STATE OF CONNECTICUT

PUBLIC UTILITIES REGUATORY AUTHORITY

Docket No. 26-05-10

APPLICATION OF THE CONNECTICUT LIGHT AND POWER COMPANY
D/B/A EVERSOURCE ENERGY
TO AMEND ITS RATE SCHEDULES

DIRECT TESTIMONY OF

AMPARO NIETO

Allocated Cost of Service Study

On behalf of

The Connecticut Light and Power Company
d/b/a Eversource Energy

July 14, 2026

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Exhibits

Exhibit CLP- ACOS-2 – Allocated Cost of Service Study (Schedule E-6.0)

Exhibit CLP- ACOS-3 – Curriculum Vitae of Amparo Nieto

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I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND CURRENT POSITION.

A. My name is Amparo Nieto. I am a Director at the Energy Practice of Berkley Research Group (BRG), where I lead the electricity tariff and cost of service practice.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of the Connecticut Light and Power Company d/b/a Eversource Energy ("the Company").

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to present and explain the allocated cost-of-service study ("ACOS") that I prepared on behalf of the Company in this proceeding and relies on best ACOS practice methods. A summary of the results is contained in Exhibit CLP-ACOS-2.

Q. HAVE YOU TESTIFIED ON BEHALF OF THE COMPANY IN CONNECTICUT OR ELSEWHERE AS IT PERTAINS TO COST-OF-SERVICE STUDIES?

A. Yes. I submitted expert testimonies in the PSNH's 2019 and 2025 general rate cases regarding the ACOS and MCOS studies and use of these results for rate design proposals.

II. OVERALL GOALS AND METHODOLOGY

Q. WHAT ARE THE OBJECTIVES OF AN ACOS STUDY FOR THE DISTRIBUTION SERVICE?

A. An ACOS study aims to equitably allocate the Company's electric distribution plant and expenses based on the costs to serve the respective rate classes or groups, using generally accepted methodologies in the industry, and consistent with NARUC's Electric Utility Cost Allocation Manual. Any rate class contributing less than the average rate or return on rate base is assumed to be subsidized by other classes. In practice, the Company uses the ACOS results as a guide for proposed revenue requirements, in a manner that recognizes the current status quo and customer bill impact considerations. The ACOS study calculates a rate of return for each service class so that comparisons can be made between each class's current return on allocated rate base under existing tariffs and the total system rate of return. The degree of over/under recovery of the allocated FERC account costs tariffs indicates the required changes to present rates that would be necessary to result in equal rates of return for each class. Like other electric utilities, the Company maintains its books and records in accordance with the Uniform System of Accounts as directed by FERC.

Q. PLEASE PROVIDE AN OVERVIEW OF THE STEPS INVOLVED IN THE ACOS STUDY.

A. The ACOS uses plant account information for the proforma test-year and for the rate year ending on June 30, 2028. The study begins with the review of the Company's proposed distribution revenue requirement (net plant, operating and maintenance expenses, depreciation, taxes, etc.), which includes the amortization for storm-related costs is included and introduces granularity of plant accounting costs where possible. The first step is classifying each distribution function cost component as customer, revenue, or demand-related, based on the characteristics of the type of service being provided. Next, the study develops cost allocation factors for the different components of plant and expenses, using various measures of demand and relying on load research provided by the Company, customer weighting factors as applicable to meter costs, meter-reading, late payments, and other customer-related expenses. Under the ACOS method, customers are assumed to be responsible for a share of the sunk, historical demand-related costs in proportion to the class non-coincident demand, customer numbers, weighted expenses by class and other cost drivers.

III. METHODS USED IN THE ACOS STUDY

Q. HOW ARE THE VARIOUS DISTRIBUTION PLANT COSTS CLASSIFIED IN THE ACOS STUDY?

A. Cost classification differentiates the functional investment and expenses based on two main primary cost drivers: demand related, and customer related. These are identified for each function and level. Each of these cost drivers has its own separate and appropriate allocation methodology to apportion respective costs to the customer

classes. Demand-related costs are incurred by the utility to provide the capacity necessary to serve the customers' peak kilowatt (kW) loads (demands) throughout the year. Customer-related costs vary with the number of customers on the system and are generally independent of customers' usage although they may indirectly be related to size. Customer costs generally refer to the basic costs incurred by the utility to attach a customer to the distribution system, which includes metering, service lines, a portion of the distribution system identified with the Minimum Distribution System ("MDS"). It also includes customer services such as billing and certain administrative costs. The Company prepared the MDS and I reviewed and applied the results in the ACOS study. There are also other costs, referred to as direct assignment costs, that are fully allocated to the classes for which the cost or investment was directly incurred.

