**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

# JOINT DIRECT TESTIMONY OF

# SASHA P. LAZOR, MARIANNE H. EICHLER, AND KARA A. O'CONNOR

*Employee Compensation and Benefits Panel*

**On behalf of**

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

**July 14, 2026**

**STATE OF CONNECTICUT**

**PUBLIC UTILITIES REGULATORY AUTHORITY**

# JOINT DIRECT TESTIMONY OF

# SASHA P. LAZOR, MARIANNE H. EICHLER, AND KARA A. O'CONNOR

## Table of Contents

**I. INTRODUCTION.....1**

**II. EMPLOYEE COMPENSATION.....7**

A. Overall Approach to Employee Compensation ..... 7

B. Reasonableness of Compensation Expense ..... 15

1. Union Payroll.....15

2. Non-Union Payroll.....18

3. Comparative Studies of Non-Union Payroll.....20

C. Variable Pay..... 27

1. Market Prevalence .....27

2. Eversource's Variable Pay Program .....30

3. Variable Pay and Individual Performance .....37

4. CL&P's Rate Application Addresses Concerns Cited by PURA in Other Cases .....48

5. Variable Pay is a Necessary Component of the Cost of Service .....58

**III. EMPLOYEE BENEFITS.....60**

A. Benefits Program Overview..... 60

B. Healthcare Benefits for Employees ..... 64

C. Healthcare Benefits for Retirees ..... 78

D. Other Post-Retirement Employee Benefits ..... 80

E. Employee Benefits Summary and Conclusion ..... 86

**IV. CONCLUSION .....87**

## Tables

1. Example of Market Pricing Data from Towers Watson Survey
2. Union Contracts and Payroll Increases
3. CL&P Non-Union Total Compensation Analysis
4. ESC Non-Union Total Compensation Analysis
5. Non-Union Merit Increase Market Data (2023-2025)
6. Variable Compensation Prevalence – Overall
7. Variable Compensation Prevalence – Percentage of Employees Eligible and Received
8. Eversource Target Performance Scorecard
9. Variable Pay Funding Pool Calculation Weightings
10. CT Electric Operations Target Performance Scorecard
11. PillarRx Cost Savings
12. Working Rate Calculation
13. Annual Cost Trends

**STATE OF CONNECTICUT**

**PUBLIC UTILITIES REGULATORY AUTHORITY**

# JOINT DIRECT TESTIMONY OF

# SASHA P. LAZOR, MARIANNE H. EICHLER, AND KARA A. O'CONNOR

## I. INTRODUCTION

**Q. Please state the names of the witnesses on the Employee Compensation and Benefits panel.**

A. The Employee Compensation and Benefits panel consists of Sasha P. Lazor, Marianne H. Eichler, and Kara A. O'Connor. We are testifying on behalf of The Connecticut Light and Power Company d/b/a Eversource Energy ("CL&P" or the "Company").

**Q. Mr. Lazor, please state your full name and business address.**

A. My name is Sasha P. Lazor. My business address is 107 Selden Street, Berlin, Connecticut.

**Q. By whom are you employed and in what capacity?**

A. I am employed by Eversource Energy Service Company ("ESC") as Vice President of Compensation, Benefits Strategy and HR Operations. I am responsible for developing and implementing strategies for employee compensation paid to the employees of ESC and the Eversource Energy ("Eversource") operating companies, including CL&P.

**Q. Please describe your educational background and professional experience.**

A. I graduated from Connecticut College in 1988 with a Bachelor of Arts degree in government and Russian studies. In 2004, I earned a Master of Business

Administration in Finance from Sacred Heart University. From 1997 to 2009, I worked as a Senior Consultant on human resources for Hewitt Associates and the Hay Group in Norwalk, Connecticut. As a Senior Consultant at both Hewitt Associates and the Hay Group, I advised a variety of businesses in assessing the market competitiveness of their compensation and benefits practices and developed and implemented compensation plans and strategies to support their businesses. I joined Eversource in 2010 as the Director, Compensation. In January 2025, I was promoted to my current role in which I oversee the employee Compensation and Benefits and Human Resources Operations teams.

**Q. Have you previously testified before the Public Utilities Regulatory Authority?**

A. Yes. I testified before the Public Utilities Regulatory Authority ("PURA") on behalf of CL&P in its 2014 rate case in Docket No. 14-05-06 and its 2017 rate case in Docket No. 17-10-46. I also testified before PURA on behalf of Yankee Gas Services Company ("Yankee Gas") in its 2010 rate case in Docket No. 10-12-02, its 2018 rate case in Docket No. 18-05-10, and its 2024 rate case in Docket No. 24-12-01.

**Q. Ms. Eichler, please state your full name and business address.**

A. My name is Marianne H. Eichler. My business address is 107 Selden Street, Berlin, Connecticut.

**Q. By whom are you employed and in what capacity?**

A. I am employed by ESC as Director of Human Resources Consulting. I am responsible for the design, development and delivery of Human Resources programs corporate

wide. The programs encompass a wide range of Human Resources deliverables including human resource consulting, talent management, performance management, culture and engagement, workforce planning, leadership development, workforce planning, organization design, compliance, and policies.

**Q. Please describe your educational background and professional experience.**

A. I earned a Bachelor of Science degree in Resource Economics from the University of Connecticut in 2002. From 2002 to 2007 I held various human resource roles including staffing specialist, corporate recruiter, and contingent resource consultant at Manpower International, Mortgage Lenders Network, and Guidant Group. In 2007, I joined Eversource's Human Resources organization and have held various positions of increasing responsibility including College Relations Recruiter, Senior Staffing Consultant, Human Resources Business Partner, Lead Human Resources Business Partner, and Manager, Human Resources Consulting. In October 2024 I was promoted to my current role, Director, Human Resources Consulting.

**Q. Have you previously testified before PURA?**

A. I testified before PURA at evidentiary hearings on behalf of Yankee Gas in Docket No. 24-12-01. I have not previously sponsored pre-filed testimony.

**Q. Ms. O'Connor, please state your full name and business address.**

A. My name is Kara A. O'Connor. My business address is 247 Station Drive, Westwood, Massachusetts**.**

**Q. By whom are you employed and in what capacity?**

A. I am employed by ESC as Director of Benefits Strategy. I am responsible for development and implementation of employee benefit programs at CL&P and for other employees working within the Eversource system.

**Q. Please describe your educational background and professional experience.**

A. I earned a Bachelor of Science degree in business and economics from Catholic University of America in Washington D.C. in 1997, and a Master of Business Administration from Bentley University in 2008. From 1997 through 2025, I held various employee benefits roles, including as a benefit analyst, team leader, and director at Putnam Investments, Hallmark Health, Raytheon, Melrose Wakefield Healthcare System, and Tufts Medicine. In February 2025, I joined ESC in my current role.

**Q. Have you previously testified before PURA?**

A. I testified before PURA at evidentiary hearings on behalf of Yankee Gas in Docket No. 24-12-01. I have not previously sponsored pre-filed testimony.

**Q. What is the purpose of your joint testimony?**

A. Our testimony provides information in support of CL&P's rate case application in relation to its costs for employee compensation and benefits. Our testimony discusses the underlying rationale and assumptions related to these costs and supports pro forma

and Rate Year[1] adjustments to the Test Year[2] expenses for employee compensation, including: (1) payroll adjustments arising from union and non-union wage and salary changes anticipated through the Rate Year for CL&P and ESC; and (2) variable pay for certain employee positions anticipated through the Rate Year. Our testimony includes detailed analyses to establish the reasonableness of the total compensation (comprised of salaries, variable pay, and benefits) provided to union and non-union CL&P employees and ESC employees supporting CL&P. Additionally, our testimony describes the package of comprehensive employee health and retirement benefits provided to CL&P and ESC employees as part of total compensation.

**Q. Are you presenting any exhibits in addition to your testimony?**

A. Yes. We are presenting the following exhibits in support of the CL&P rate application:

[1] The "Rate Year" in CL&P's rate application is the period July 1, 2027 through June 30, 2028.

[2] The "Test Year" in CL&P's rate application is the 12-month period ending December 31, 2025.

| Exhibit | Title |
|---|---|
| Exhibit CLP-EMPLOYEE-1 | Joint Direct Testimony of Sasha P. Lazor, Marianne H. Eichler and Kara A. O'Connor |
| Exhibit CLP-EMPLOYEE-2 | Competitor Job Postings |
| Exhibit CLP-EMPLOYEE-3 | Performance Rating Distribution Data for 2025 |
| Exhibit CLP-EMPLOYEE-4A<br>Exhibit CLP-EMPLOYEE-4B<br>Exhibit CLP-EMPLOYEE-4C | Summary Linking Employees Goals to Executives' Key Initiatives<br>Executive Key Initiatives Reports<br>Employee Goal Reports |
| Exhibit CLP-EMPLOYEE-5 | 2025 Willis Towers Watson BenVal All Benefits Results – Non-Union |
| Exhibit CLP-EMPLOYEE-6 | 2025 Willis Towers Watson BenVal All Benefits Results – Union |
| Exhibit CLP-EMPLOYEE-7 | 2023 Willis Towers Watson BenVal Retirement Benefits Results – Non-Union |
| Exhibit CLP-EMPLOYEE-8 | 2023 Willis Towers Watson BenVal Retirement Benefits Results – Union |

**Q. How is your testimony organized?**

A. Our testimony is organized as follows. Section I is the Introduction. Section II describes the Company's overall approach to employee compensation, which includes a base pay component (wages and salaries), a variable pay component, and employee benefits. Section II includes analyses supporting the reasonableness of the base pay and variable pay components, as well as the reasonableness of the overall total compensation paid to CL&P and ESC employees. In relation to variable pay, Section

II also addresses performance tracking of corporate and individual goals and employee qualification for variable pay.

Section III provides an overview of the benefits programs offered to CL&P employees and discusses the Company's overall approach to health, welfare, retirement and other benefits for employees and retirees. As explained in our testimony, CL&P must provide its employees with health, welfare, retirement, and other benefits to remain competitive in the market for skilled employees. These benefits are provided as part of a comprehensive compensation package that is typical of benefits offered by other employers in the utility industry and in general industry. Lastly, Section IV is the Conclusion.

