10-46.

A table summarizing the results is presented below:

Year	**Earned ROE w/ Actual Capital Structure**	**Illustrative ROE Using Authorized Capital Structure**	**Reference**
2018	8.98%	9.00%	Attachments 1a and 1b
2019	8.70%	8.85%	Attachments 2a and 2b
2020	9.03%	9.26%	Attachments 3a and 3b
2021	9.09%	9.26%	Attachments 4a and 4b
2022	8.33%	8.60%	Attachments 5a and 5b
2023	7.35%	7.57%	Attachment 6
2024	6.13%	6.23%	Attachment 7
2025	6.51%	6.57%	Attachment 8