Q. COULD YOU DESCRIBE THE MINIMUM SYSTEM STUDY AND THE RESULTING CLASSIFICATION FACTORS?

A. Yes. The MDS study separates the costs of the distribution facilities, i.e., primary voltage lines, line transformers, and secondary voltage lines (Accounts 364, 365, 366, 367 and 368), into demand-related cost and customer-related cost components. Distribution station plant (Account 362) is considered in its entirety as demand-related. The split of these accounts among demand-related (share of plant driven by non-coincident demand) and customer (associated with readiness to serve, and independent of customer's load requirements) is based on the results of the Company's MDS study. The Company's MDS study is consistent with one of the methodologies described in NARUC's Electric Utility Cost Allocation Manual. The minimum system analysis

compares the cost of a hypothetical minimum sized system that would be required to connect and provide access to customers to the total cost of the entire system. The minimum system cost represents the customer-related costs, while the difference between the total costs and the minimum system costs represents the demand-related costs. The analysis starts by identifying the minimum sized pole, conductor, and transformer on the Company's distribution system, and their respective installed cost, including material costs, labor costs and equipment costs. The cost per unit of the minimum sized plant, in today's dollars, is multiplied by the total existing inventory of each plant type, brought to today's dollars with the Handy Whitman Index. The total cost of the minimum sized plant is divided by the total cost (all in today's dollars) of the actual sized distribution plant in the field. This ratio represents the customer-related portion of distribution plant investment, with the balance being the capacity-related portion. Table 1 below shows the percent of distribution plant that was classified as customer and demand-related as per the results of the Company's MDS.

Table 1. Minimum system study classification factors

Account Number		Demand	Customer
364	POLES - PRIMARY	56.1%	43.9%
364	POLES - SECONDARY	40.6%	59.4%
365	PRIMARY OH LINES	87.5%	12.5%
365	SECONDARY OH LINES	81.2%	18.8%
366, 367	PRIMARY UG LINES	91.2%	8.8%
366, 367	SECONDARY UG LINES	89.8%	10.2%
368	OH TRANSFORMERS	57.1%	42.9%
368	UG TRANSFORMERS	80.9%	19.1%

Q. HAVE YOU USED THE SAME TYPE OF ALLOCATION METHODS FOR THE DEMAND-RELATED COSTS AS IN THE COMPANY'S LAST ACOS STUDY?

A. Yes, the 2026 ACOS adopts the traditional manner to allocate the demand-related costs of demand-related distribution plant and expense accounts in an ACOS study, based on NARUC Cost Allocation Manual. Demand-related costs are allocated using the relative class non-coincident demands (NCPs). Class NCP allocators include some diversification at the rate class level. The allocation of demand-related costs in Account 368 uses an adjusted class NCP allocation factor to exclude the share of NCP associated with customers who are served from customer-owned transformers.

Q. HOW DOES THE ACOSS ALLOCATE CUSTOMER-RELATED PLANT AND EXPENSES?

A. Customer-related costs vary with the number and type of customers. When customers are added, the Company faces higher costs for customer service expenses such as meter reading, collection and inspection, billing, and bad debts. New meter and service drops are also installed. Relative weights were estimated to reflect differences in the effort required and the cost incurred to provide customer services to individual customers in each rate class. Examples of customer allocators are as follows:

- Meter reading allocation factors were based on number of meter reads and average cost per read, by class, as provided by the Company;
- Allocation factors for the meter plant were based on the relative ratios of the average installed meter cost within a class; with the relative weight of a residential customer set equal to one, each of the other classes is assigned weighting factors. The ratios of the weighted customer counts for each class to the total weighted number of customers provides the customer allocation factor.

- Collection expenses were allocated to residential and general service based on the number of customers in these categories and average per-customer cost by class.

- Bad debts and other customer accounts expenses were allocated based on a review of accounts by the Company on the relative amount of these expenses by class.

The specific costs associated with streetlights (such as luminaries, ballast, light bulbs and other equipment necessary for street lighting, including an allocated share of general plant and directly assigned O&M expenses) were allocated directly to the streetlight class.

IV. RESULTS OF REVENUE TARGETS BY CLASS

Q. WHAT DOES THE ACOS STUDY DETERMINE IN TERMS OF THE ADEQUACY OF CURRENT DISTRIBUTION RATES IN THE PROFORMA TEST YEAR?

A. The Company is requesting an overall revenue requirement increase from distribution rates of approximately 50.52 percent. This increase would allow the Company to realize a return on rate base of 7.74 percent, in the rate year. The results of the ACOS study reveal that the existing residential and small commercial distribution rates are inadequate to allow the Company to recover the target rate of return on rate base. The overall earned rate of return that the Company currently obtains at existing distribution rates is 1.05 percent after accounting for the recovery of the amortized storm-related costs. This means that current Company rates are insufficient to provide an adequate overall rate of return, and at the same time, class revenues are misaligned with regards to class parity of return. The ACOS study results show very divergent class earned rates of return at current rates, with many classes either paying significantly less or

significantly more than their proportional share of allocated costs. Detailed tables of the ACOS illustrate a summary of the percent increase or decrease by class required to achieve the Company target rate of return of 7.74 percent by class in Exhibit CLP-ACOS-2.

V. ACOS STUDY APPLICATION FOR RATE PROPOSALS

Q. IN YOUR OPINION, IS THE ACOS HELPFUL FOR RATE DESIGN?

A. An ACOS study is based on a top-down allocation of accounting costs, and not on each customer class's contribution to forward-looking marginal costs of service. Thus, an ACOS study is more reasonably relied upon as a guide to set revenue targets as opposed to strictly guide the apportionment of class revenue requirement to determining individual rate charges. To achieve the appropriate rate design that meets efficiency and intra-class equity rate objectives, one needs to review jointly the results of the ACOS study and a Marginal Cost of Service Study (MCOS). Particularly for apportionment of cost recovery between the per-kWh, per-kW charges and the fixed charge, among other rate design elements such as time-differentiation.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.