## II. EMPLOYEE COMPENSATION

### A. Overall Approach to Employee Compensation

**Q. Please describe Eversource's compensation philosophy.**

A. As part of the Eversource organization, CL&P and ESC utilize a "total rewards" approach as the philosophy embedded in their employee compensation program. The "total rewards" approach is designed to compensate CL&P and ESC employees competitively in comparison to compensation paid by other employers in the energy/utility and general industry sectors. CL&P and ESC must maintain competitive compensation levels to attract, retain, and motivate employees who are qualified to perform the functions needed by the Company. The Company needs highly skilled and dedicated personnel to support its operations and to provide high-quality, safe, and reliable service to its customers. CL&P and ESC employees in turn require and receive

significant job training and on-the-job experience. CL&P makes every effort to attract and retain these types of employees, as well as ensure that there is sufficient employee overlap so that there is no loss of institutional knowledge due to the retirement of long-term, highly skilled and knowledgeable employees. Thus, a "total rewards" philosophy is critical for CL&P to meet its obligations to provide safe, reliable, and cost-effective service to its customers. This philosophy is consistent across the Eversource companies.

**Q. Please describe Eversource's process for implementing its total rewards compensation structure.**

A. Setting a market-based compensation structure is a multi-step process requiring significant internal expertise in employee compensation, along with expert advice and guidance provided by outside human resource experts. Eversource partners in this process with Willis Towers Watson ("Towers Watson"), which is a global human resources consulting firm. Towers Watson assists Eversource in setting competitive salary ranges, variable pay levels, and evaluating and recommending changes to employee benefit plans so that compensation levels at Eversource remain competitive with other employers in the marketplace.

In coordination with the input of Towers Watson, Eversource has developed a policy of compensating employees within a reasonable range for their jobs as compared to other employers, based on *total compensation levels* as determined by base and variable pay levels on a combined basis, as well as employee benefits.

**Q. What are the steps in this process?**

A. The process of establishing a market-based compensation structure includes several critical steps:

- Job Evaluation. All jobs across the Eversource organization are evaluated and leveled into the compensation structure based on the three key components: (1) knowledge and experience requirements; (2) problem solving requirements; and (3) managerial accountabilities. The evaluation process is grounded in market practices. Through this process, Eversource is able to both compare its jobs to those in the market, and to group its jobs into an overall structure.

- Market Pricing. Market pricing is an integral step where a compensation range is established for each job based on market data. As described in greater detail later in our testimony, Eversource utilizes Towers Watson survey data to inform this process. Through this process Eversource gains intelligence needed to set both the base salary levels and variable compensation targets for all jobs.

- Competitor Postings. As part of this process, Eversource stays informed and monitors job postings from its competitors in the labor market to ensure that base salary levels are competitive and that variable compensation practices are consistent and prevalent within the market.

**Q. Please provide an example of how you utilize the Towers Watson data in the Market Pricing step.**

A. Table 1 below provides an example of a market pricing exhibit from the Towers Watson survey.

**Table 1: Example of Market Pricing Data**

| Job Code | Job Title | Number of Organizations | Number of Incumbents | Base Salary 50th Percentile | Actual Total Annual Incentives 50th Percentile | Actual Total Annual Incentives % of Base Salary 50th Percentile | Actual Total Annual Compensation 50th Percentile | Target Total Annual Compensation 50th Percentile |
|---|---|---|---|---|---|---|---|---|
| AFB000-M2 | Accounting Supervisor | 55 | 265 | $144,680 | $22,370 | 14% | $167,500 | $168,167 |

This example is for the job of "Accounting Supervisor" from the "Energy Services" data cut. This example shows that there are 265 incumbents in this segment of the market, and that the 50th percentile base salary (which is the Eversource target) is $144,680. Further, the example shows there is a variable compensation opportunity for this market match at the 50th percentile of 14 percent of salary, or $22,370 (we address the strong prevalence of variable compensation across the industry later in our testimony). This example illustrates a generic position of Accounting Supervisor that has actual total annual compensation (base salary *plus* variable compensation) at the 50th percentile of $167,500 and target total annual compensation of $168,167. This type of data point is used by Eversource in setting salary ranges for its various job types. It is important to note that the survey methodology runs analytics on each individual compensation element. Therefore, the sums of these elements do not always

add up. However, the trend of base salary and variable compensation is clearly illustrated.

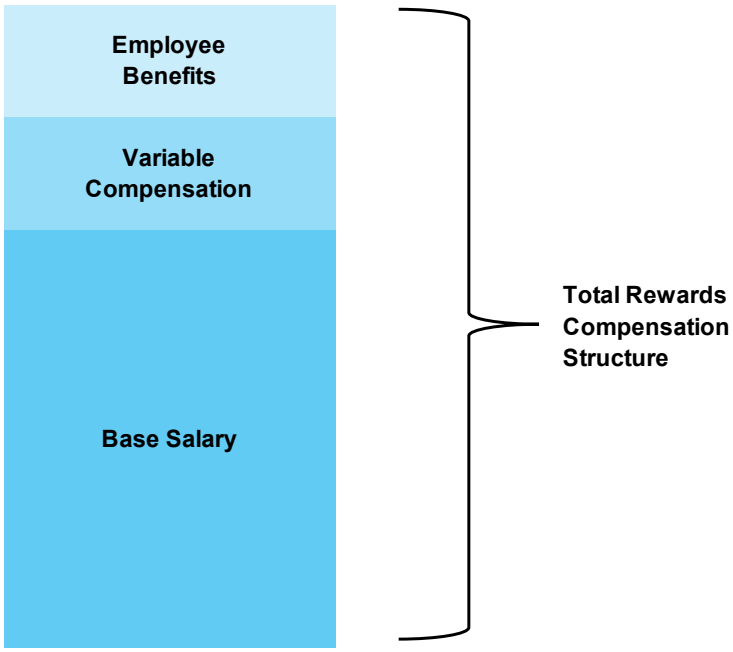
**Q. Do you have any examples of recent competitor job postings that you would utilize in the process for setting market-based compensation?**

A. Yes. In preparing our testimony, we identified three recent examples of postings from National Grid, Avangrid, and ISO-New England. All of these postings show that these entities offer both base pay and performance-based variable compensation to their employees. These examples are compiled in Exhibit CLP-EMPLOYEE-2.

**Q. What are the components of Eversource's total rewards compensation structure?**

A. As shown in Figure 1 below, there are three key components of employee compensation at Eversource:

**Figure 1: Eversource Total Rewards Compensation Structure**



Market-Driven Base Pay. The base pay for each employee is set within a range that is developed based on the competitive market rate for the individual's job. Eversource targets compensation levels for each job to be at the median (or 50th percentile) of the market rate for that job. To ensure that each job is valued correctly, Eversource evaluates the base compensation paid to positions of similar scope within the energy/utility and general industry sectors. Eversource establishes a base pay range for each job, and the range is then set at 90 percent to 110 percent of the median market rate derived during this process. A salary falling within this range is considered "competitive" compared to the average salary for that position in the market.[3] Eversource's objective is to set base pay within this range for each job. The base pay range is critical because it enables CL&P and ESC to attract and retain skilled employees who are critical to operating the distribution system safely and reliably. Conversely, if Eversource did not set base pay within the market range, it would hamper the ability to attract and retain skilled employees. Eversource's approach is consistent with standard compensation practice for evaluating and setting base salary levels.

Performance-Based Variable Pay. The variable pay component is performance driven, meaning that it motivates employees to achieve higher performance, creates a results-

[3] Base pay below 90 percent is considered below market, meaning that an employee would be paid less than the market average for the position. If Eversource were to set its employee compensation policy to pay below market base salaries, it would not be able to attract and retain the necessary talent to successfully provide safe and reliable service to customers. Lower salaries could also translate to reduced employee engagement in meeting or exceeding performance goals, including those tied directly to customer benefits, including safety and reliability.

driven culture, supports employee engagement, and tangibly links individual and Company performance with employee reward. The combination of base pay and variable pay comprises the total cash compensation for each job, which is based on and compared to the market. Variable pay for each employee is determined by the overall performance of the organization and the performance of each individual in achieving goals that are tied to the attainment of safety and reliability objectives, customer and community responsiveness, and cost competitiveness. Variable pay amounts are determined following the close of each fiscal year, based on award levels that are set at the beginning of the fiscal year and are tied to specified corporate and individual objectives for the performance year. To implement the total compensation program, each job is assigned a "job-scope" level that is based on the specific requirements of the job. The job-scope level structure provides an overall framework for compensation and career development through broad roles and levels of work within the enterprise. In addition to base pay, each job-scope level has a variable pay component that provides additional individual earnings potential as a percentage of base pay if certain corporate, business unit, and individual goals are met. The individual goals include items such as customer service, safety and reliability, productivity, and cost containment.

Employee Benefits. Employee benefits include offerings such as retirement savings and health and welfare plan coverage. Employee benefits are provided in addition to cash compensation and are a significant component of each employee's total rewards compensation. Eversource's employee benefit programs are discussed in more detail in Section III below.

**Q. Do customers benefit from the total rewards compensation philosophy?**

A. Absolutely. CL&P and ESC employees are the backbone of the Company's operations and enable the Company to provide safe and reliable service. Without highly skilled and dedicated employees, the Company cannot provide the high-quality service that customers require and deserve. The electric distribution industry is technically challenging and complex. Skilled electric workers with long retention records are crucial for the safe and efficient operation and maintenance of the Company's infrastructure. Their knowledge and skills make them critical to ensuring that the Company complies with a range of state and federal laws and regulations. Further, CL&P and ESC employees with back-office roles and customer-facing roles, such as metering and billing, customer service, call center representatives, accounting and finance, and the like, are vital to support all functions of the Company's business with processes and procedures that drive efficiency, cost-savings, and customer satisfaction.

Each CL&P and ESC employee has a role that is integral to providing customers with high quality, safe, and reliable service, and to providing a superior customer experience. For these reasons, CL&P and ESC use the total rewards philosophy to attract and retain the right type of talent, with the necessary knowledge and skills, for each job position. The work of each employee benefits CL&P's customers.

**Q. What does your analysis show about the competitiveness of the Company's total rewards compensation strategy?**

A. As discussed in detail below, the Company's total compensation levels are competitive when compared to the market, as measured by compensation paid by other employers

in the energy/utility and general industry sectors. These conclusions are supported throughout the balance of this testimony.

**Q. Where in CL&P's rate application can PURA find more information on the specific costs of CL&P's compensation expense?**

A. The costs of employee compensation is detailed in standard filing requirements ("SFR") Schedule C-3.5 (Compensation: Payroll Expense), Schedule C-3.6 (Compensation: Employee Variable), Schedule C-3.7 (Compensation: Officer Variable) and associated workpapers. The Company's SFRs are provided in Exhibit CLP-REVREQ-2-A, B, C, D Schedules.

## B. Reasonableness of Compensation Expense

### 1. Union Payroll

**Q. Please describe CL&P's relationship with the labor unions that represent CL&P employees.**

A. To conduct its operations, CL&P relies primarily on contractual relationships with Locals 420 and 457 of the International Brotherhood of Electrical Workers ("IBEW"). In June 2016, CL&P and the unions merged a number of historic collective bargaining agreements into a new consolidated statewide collective bargaining agreement, commonly referred to as the "Teal Book."[4] The consolidated agreement was recently renewed for a term of June 1, 2026, to June 1, 2030.

[4] This collective bargaining agreement is referred to as the "Teal Book" because it superseded prior collective bargaining agreements commonly known as the "Blue Book" and "Green Book."

CL&P also has two older, smaller collective bargaining agreements for Convex[5] and DSO[6] employees that run through September 1, 2028, and October 1, 2028, respectively. Table 2, below, provides more information on the various union contracts.

**Q. How are CL&P's union wage rates set?**

A. Union wage rates are established through the collective-bargaining process. Collective bargaining consists of arms-length negotiations between an employer and a union in order to establish wages, benefits, and conditions of employment. The result of the collective bargaining process is a collective bargaining agreement that establishes the terms for wages and benefits for union employees.

**Q. How is the total rewards compensation, including cash compensation and employee benefits, determined for CL&P's union employees?**

A. Total rewards compensation for union employees is determined through collective bargaining. In the collective bargaining process, CL&P assesses market changes in the overall compensation packages offered to union employees to ensure that the total compensation to CL&P union employees, including cash compensation and benefits, remains reasonable and commensurate to other union and non-union employees at similar levels within the Company.

---

[5] The Connecticut Valley Electric Exchange ("CONVEX") operates the electric transmission system in Connecticut and western Massachusetts, serving more than 1.7 million people.

[6] "DSO" means Distribution System Operators.

**Q. When do increases under the collective bargaining contracts take effect?**

A. Table 2 below summarizes the planned union payroll increases. The increases for the Rate Year shown in the table below are included in the cost-of-service adjustment provided in the pre-filed testimony of the Revenue Requirements Panel in Exhibit CLP-REVREQ-1.

**Table 2: CL&P and Service Company Union Contracts and Payroll Increases (2026 – 2030)**

| Union[7] | Contract Effective Date | Contract Expiration Date | 2026 General Wage Increases | 2027 General Wage Increases | 2028 General Wage Increases | 2029 General Wage Increases | 2030 General Wage Increases |
|---|---|---|---|---|---|---|---|
| Locals 420 and 457 (Teal) | 6/1/26 | 6/1/30 | 3.0% | 3.0% | 3.0% | 3.0% | TBD |
| DSO | 10/1/25 | 10/1/28 | 3.0% | 3.0% | TBD | TBD | TBD |
| Windsor Call Center | 4/1/24 | 4/1/28 | Market | Market | TBD | TBD | TBD |
| CONVEX | 9/1/25 | 9/1/28 | 3.0% | 3.0% | TBD | TBD | TBD |
| Locals 420 and 457 (White) | 12/1/22 | 12/1/26 | TBD | TBD | TBD | TBD | TBD |

[7] The majority of CL&P union employees are in Locals 420 and 457 and covered by the Teal Book. A smaller number of CL&P employees are covered by the collective bargaining agreements for the DSO and Windsor Call Center. A number of ESC union employees providing services to CL&P are covered by the Teal Book and by the collective bargaining agreements for the Windsor Call Center, CONVEX, Locals 420 and 457 (White), Local 12004, and Local 369.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Local 12004 | 3/31/24 | 3/31/28 | 3.0% | 3.0% | TBD | TBD | TBD |
| Local 369 | 6/1/26 | 6/1/29 | 3.0% | 3.0% | 3.0% | TBD | TBD |
| Eversource Gas Steelworkers | 5/15/25 | 5/15/28 | 3.0% | 3.0% | TBD | TBD | TBD |
| WMECO | 10/1/24 | 10/1/27 | 3.0% | TBD | TBD | TBD | TBD |

Locals 420 and 457 (Teal Book) expires on June 1, 2030, and provides for a general wage increase of 3.0 percent for each year through June 1, 2030. In addition, based on the rates in the current collective bargaining agreements and our experience, CL&P projects for purposes of this rate application that there will be an annualized increase of at least 3.0 percent in the interim period after the Test Year and through the end of the Rate Year.

2. Non-Union Payroll

**Q. How does Eversource determine base pay for non-union employees?**

A. Base pay for the Company's non-union employees is determined based on the competitive market, meaning it is measured against base pay for employees in similar positions at other employers. More specifically, each internal position at CL&P and ESC has been matched to an external market position, by comparing the positions at CL&P and ESC to marketplace positions. As discussed earlier, base pay is then set within a range that is established at approximately the median market rate for each individual job. This is done in order to establish parity with other employers vying for qualified workers in the comparable employment markets.

**Q. How does Eversource establish the base pay range and median for individual jobs?**

A. As discussed earlier, the base pay range is set at 90 percent to 110 percent of the median market rate. This range allows individual managers to differentiate base pay compensation among employees in similar jobs with varied skills, experience, and levels of responsibility. This provides flexibility to compensate employees within the market range and is a tool that Eversource uses to ensure that it is able to attract and retain the skilled workers needed to serve customers safely and reliably and at a reasonable cost. This is a direct benefit to CL&P customers.

**Q. Including base pay, do job-scope levels enable the Company to determine the appropriate amount of total cash compensation for each employee?**

A. Yes. Eversource's job-scope level structure provides a framework for total cash compensation, career advancement, and equity across the enterprise. The job-scope level accounts for variable pay as a component of an employee's total cash compensation that, along with base pay, affects the potential value of the overall compensation package for the employee. A variable pay range is associated with each job level, and the job level defines the minimum and maximum payout as a percentage of base pay for exempt employees (i.e., non-union employees not covered by the Fair Labor Standards Act) and as a percentage of base pay plus overtime and other premium pay for non-exempt employees. Increases to base pay for an individual job may occur through merit increases, promotions from one job-scope level to the next, progressions within a job-scope level, and market adjustments if deemed necessary. The sum of

base pay and variable pay represents the total cash compensation opportunity available to employees within the job-scope level.

**Q. Have CL&P and ESC granted or planned to grant base salary merit adjustments to non-union employees in 2026 and are these costs included in the cost of service?**

A. Non-union employees of CL&P and ESC received an annual base salary merit increase in 2026 and are forecasted to receive an adjustment during the interim period (in March 2027) and in the Rate Year (in March 2028). In 2026, the Company established an average merit increase for non-union employees of 3.0 percent effective on March 15, 2026. As discussed later in this testimony, each non-union employee is subject to the Company's annual performance review process, which can adjust individual merit increases both upwards and downwards depending on individual performance and the Company's performance rating ranges. Based on historical practice, the Company anticipates that an overall annualized merit increase of 3 percent will also occur during the period beginning after the Test Year and through the Rate Year for non-union employees. These increases for the Rate Year are included in the cost-of-service adjustment provided in the pre-filed testimony of the Revenue Requirements Panel in Exhibit CLP-REVREQ-1.

3. Comparative Studies of Non-Union Payroll

**Q. Does Eversource periodically compare its non-union base pay and total compensation levels with the base pay and total compensation of other companies?**

A. Yes. Eversource tests the competitiveness of its base pay and total compensation levels against the external market on an ongoing basis. Eversource annually reviews salary

adjustments and total compensation, both current and projected, against external market trends within the energy/utility and general industry sectors to determine if they are reasonable. As noted, in addition to Eversource's substantial internal expertise on compensation matters, Eversource also utilizes Towers Watson and the surveys it produces based on its proprietary databases. The results of these analyses show that the Company's non-union salary adjustments are closely aligned with the relevant markets. This close alignment is consistent with the Eversource compensation philosophy and the goal of offering competitive compensation to attract and retain highly skilled employees to work in concert across the entire organization to provide customers with continued safe and reliable service.

**Q. Does your testimony include documentation to demonstrate the reasonableness of non-union compensation levels and associated pro forma adjustments?**

A. Yes. As part of our testimony, we are providing documentation that validates the conclusion that the total cash compensation position of CL&P and ESC is competitive to the market median. The following documentation illustrates that base salaries and total compensation levels are consistent with, and based on, external market practices as compared to energy/utility and general industry data. The supporting tables in this section of our testimony include the following:

Table 3: CL&P Non-Union Total Compensation Analysis – This table compares CL&P non-union base salaries and total cash compensation against median base salaries and total cash compensation in the energy/utility sector.

Table 4: ESC Non-Union Total Compensation Analysis – This table compares ESC base salaries and total cash compensation against median base salaries and total cash compensation in the energy/utility sector.

Table 5: Non-Union Merit Increase Market Data (2023-2025) – This table presents the actual and projected merit increases by general industry and energy/utility sectors, as well as by employee levels. This data is inclusive of those companies that provided merit increases and those that did not during the relevant period.

These tables demonstrate that CL&P's and ESC's total compensation levels are established at appropriate levels when compared to the external markets.

**Q. What source material did you use in creating these tables?**

A. We utilized Towers Watson survey data to develop these tables. The surveys provide competitive salary information for comparable positions within the energy/utility and general industry sectors.

**Q. Please describe the comparative analyses you performed in relation to non-union total cash compensation.**

A. Table 3 below provides a comparison of CL&P's 2025 non-union base salaries and total cash compensation to the median base salaries and total cash compensation of positions of comparable scope in the energy/utility sector.

**Table 3: CL&P Non-Union Total Compensation Analysis**

| CL&P Base Salary Position vs. External Market Median (%) | CL&P Total Cash Compensation Position vs. External Market Median (%) |
|---|---|
| +0.2 % | -.09 % |

NOTES:
Base Salary = Annual Wages
Total Cash Compensation = Base Salary plus Variable Pay
Market Median = 50th Percentile of the Market
External Market = Energy / Utility Sector

**Q. What does Table 3 demonstrate?**

A. Table 3 shows that the average base salary and total cash compensation paid by CL&P for non-union positions is consistent with the market median. It shows that base salary is approximately 100.2 percent of the external market median and that total cash compensation is approximately 99.1 percent of the external market median. The defined competitive market range is 90 to 110 percent of the market median, meaning that CL&P's base salary and total cash compensation levels are at the market.

**Q. Please describe Table 4.**

A. Table 4 provides a comparison of ESC's 2025 non-union base salaries and total cash compensation to the median base salaries and total cash compensation for positions of comparable scope in the energy/utility and general industry sectors.

**Table 4: ESC Non-Union Total Cash Compensation Analysis**

| ESC Base Salary Position vs. External Market Median (%) | ESC Total Cash Compensation Position vs. External Market Median (%) |
|---|---|
| -1.7 % | -1.5 % |
| NOTES:<br>Base Salary = Annual Wages<br>Total Cash Compensation = Base Salary plus Variable Pay<br>Market Median = 50th Percentile of the Market<br>External Market = Energy / Utility | |

**Q. What does Table 4 demonstrate?**

A. Table 4 shows that the average base salary and total cash compensation paid by ESC for non-union positions is consistent with the market median. It shows that base salary is approximately 98.3 percent of the external market median and that total cash compensation is approximately 98.5 percent of external market median. The defined competitive market range is between 90 to 110 percent of the market median, meaning that base salary and total cash compensation levels are at the market.

**Q. Please comment further on Tables 3 and 4.**

A. Tables 3 and 4 support the reasonableness of the Company's compensation expense currently established and expected during the period beginning after the Test Year and through the Rate Year. The tables demonstrate that the base salaries and total cash compensation for both CL&P and ESC are closely aligned with energy/utility data, enabling the Company and ESC to offer compensation designed to attract and retain

quality employees. As noted above, the Company has included in its cost of service, based on historical practice and expected future adjustments, an overall annualized merit increase of 3.0 percent for non-union employees during the period beginning after the Test Year and through the Rate Year. This increase is consistent with industry trends, and the prevalence of merit increases in the energy/utility and general industry sectors and is discussed in further detail below.

**Q. Has the Company compiled information that supports the analysis regarding industry trends and merit increases in the energy/utility and general industry sectors?**

A. Yes. Table 5 illustrates the annual value of merit increases as a percentage of base pay for those sectors between 2023 and 2025.

**Q. What data source did the Company use in creating Table 5?**

A. The Company used Towers Watson's 2023, 2024, and 2025 Salary Budget Reports for Table 5. These reports cover a large number of companies within the energy/utility and general industry sectors and provide median merit increase information upon which the Company bases its annual recommendations.

**Q. Please explain Table 5 in more detail.**

A. Table 5 provides data supporting the annual value of merit increases, as a percentage of base pay, for non-union employees, by employee level, in the energy/utility and general industry sectors between 2023 and 2025. This data is based on all companies, including those that provided merit increases during the relevant period and those that did not.

**Table 5: Non-Union Merit Increase Market Data (2023 - 2025)**

| | Merit Increases (% of Salary) | | | | | |
|---|---|---|---|---|---|---|
| | General Industry | | | Energy/Utility | | |
| | **2023** | **2024** | **2025** | **2023** | **2024** | **2025** |
| Executive | 4.0% | 3.5% | 3.5% | 4.0% | 3.7% | 3.5% |
| Mid Management and Professionals | 4.0% | 3.5% | 3.5% | 4.0% | 3.8% | 3.5% |
| Non-Exempt | 4.0% | 3.5% | 3.5% | 4.0% | 3.8% | 3.5% |
| **OVERALL** | **4.0%** | **3.5%** | **3.5%** | **4.0%** | **3.8%** | **3.5%** |

**Q. What does Table 5 demonstrate?**

A. Table 5 demonstrates based on market data that the Company's merit increases of three percent for exempt employees and three percent for non-exempt employees are consistently conservative. This analysis demonstrates that the Company's annual projected merit increases of three percent during the period beginning after the Test Year and through the Rate Year for non-union CL&P employees and ESC employees supporting CL&P are below the current market practices and historical averages.

## C. Variable Pay

### 1. Market Prevalence

**Q. Please explain why Eversource includes a variable pay component as part of the total compensation for CL&P and ESC employees.**

A. Variable pay provides direct and specific motivation to employees to perform their jobs well. It strengthens the link between their overall compensation and the achievement of objectives that are aligned with Eversource's business strategy and that are important to CL&P, its customers and regulators. Under a total compensation approach inclusive of base pay, variable pay and benefits, base pay and benefits alone do not provide an adequate level of compensation to allow Eversource to meet its goal of attracting and retaining highly qualified employees to provide safe, reliable and efficient service to customers. Today's marketplace dictates that variable pay is a fundamental component of any private sector entity's efforts to attract and retain qualified employees. This is demonstrated by the fact that for energy/utility companies the size of Eversource, nearly 90 percent of surveyed companies had variable pay plans, and between 91 and 96 percent of employees at those companies participated in those plans. If Eversource did not have a variable pay component, it would be out of step with the market and likely would not be able to attract, retain and motivate the highly qualified employees necessary for CL&P to deliver the level of service required by its customers in a reliable, efficient, and safe manner.

**Q. Is variable pay an important component of total compensation?**

A. It is not just important, it is an essential component of an employee's total compensation. The variable pay component is a standard labor market practice, within

both the energy/utility and general industry sectors. In 2024, the majority (88.4 percent) of the participants in the Towers Watson's Salary Budget Survey Report reported that they have an annual performance variable compensation program in place. This data is shown in Table 6, below.

**Q. Do you have an analysis that demonstrates the prevalence of variable pay as a standard labor market practice?**

A. Yes. The following tables provide data taken from Towers Watson's 2024 Salary Budget Survey Report.

- Table 6: Variable Compensation Prevalence - Overall – This table presents the overall prevalence of companies in the general industry and energy/utility sectors that provide variable compensation to their employees.

- Table 7: Variable Compensation Prevalence – Percentage of Employees Eligible and Received – This table presents the median percentage of employees eligible for variable compensation by employee category in 2024.

**Table 6: Variable Compensation Prevalence – Overall (2024)**

| Organizations that Offer Variable Pay Plans | | |
|---|---|---|
| 2024 | Number of Organizations in the Sample | Percentage of Organizations Providing Variable Pay |
| Entire Sample | 815 | **88.4%** |

**Table 7: Variable Compensation Prevalence**
**Percentage of Employees Eligible (2024)**

| Employee Categories Eligible for Variable Compensation Plans (2024) | | |
|---|---|---|
| Category | Percentage of Employees Eligible | Number of Organizations |
| Executive | 96.0% | 676 |
| Mid Management and Professionals | 95.8% | 696 |
| Non-Exempt | 91.1% | 548 |

Tables 6 and 7 demonstrate that to remain competitive in and consistent with the labor market, it is critical to provide a variable pay component as part of total cash compensation. Table 6 shows that over 88 percent of companies in the relevant markets provide variable compensation to their employees. If CL&P were to maintain a competitive market-driven base pay component but fail to provide a variable pay component, its total cash compensation would lag its competitors, and employees would have larger total compensation opportunities at other employers providing competitive compensation inclusive of incentives.

Based on our experience, variable pay (often referred to as "incentive compensation") is a standard component of total compensation throughout the energy/utility and general industry sectors. This is supported by the data collected by Towers Watson. Further, given its prevalence, prospective employees would reasonably expect that variable pay will be a part of an overall compensation package associated with open job positions.

2. Eversource's Variable Pay Program

**Q. How does Eversource's variable pay program work?**

A. The Eversource variable pay program is designed to motivate participants to achieve goal results that are important to the success of the Company in general. There are two steps that must be met each year for an employee to receive variable pay. First, Eversource must determine if it has sufficient financial resources available to fund the variable pay amounts. Eversource makes this determination annually based on whether certain corporate and business unit objectives are reached. If the objectives are reached, Eversource establishes a funding pool for the purpose of fulfilling the amounts of variable pay (the level of the funding pool is established based on overall performance tracked to those objectives).

Second, once the pool is funded, employees must then demonstrate the requisite individual performance in order to receive variable pay. The percentage of an individual employee's compensation tied to the variable pay component is dependent upon his or her job-scope level, which provides a potential range of payout for each employee at that job-scope level. For non-union employees, the employee's individual performance and achievement of predetermined goals, as determined by his or her supervisor, is also factored into the amount of the variable pay granted. Variable compensation payments are typically made in February or March of the year following the year for which performance is measured (e.g., the 2025 plan year variable compensation was paid in March 2026). The payment made to the employee is based on an assessment of the employee's individual performance against predetermined

goals and objectives specifically related to the employee's job position.

**Q. Please describe the corporate goals that are used to establish the variable pay funding pool.**

A. The decision to establish the funding pool requires confirmation that the organization has sufficient financial resources to meet the commitment to issue incentive payments. Overall corporate operating and financial performance goals are variables that are relied on by the Eversource Board of Trustees each year. This is done solely to confirm that the business is in a financial condition to fund and pay out the variable pay portion of the total cash compensation under the plan, which will occur unless significant circumstances have occurred to change that outcome. Financial goals are critical inputs to this determination given that variable pay is triggered and funded on an enterprise-wide basis. Therefore, the decision to fund the pool requires confirmation that the organization has sufficient financial resources to fund the commitment. Financial goals provide a measure of confirmation of the organization's financial resources.

Table 8, below, provides the target goals set by Eversource in 2024 and 2025 applicable to the decision as to whether the variable pay pool should be funded. These goals are solely for the purpose of determining whether the variable pay pool should be funded. As discussed below, the target goals are developed to be challenging year over year.

**Table 8: Eversource Target Performance Scorecard**

| Metric | Target | Actual | Weighting |
|---|---|---|---|
| **Financial Performance (70%)** | | | |
| 2025 Non-GAAP Earnings Per Share | $4.71 | $4.76 | 60% |
| Dividend Growth | $3.00 / 5.00% | $3.01 | 10% |
| Key Strategic Financial and Regulatory Results | | | |
| Strategic Financial Initiatives and Regulatory Outcomes | Regulatory filings, storm cost recovery and strategic positioning | | 30% |
| **Operational Performance (30%)** | | | |
| Reliability Average Months Between Service Interruptions (MBI) | 21.3 Months | 21.0 Months | 25% |
| Restoration System Average Restoration Duration (SAIDI) | 63.7 Minutes | 66 Minutes | 25% |
| Safety Rate | 0.85 Rate | 0.87 Rate | 8.33% |
| Gas Emergency Response | 98.2% | 98.0% | 8.33% |
| % Candidate Slate | 59.5% | 64.3% | 8.33% |
| Sustainability Index | 87.0% | 102.6% | 8.33% |
| Key Strategic Customer and Clean Energy Operational Results | | | |
| Enhance the Customer Experience | Advanced Metering Infrastructure rollout, Energy Efficiency programs, stakeholder and community engagement and data security programs | | 8.33% |
| Clean Energy Execution | Non-pipe alternatives, execution of Massachusetts<br>Grid Modernization, geothermal and decarbonization projects | | 8.33% |

**Q. How are financial goals shown in Table 8, such as Earnings Per Share and Dividend Growth beneficial to customers?**

A. The financial goals in Table 8 are indicative of a strong financial profile, which is beneficial to customers in multiple ways. First, utilities are capital intensive by nature, and a strong financial profile enables the Company to effectively and efficiently access

capital markets, deploy financial resources to operate the business, and thereby provide customers with safe, reliable and high-quality service at a reasonable price. Additionally, CL&P customers benefit from its strong credit profile through lower borrowing costs and a lower cost of capital associated with CL&P's provision of safe and reliable service. However, these financial goals are corporate goals and do not factor into the actual payouts made to individual employees.

**Q. Does Eversource analyze the corporate goals for funding the variable pay program every year?**

A. The target goals set by Eversource for use in assessing overall performance and for funding its annual variable pay program are analyzed each year to ensure that the goals are rigorous, demonstrate continuous improvement in categories impacting employees, customers and operations, and that financial objectives are met. Eversource sets annual target goals that are challenging year-over-year.

**Q. Are there any external checks on the goal-setting process?**

A. There are a number of external checks to ensure that the goals are appropriate and that Eversource is accurately reporting performance. The Eversource Energy Compensation Committee (the "Committee") sets the goals used to determine whether to fund the variable pay pool and must demonstrate to investors that compensation is appropriately correlated to performance. Additionally, advisory institutions such as Institutional Shareholder Services ("ISS") monitor corporate compensation and provide independent and objective shareholder meeting research and voting recommendations for institutional investors, such as BlackRock and State Street.

Although entities such as ISS are not regulatory bodies, their recommendations carry significant weight with the investor community and serve as an external check on Eversource's compensation structure. If the Committee's proposed compensation for Eversource executives did not correlate with commensurate performance, ISS could determine and recommend that investors should not approve the Committee's proposal, making it likely that investors would use that information to vote against the Committee's recommendations. With ISS and similar institutions carefully analyzing the target goals and performance tied to executive compensation, the Committee strives to propose targets and report on performance that can withstand external scrutiny, and there is no reason (nor desire) to do otherwise.

Further, customers also provide a measure of oversight regarding operations and customer satisfaction performance. Customers provide continuous and contemporaneous feedback on the type and quality of service they require from CL&P and are quick to identify any perceived failure to provide that level of service.

**Q. How does Eversource track and analyze its performance against targets throughout the year?**

A. Each month, a select team of executives across the Eversource enterprise in Connecticut, Massachusetts and New Hampshire report performance to senior leadership. Every two months, this team also reports performance to the operating company presidents, executive vice presidents and senior vice presidents. These meetings also include strategic planning on initiatives or processes to improve

performance against the targets throughout the year, furthering the culture of continuous improvement.

**Q. How are the Financial and Operational Performance weighting factors calculated?**

A. Solely for the purpose of determining the funding pool, financial performance is weighted at 70 percent, comprised of subcategories for Non-GAAP earnings per share, dividend growth and strategic financial initiatives and regulatory outcomes. Operational performance is weighted at 30 percent, comprised of subcategories for reliability, service restoration, safety, and other factors. Weightings are shown below:

**Table 9: Variable Pay Funding Pool Calculation Weightings**

| Metric | Weighting |
|---|---|
| Financial Performance | 70% |
| *Non-GAAP Earnings Per Share* | 60% |
| *Dividend Growth* | 10% |
| *Strategic Financial Initiatives and Regulatory Outcomes* | 30% |
| Operational Performance | 30% |
| *Reliability Average Months Between Service Interruptions (MBI)* | 25% |
| *Restoration System Average Restoration Duration (SAIDI)* | 25% |
| *Safety Rate* | 8.33% |
| *Gas Emergency Response* | 8.33% |
| *% Candidate Slate* | 8.33% |
| *Sustainability Index* | 8.33% |
| *Key Strategic Customer and Clean Energy Operational Results* | 16.66% |

**Q. Please explain the accounting treatment for variable pay, including the distinction between amounts expensed and amounts capitalized.**

A. Variable pay is a key component of the Company's total labor costs incurred each year to provide safe and reliable service to customers. Additionally, as outlined above, the Company's variable pay and total compensation plans are consistent with overall and industry market data.

From an accounting perspective, the Company is required to follow both the generally accepted accounting principles in the United States ("GAAP") and the FERC Uniform System of Accounts ("USoA"). Each of these accounting standards provides rules and regulations the Company must comply with to ensure its financial records are appropriately stated. Labor costs, including variable pay, are required under the accounting rules to be separated between capital and expense, based on the type of work performed. Said differently, labor costs incurred that are construction related meet the capitalization criteria and are capitalized as a part of the capital work order, while the remaining labor costs are expensed as an operations and maintenance expense ("O&M"). As a result, in accordance with accounting principles and guidelines, the Company appropriately capitalizes the portion of variable pay issued to non-executive employees using a capitalization ratio derived from the non-executive employee's capitalized base pay.

3. Variable Pay and Individual Performance

**Q. If the threshold to fund the variable pay pool is met, how does the Company then determine variable pay awards for each individual employee?**

A. Once the total variable pay funding pool is determined, payments are awarded to individual employees are determined based on the individual's performance goals, which are specifically related to the job the employee is performing in the service of customers. Payments to individual employees are directly and exclusively provided on the basis of their performance against individualized customer, operational, and/or technical-focused metrics set for each employee.

The performance metrics and actual variable pay compensation levels vary for each employee. Each employee is placed in a job-scope level, which is based generally on his or her level of responsibility within the organization. Each job-scope level has an associated incentive opportunity range, beginning at a target level, and the incentive opportunity ranges from 0 to 200 percent of target based upon individual performance (i.e., the employee's supervisor has the discretion to set the actual award based on the employee's performance against his or her individual, job-specific goals). Under the Eversource variable pay program, no employee is guaranteed a variable pay award or a specific level of variable pay. Instead, employee supervisors are given the discretion to allocate the variable pay amounts among their respective employee groups consistent with the pre-established targets for each position, so that there may be a range of outcomes depending on the performance delivered by each employee in the group. Simply put, the system is designed to make it incumbent upon an employee to work

diligently to achieve the goals established in their individual job performance plan in order to earn variable pay.

**Q. Do employees who qualify for variable pay receive the same amount, or are they guaranteed a designated amount?**

A. No. It is important to recognize that employees do not receive identical payouts and are not guaranteed a designated amount. The overall payout of variable pay differs by individual employee based on individual performance. Performance ratings range from "Did Not Meet Performance Expectations" on the low end to "Top Achiever" on the high end, with the majority of employees falling within the mid-range "Successful Contributor." Within each of these categories of rating distribution, there is also a range of payouts based on the individual's performance, meaning that employees within each category are differentiated based on their performance.

**Q. Do you have data showing the performance rating distributions and average variable pay in 2025?**

A. Yes. Exhibit CLP-EMPLOYEE-3 provides the performance rating distribution data for 2025. Page 1 of the exhibit provides data on a combined basis for CL&P and ESC. Page 2 provides data separately for CL&P. Page 3 provides data separately for ESC.

**Q. Please explain the contents of Exhibit CLP-EMPLOYEE-3.**

A. Each page of Exhibit CLP-EMPLOYEE-3 contains a table and three charts. Each table shows the Performance Rating across five categories of rankings: Did Not Meet Performance Expectations, Improvement Needed to be a Successful Contributor, Successful Contributor, High Contributor, and Top Achiever. For each category, the

Company establishes a Target Distribution, which is a planning projection of the percentage and number of employees expected to fall within each category in the performance year. As shown in the tables, most employees (65 – 75 %) are projected to fall within the Successful Contributor category in a given year. The tables include columns showing (a) the actual rating percentages and numbers of employees in each category for the year; (b) the average annual variable pay percentage for employees in each category, and (c) the average merit increase of employees in each category.

For example, the following is a copy of the table on page 1 of Exhibit CLP-EMPLOYEE-3, showing combined data for CL&P and ESC in 2025:

**Connecticut Light and Power & Eversource Electric Service Company**

| Performance Rating | Target Distribution % Range | Target Distribution # Range | Actual Rating % | Actual Distribution # | Variable Pay Average Annual % | Merit Spend Average Annual % |
|---|---|---|---|---|---|---|
| Unrated | 0% | 0 | 1% | 46 | 117.5% | 0.3% |
| Did Not Meet Performance Expectations | 0%-2% | 0-81 | 0% | 3 | 0.0% | 0.0% |
| Improvement Needed to be a Successful Contributor | 7%-11% | 284-446 | 4% | 138 | 59.9% | 1.4% |
| Successful Contributor | 65%-75% | 2634-3040 | 68% | 2766 | 113.3% | 2.9% |
| High Contributor | 10%-20% | 405-811 | 23% | 949 | 142.2% | 3.2% |
| Top Achiever | 0%-10% | 0-405 | 4% | 151 | 167.1% | 3.4% |
| | **Total** | 4053 | 100% | 4053 | | |

This table shows the Company projected that 65 – 75 percent of CL&P and ESC employees (2,634 – 3,040 employees) would be in the Successful Contributor category. The actual ratings resulted in 68 percent of the employees (2,766) achieving Successful Contributor status. On a combined basis, the average annual variable pay amount to the employees in this category in 2025 was 113.3 percent of target, and the average

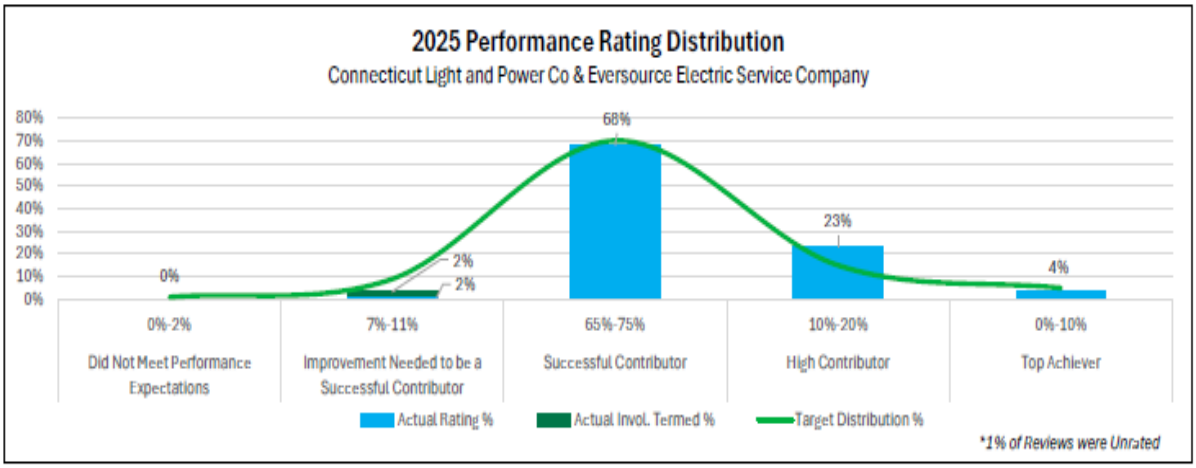
merit increase was 2.9 percent. As explained in more detail below, the individual payouts within the category ranged above and below the average.[8]

**Q. Please explain the charts on each page of the exhibit.**

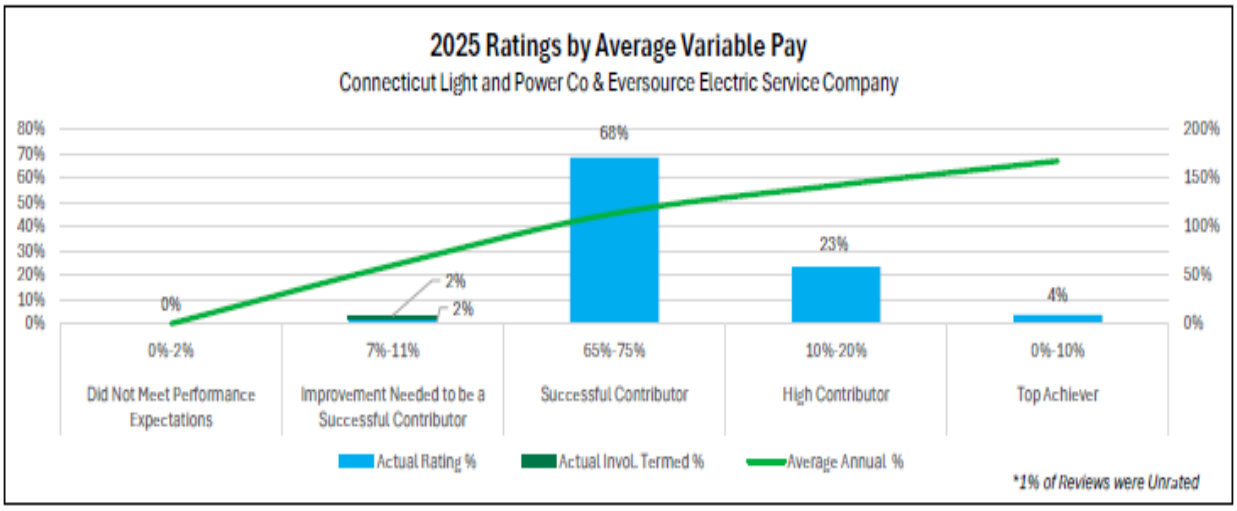
A. Each page of Exhibit CLP-EMPLOYEE-3 contains three charts that show: (1) the 2025 Performance Rating Distribution; (2) 2025 Ratings by Average Variable Pay; and (3) the 2025 Ratings by Average Merit Spend.

- The 2025 Performance Rating Distribution charts show the target (green line) and actual (blue bars) distributions by category, based on the percentages in the Performance Rating table. Notably, within the Improvement Needed to be Successful Contributor category, the charts include the percentage of employees who were involuntarily terminated from the Company in 2025 and did not receive a variable pay amount. For example, on page 1 of Exhibit CLP-EMPLOYEE-3, the 2025 Performance Rating Distribution chart for CL&P and ESC (reproduced below) shows that 2 percent of employees in this category were involuntarily terminated in 2025 and did not receive variable pay:

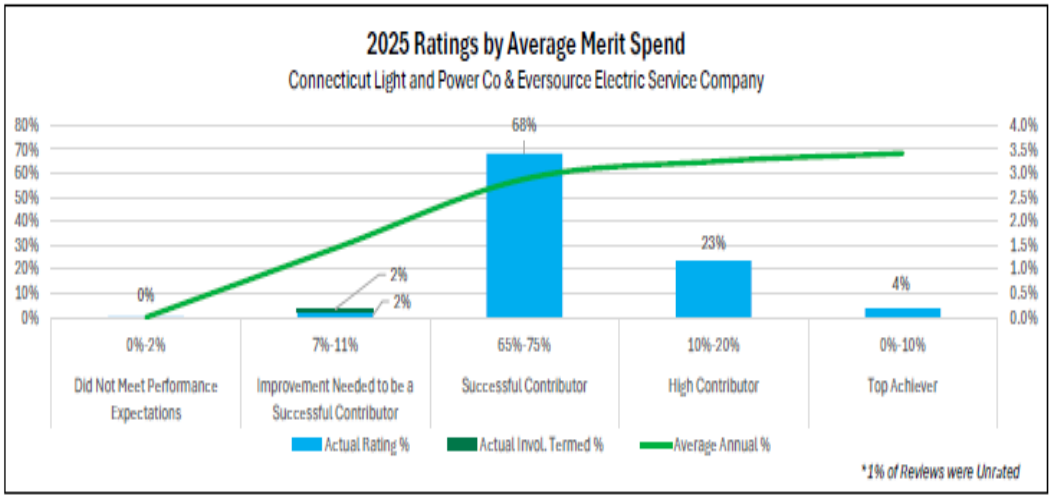
[8] The data tables in Exhibit CLP-EMPLOYEE-3 also include a segment of the employee population entitled "Unrated," which is intended to cover the circumstance where rating documentation is not finalized as of the time that ratings data are compiled but is subsequently completed for the employees' performance to be assessed within one of the five categories for variable pay and merit increases. This typically impacts only a small number of employees in a given year. As shown on page 1 of Exhibit CLP-EMPLOYEE-3, only 1 % of CL&P and ESC employees (46) fell within this segment in 2025. The segment is maintained for administrative tracking purposes and is not indicative of individual employee performance.




- The 2025 Ratings by Average Variable Pay charts show the average variable pay (green line) across all of the performance rating categories (blue bars). The percentages in the left-hand column are the rating distributions, and the percentages in the right-hand column are the variable pay amounts. These charts contain the same data covering the percentage of employees who were involuntarily terminated in 2025. For example, on page 1 of Exhibit CLP-EMPLOYEE-3, the 2025 Ratings by Average Variable Pay chart for CL&P and ESC is reproduced below:



- The 2025 Ratings by Average Merit Spend charts show the average merit increase (green line) across all of the performance rating categories (blue bars). The percentages in the left-hand column are the rating distributions, and the percentages in the right-hand column are the merit increase amounts. These charts contain the same data covering the percentage of employees who were involuntarily terminated in 2025. For example, on page 1 of Exhibit CLP-EMPLOYEE-3, the 2025 Ratings by Average Merit Spend chart for CL&P and ESC is reproduced below:




**Q. Is it true that all eligible employees receive variable pay?**

A. No. As shown in Exhibit CLP-EMPLOYEE-3, CL&P and ESC employees in the Did Not Meet Performance Expectations category (3 employees) and those involuntarily terminated in the Improvement Needed to be a Successful Contributor category (2 %, equating to approximately 70 employees) did not receive their variable pay in 2025. Conversely, at the other end of the curve, approximately 4 percent or 151 employees were in the Top Achiever category in 2025.

**Q. Does the variable pay program enable CL&P to ensure that employees are committed to meeting the needs of CL&P customers, such as service quality and service reliability?**

A. Yes. Each employee receives variable pay based on the employee's own performance as compared to pre-designated goals, including customer, employee, process/capability, and other functional activities necessary for CL&P to provide safe, reliable, and cost-effective service to customers. Performance management is executed through an annual evaluation process by which an individual's specific achievements are reviewed and evaluated.

Each employee is actively involved in the development of their performance goals, with input from their supervisor. Once established, the employee's progress is reviewed in relation to their performance goals and discussed with their supervisor periodically throughout the year. The performance review process is also used as an aid in determining the amount of annual base pay increase for the employee.

Using the performance review process to establish goals to measure employee performance is important in reinforcing the proper focus on key initiatives and goals designed to improve customer service and reinforce cost containment. Examples of goals that support improved customer service include: (1) Months Between Interruptions (MBI); and (2) CAIDI (Customer Average Interruption Duration Index or duration of outages). Other goals help keep employees safe and support cost containment such as DART and PMVA. The variable pay component of employee compensation is designed to drive and reinforce the performance goals set annually for each employee.

These goals generally fall into four key categories: customer, employee, financial, and process. These goals and the performance review process are critical in reinforcing key Company initiatives, including safety, customer service, operational efficiency, and continuous improvement.

**Q. Do you have any examples of performance goal reports for CL&P and ESC employees in 2025?**

A. Yes. In order to provide PURA with specific, detailed information on implementation of the variable pay program, we have compiled representative executive key initiative reports and employee goal reports for a range of employees in the organization. Exhibits CLP-EMPLOYEE-4B and 4C provide 15 executive key initiative reports and 40 employee goal reports for CL&P and ESC employees, respectively. Exhibit CLP-EMPLOYEE-4A is a summary linking each of the employees from Exhibit CLP-EMPLOYEE-4C to their respective executive in Exhibit CLP-EMPLOYEE-4B. Executive performance is evaluated against key strategic initiatives established on an annual basis by Eversource leadership. Employee goal reports are developed collaboratively by each employee and their manager. These reports define expected outcomes for the year, establish measurable performance criteria, identify milestones where applicable, and align individual performance objectives with executive initiatives and the Company's broader strategic priorities.

The employee goal reports included in Exhibit CLP-EMPLOYEE-4B reflect a representative cross-section of employees, including both individual contributors and managers, from business units across CL&P and the service company. The 16

executive scorecards in Exhibit CLP-EMPLOYEE-4C are from business area leadership related to those employee reviews.

**Q. What are the variable pay costs in the Rate Year cost of service?**

A. CL&P's Rate Year cost of service includes variable pay at actual for all employees as of December 31, 2025, with certain exceptions. CL&P did not include the named executive long-term incentives (such as performance shares) and also did not include any short-term incentive compensation for Eversource's Chief Executive Officer, Chief Financial Officer, or CL&P's President.

**Q. Is variable compensation a "bonus program" for employees?**

A. No. While some may use these terms interchangeably, variable compensation at Eversource is not a bonus program. The key difference is that a bonus is typically awarded in response to some one-off or short-term achievement, or as a gift after the fact. In contrast, the Company's variable pay is based on the achievement of predetermined, long-term goals that have been established and communicated to employees in advance of the performance period; and thus is an integral part of total cash compensation to ensure that employees are paid at market.

Across the industry, variable pay is designed to be the *variable* component of employee cash compensation. Employers have transitioned to a base pay/variable pay structure for employee compensation as a method to better align employee compensation with work effort and achievement in relation to specific performance goals. An employee's total compensation is measured against industry levels considering base and variable

pay *on an aggregate basis.* If CL&P and ESC were to compensate employees only with the level of base pay under the current compensation program, they would not be competitive with other employers in the market and, over time, customers would be harmed because CL&P and ESC would be unable to attract and retain qualified employees needed to provide safe, reliable, and efficient service. As noted, Exhibit CLP-EMPLOYEE-2 provides three recent examples of postings from National Grid, Avangrid and ISO-New England showing that these entities offer both base pay and performance-based incentive compensation to their employees. For this reason, if the Company did not incorporate a variable pay component into its compensation structure, the base salaries would have to be higher to appropriately and competitively compensate employees at market rates.

**Q. Does the variable pay component give employees a stake in CL&P's success?**

A. Yes. The variable pay component is carefully designed to use variable pay in a manner that gives employees a stake in the Company's success in achieving its objectives and provides a tangible reward to employees for performing their jobs at a high level. The variable pay component of the compensation structure is designed to provide a direct and specific incentive to employees to achieve or exceed specified financial, safety, and other operating performance goals.

As shown in Exhibits CLP-EMPLOYEE-4B and 4C, individual objectives relate to safety, reliability, and customer satisfaction targets and vary depending on the part of the business in which an employee works. Individual objectives also often include the successful completion of specific projects or improvement initiatives. Using this

approach, an employee's pay is aligned with both the financial performance and health of the Company and the achievement of established performance standards that directly benefit customers. For example, field operations employees have goals related to safety and reliability, while customer service employees have goals related to customer satisfaction. Moreover, in general, all director level and above employees have the objective to manage their area budgets to the approved corporate level established in the annual budgeting process, which directly benefits customers by slowing the pace of rate increases as operating expenses are controlled.

Although each Eversource employee is held accountable to overall organizational goals (see Table 8 above), each area of operation has its own unique goals that are annually reviewed. Table 10, below, outlines several targeted goals for Connecticut Electric Operations.

**Table 10: CT Electric Operations Target Performance Scorecard**

| Category | Measure | 2024 | 2025 |
|---|---|---|---|
| **Employee** | DART Rate | 1.3 | 1.3 |
| | PMVA Rate<br># HPMA Incidents | 1.3<br>N/A | New Measure<br>Tracking |
| **Customer and Operational Excellence** | MBI | 19.1 | 19.1 |
| | CAIDI | 113.0 | 113.3 |
| | SAIDI | 71.0 | 71.0 |
| **Financial** | O&M ($000s) | $140.0M | $137.4M |
| | Capital ($000s) | $446.7M | $371.3M |

Further, the tables and charts in Exhibit CLP-EMPLOYEE-3 demonstrate that the goals that are used to evaluate employee performance are challenging and rigorous, because performance ratings span a range of outcomes and comparatively few employees achieve "High Contributor" or "Top Achiever" performance assessments.

4. CL&P's Rate Application Addresses Concerns Cited by PURA in Other Cases

**Q. With respect to employee variable pay expense, does CL&P's rate application address certain concerns cited by PURA as the reasons for its disallowance of this expense in Docket No. 24-12-01?**

A. Yes. In Docket No. 24-12-01 (the "Yankee Gas Rate Case"), PURA disallowed 100 percent of employee and officer variable pay expense for Yankee Gas, stating that Yankee Gas had not shown "how the employee and officer cash incentive compensation expenses are reasonable and necessary because the proposed incentive compensation *is primarily based on goals with minimal benefits to Connecticut ratepayers*, and thus is not reflective of a level of rates that reflects prudent and efficient management of the franchise operation."[9] PURA cited several arguments in support of its determination, which are addressed below. Although CL&P disagrees with PURA's findings in that docket, it is providing a comprehensive response to demonstrate that CL&P's variable pay expense is a reasonable and necessary expense to be included in rates.

[9] Docket No. 24-12-01, Application of Yankee Gas Services Company d/b/a Eversource Energy to Amend its Rate Schedules, Mar. 11, 2026, at 105 (emphasis added).

**Q. How has CL&P addressed the first argument cited by PURA for its disallowance in the Yankee Gas Rate Case?**

A. PURA alleged that Yankee did not provide "any practice, method, or third-party study or analysis that quantifies the benefits that [variable pay] provides to customers" and noted that the Towers Watson study provided by Yankee Gas "did not provide the amount of [variable pay] the participants offered."[10]

The benefit that variable pay provides to customers is that it enables CL&P to attract, retain and motivate a highly skilled workforce, where each employee has a direct or indirect role in serving the customer. This is not a calculation done by a "cost-benefit" analysis, because it is self-evident that CL&P must maintain a qualified workforce that is capable of delivering service to customers. As an element of total employee cash compensation, variable pay is proportionately smaller than base pay but provides a significant benefit in meeting its designed purpose. Without variable pay, the Company would need to increase the annual salary or base pay of employees in order to attract and retain our highly skilled workforce to continue to provide safe and reliable service to our customers.

**Q. How has CL&P addressed PURA's concern regarding the funding pool in the Yankee Gas Rate Case?**

A. PURA alleged that "tying the majority of the variable compensation pool funding to the achievement of financial goals incentivizes employees, executives, and officers to maximize EESCO's earnings to increase the available funding for the variable funding

[10] Id. at 106.

pool, which benefits shareholders."[11] PURA asserted that if Yankee Gas "does not meet the goals necessary to fund the variable compensation pool, employees, executives, and officers will not receive any incentive compensation even if they are high performers (and even though customers are paying for the cash incentive compensation through rates)."[12]

PURA's finding in the Yankee Gas Rate Case mistakenly assumed that the interests of the Company (and its investors) and customers are diametrically opposed, which is not true. In fact, CL&P customers benefit from CL&P maintaining a strong financial condition and are negatively affected when that condition deteriorates. CL&P's financial condition determines the extent to which CL&P can efficiently access capital markets to undertake capital investments to continue to operate its distribution system in a manner designed to provide customers with safe and reliable service. Additionally, the Company's financial condition will impact the Company's credit metrics which directly effect the borrowing costs incurred and ultimately passed on to customers.

More broadly, based on our experience, variable pay creates a culture of performance, as opposed to a culture of entitlement. Variable pay ensures that top performers are appropriately compensated for their performance. CL&P's variable pay component ensures that employees are laser focused on organizational and customer priorities and enables their continuous evaluation and improvement of their individual performance.

---

[11] Id. at 106.

[12] Id. at 106-107.

Because organization-wide goals are incorporated into the initial threshold for funding the annual incentive pool, executives and their departments across the organization are incented to work cooperatively toward common objectives, including enhancing the continued provision of safe and reliable service at a reasonable cost to customers. Further, the variable pay component of employees' total compensation provides some of the strongest signals to employees as to what is important in terms of organizational strategy, including customer benefits, clearly aligning and motivating everyone to work towards identified goals.

**Q. How has CL&P addressed the concern cited by PURA in the Yankee Gas Rate Case related to "external checks" on its variable compensation pool?**

A. PURA alleged that "the 'external checks' the Company uses to ensure the appropriateness of the variable compensation pool goals align with the interests of shareholders, not ratepayers."[13]

Again, PURA's finding in the Yankee Gas Rate Case mistakenly assumed that the interests of the Company and customers are diametrically opposed, which is not true. As we discussed earlier in our testimony, Eversource benefits from several external checks, in addition to market data, to ensure that its goals are appropriate and that Eversource is accurately reporting performance. These include the Eversource Energy Compensation Committee, advisory institutions such as ISS, and the customer base. Customers provide continuous and contemporaneous feedback on the type and quality

[13] Id. at 107.

of service they require from CL&P and are quick to identify any perceived failure to provide that level of service. Although entities such as ISS monitor corporate compensation and provide independent and objective shareholder meeting research and voting recommendations for institutional investors, that focus ensures that Eversource's target goals and performance tied to executive compensation are appropriate to withstand external scrutiny. Customers benefit from this process, because it ensures that Eversource's goals are generally consistent with the market and its competitors.

**Q. How has CL&P addressed PURA concern in the Yankee Gas Rate Case that the variable pay program does not properly incentivize employees?**

A. PURA alleged that "the evidence in the record does not support a finding that the employee and officer cash incentive compensation properly incentivizes employees, executives, and officers in such a way that it constitutes prudent and efficient management of the Company's franchise operation. Specifically, the Company provided no evidence to substantiate its burden that the [variable pay] program materially incentivizes its employees, executives, and officers. Almost 100% of eligible employees receive [variable pay], which raises significant doubt as to the degree to which the program provides motivation to meet or exceed any goals set."[14]

A significant benefit of variable pay is that the payouts are not guaranteed to the employee every year regardless of that employee's performance, and are differentiated

[14] Id. at 107.

across and within performance categories, as shown in Exhibit CLP-EMPLOYEE-3. Under the Eversource plan, a portion of total cash compensation (variable pay) is placed at risk since it is directly tied to the employee's efforts in meeting goals and expectations. Thus, a portion of each employee's annual total cash compensation is tied to the performance of the employee's business unit and their individual performance as determined by their manager or supervisor. This reward and risk of achieving a higher or lower amount of variable pay each year creates the incentive for the employee to work in a manner designed to achieve identified goals that benefit customers in the form of safe and reliable service. In our experience, employees can and do strive to obtain the maximum level of compensation available to them and are keenly aware that their performance determines their variable pay award.

Conversely, discontinuing variable pay in favor of a higher overall base compensation would remove the risk and reward, and corresponding incentive, that a portion of total compensation will not be paid out absent performance to achieve goals that benefit customers and meet their expectations. This would act as a perverse incentive, sending the signal that enhanced performance designed to advance goals benefiting customers is unnecessary to ensure that total compensation is paid out each year. This is contrary to CL&P and ESC expectations for employees and their performance since it does not drive top-tier performance for the benefit of customers.

In fact, not all eligible employees receive their variable pay in a given year. And, on the other end of the scale, relatively few achieve "Top Performer" status. This is proof

that the plan is working as designed. Variable pay is not a "bonus" or award program but is a necessary element of total cash compensation to ensure that employees are paid at market and based on their individual performance. If CL&P had numerous individuals who did not receive their variable pay in a given year, it would mean that it was retaining a high number of under-performers, rather than addressing under-performance through other means.

**Q. Has CL&P addressed PURA's concern regarding personal scorecards in the Yankee Gas Rate Case?**

A. Yes. PURA alleged that "neither [PURA], nor stakeholders, are able to opine on the personal scorecards and metrics used to determine the amount of cash incentive compensation an individual employee, executive, or officer is awarded. [Yankee Gas] did not provide personal scorecards for any of the officers or executives, despite [PURA] requesting that the Company provide them on at least two occasions."[15]

As noted, in order to provide PURA with specific, detailed information on implementation of the variable pay program, we have compiled representative goal reports and scorecards for a range of employees in the organization. Exhibits CLP-EMPLOYEE-4B and 4C provide 15 executive key initiative reports and 40 employee goal reports for CL&P and ESC employees, respectively. The employee goal reports included in Exhibit CLP-EMPLOYEE-4B reflect a representative cross-section of employees, including both individual contributors and managers, from business units

[15] Id. at 108.

across CL&P and the service company. The 16 executive scorecards in Exhibit CLP-EMPLOYEE-4C are from business area leadership related to those employee reviews.[16]

**Q. Does CL&P's rate application address PURA's similar concerns for its disallowance of variable pay in Docket No. 22-07-01?**

A. Yes. In Docket No. 22-07-01 (the "Aquarion Rate Case"), PURA denied the request of Aquarion Water Company of Connecticut ("Aquarion") to recover costs of its variable pay compensation program, based on a factual finding in review the evidence in that case.[17]

In the Aquarion Rate Case, PURA stated that it was denying the Aquarion's request to recover variable pay for four primary reasons, which were that: (1) Aquarion failed to demonstrate that variable pay is required to maintain competitive salaries and employee retention; (2) Aquarion did not demonstrate that the plan actually incentivizes employees; (3) the funding structure of the variable pay plan was not reasonable; and

[16] PURA noted an additional concern in the Yankee Gas Rate Case specific to Yankee Gas, which was that "the goals on the Eversource Target Performance Scorecard identified as operational include goals ***not applicable to gas companies***, such as the months between interruptions or MBI goal, the customer average interruption duration index or duration of outages or CAIDI goal, and the system average interruption duration index or SAIDI goal." Id. at 107 (emphasis added). This is not applicable to CL&P.

[17] The findings in the Aquarion Rate Case decision were based on the record in that case and did not establish a prohibition on recovery of variable pay costs that applies to future cases. In fact, the Connecticut Supreme Court affirmed that PURA's result in that docket was based on a factual finding supported by evidence specific to the record in that case. Aquarion Water Company of Connecticut v. Public Utilities Regulatory Authority, 352 Conn. 381, 405-406 (2025).

(4) the existence of financial goals made the variable pay component inappropriate for customer support.[18]

In this testimony, we have presented evidence addressing these areas of concern. Specifically, we have provided testimony regarding the variable pay plan structure, showing that the corporate level financial and operational goals are reviewed annually to ensure that the goals are set to ensure financial and operational performance sufficient to establish a variable pay funding pool. We have also presented testimony that each employee is held accountable to those goals based on their functional area, and that their eligibility for a variable pay award is based on their performance against individualized goal established on an annual basis, specific to their job function. Exhibits CLP-EMPLOYEE-3 and 4 demonstrate the performance rating distributions and performance assessments that are integral to the variable pay program.

Second, our testimony demonstrates the necessity of utilizing a variable pay component as a standard labor market practice, both within the utility industry and within general industry. Variable pay is, and remains, a critical component of market-based compensation necessary to attract new employees and retain current employees. Please see Exhibit CLP-EMPLOYEE-2 and Tables 6 and 7 regarding the prevalence of variable pay as a component of employee compensation.

[18] Docket No. 22-07-01, Application of Aquarion Water Company of Connecticut to Amend its Rate Schedule (Mar. 15, 2023), at 63-64.

In addition, the program creates appropriate incentives based on the specificity of predetermined individualized employee goals. For example, payments for performance in the 2025 test year were made in March 2026. Without these payments, employees would earn less than the total potential compensation for their position, causing employees to strive to achieve their individual goals throughout the working year, given that payout decisions are made in the next year, evaluating the prior year's performance. If an employee wants to receive the total compensation available to them for the prior year, they must perform in that year to expectations or beyond. Otherwise, that variable pay component is lost to them. See Exhibit CLP-EMPLOYEE-3 for further information.

Lastly, financial and operational goals are ultimately beneficial to customers. As noted earlier, Eversource determines each year whether it has sufficient financial resources available to fund the variable pay amounts, based on whether certain corporate and business unit objectives are reached. If the objectives are reached, Eversource establishes a funding pool for the purpose of fulfilling the amounts of variable pay. If the pool is funded, employees must then demonstrate the requisite individual performance in order to receive variable pay. The decision to establish the funding pool requires confirmation that the organization has sufficient financial resources to meet the commitment to issue incentive payments. Overall corporate operating and financial performance goals are variables that are relied on by the Eversource Board of Trustees each year for this purpose, and this is done solely to determine whether the business is in a financial condition to fund and pay out the variable pay portion of the

total cash compensation. Moreover, financial goals provide a measure of confirmation of the organization's financial resources, which in turn impact its credit rating, borrowing costs, and ability to fund capital investments, all of which impact customer costs.

**Q. Has PURA historically allowed companies to recover incentive compensation expense in the cost of service?**

A. Yes. Outside of the Yankee Gas Rate Case, PURA has allowed companies to recover a portion of variable pay expense as part of the cost of service, as determined by PURA. For example, PURA allowed The United Illuminating Company, Connecticut Natural Gas Corporation, and The Southern Connecticut Gas Company to recover variable pay expense in their most recent rate cases.[19]

5. Variable Pay is a Necessary Component of the Cost of Service

**Q. Why should variable pay be included in CL&P's cost of service?**

A. It is critical that variable pay be included in the cost of service because it is a central part of the Company's overall labor costs, compensation structure, and the market data upon which the Company relies to set employee compensation levels demonstrates that compensation levels are reasonable based on consideration of the total pay package for its workforce. Equally important, the compensation plans are designed to encourage employee performance, with 100 percent of the payment made to individual employees

[19] See, e.g., Docket No. 24-10-04, Application of The United Illuminating Company to Amend its Rate Schedule (Mar. 3, 2026), at 136-138; Docket No. 23-11-02, Application of Connecticut Natural Gas Corporation and The Southern Connecticut Gas Company to Amend Their Rate Schedule (Nov. 18, 2024), at 113-115 (CNG); Docket No. 23-11-02, Application of Connecticut Natural Gas Corporation and The Southern Connecticut Gas Company to Amend Their Rate Schedule (Nov. 18, 2024), at 129-131 (SCG).

linked to the individual's performance on his or her job, and pre-designated performance goals tied to safety, reliability, customer satisfaction and other customer-related interests.

**Q. Does PURA's approval of variable pay in the cost of service affect CL&P's financial profile?**

A. Yes. For many years, CL&P has included variable compensation in its total compensation package. If the Company were to lose its ability to recover the costs of variable compensation in base distribution rates, it could send potentially negative signals to rating agencies and the financial community at large that Connecticut is not a credit-supportive regulatory environment. The Company works diligently to demonstrate to the financial community that it operates in a credit-supportive regulatory environment, including its disciplined nature in managing reasonable costs to achieve successful workforce retention and development, so that the Company may efficiently access capital markets to undertake capital investments to continue to operate its distribution system in a manner designed to provide customers with safe and reliable service.

The financial community, including rating agencies, are keenly interested in whether a regulatory agency, such as PURA, makes decisions designed to maintain its past practice of providing timely and adequate cost recovery, including costs in the Rate Year associated with compensating the workforce, in the context of balanced, credit-supportive decisions. If regulatory lag is experienced even on the most basic principled approach of compensation increases in the Rate Year, supported by either executed

multi-year bargaining unit contracts or reliable market data, or both, the financial community and rating agencies could determine that Connecticut cannot be considered as having a credit-supportive regulatory environment (such that CL&P is operating in a risky regulatory environment). This would have significant negative impacts on the Company in the form of higher capital costs and higher borrowing costs the Company would incur in providing customers with safe and reliable service. Because customers ultimately pay these higher costs, such a result is contrary to the intrinsic value of not exposing customers to undue risk from regulatory uncertainty.

## III. EMPLOYEE BENEFITS

### A. Benefits Program Overview

**Q. Please provide an overview of the employee benefit programs provided by Eversource, including to CL&P employees.**

A. Eversource provides a variety of employee benefits to its union and non-union employees, and these benefits are key components of the total rewards compensation program. By maintaining a competitive total rewards package that includes comprehensive employee benefits, Eversource is able to attract and retain a highly skilled workforce and motivate employees to perform at the optimum level its customers require.

The employee health benefit programs available to CL&P employees have several key elements that are consistent with those offered by most major employers. These programs include comprehensive medical, dental, vision, and prescription drug coverages that are designed to maintain the health of employees and their eligible

dependents. In conjunction with health benefits, Eversource offers wellness programs to help manage and improve employee health, which in turn helps to moderate health benefit costs over time as they encourage proactive care of mental and physical health. Eversource also provides survivor benefits to help provide financial security for employees and their families in the event of accidental injury or premature death. These benefits are available in the form of life insurance and accident insurance. Eversource also provides illness and disability plans to provide income replacement for employees and their families who are unable to work due to illness or injury. Upon retirement, employees who meet certain age and service milestones are also eligible to participate in post-retirement medical plans.

Eversource also sponsors retirement income programs to contribute to employees' future financial security. The retirement income benefits are provided in the form of a defined contribution plan or a defined benefit pension plan based on eligibility, in conjunction with a traditional 401(k) plan available to qualified employees. A full discussion of recent changes to Eversource's retirement income strategy is included later in this testimony.

Overall, as explained in more detail below, Eversource works continuously to manage and control the cost of its employee benefit programs through design initiatives, carrier negotiation, and administrative efficiencies on behalf of CL&P.

**Q. How does Eversource obtain healthcare coverage and other benefits for its employees and retirees?**

A. Eversource contracts with third-party providers for healthcare coverage and other benefits for its operating subsidiaries, including CL&P. CL&P's customers benefit greatly from the improved pricing benefits of scale of the total Eversource employee population in relation to the procurement of employee benefit coverage for employees and retirees.

**Q. How does Eversource ensure that its benefit programs are reasonable and competitive?**

A. Eversource, on behalf of CL&P and all of its affiliates, ensures that its benefit programs are reasonable and competitive by periodically benchmarking them against the benefits programs offered by other utility/energy sector employers. As part of this benchmarking process, the benefits offered by CL&P, as a subsidiary of Eversource, are compared to the benefits offered by Eversource peer group companies of similar size in the utility/energy sector. Eversource utilizes its consultant, Towers Watson, which collects benefit plan provisions from numerous utilities and uses their proprietary software to measure the value of these programs. Towers Watson selects comparable companies, which are mostly utilities, to determine the relative value of its non-union and union benefit programs compared to a peer group. Exhibit CLP-EMPLOYEE-5 and Exhibit CLP-EMPLOYEE-6 are the most recent studies performed by Towers Watson for both non-union and union benefits, respectively. The analysis is conducted for each benefit separately as well as on an entire-program basis. It is not unusual for results to vary benefit by benefit due to unique factors associated with each

company's history and priorities. The entire-program analysis combines all values and allows for a comparison between companies' benefit programs. Notably, a condition of participation is that the link between the participating company and the value of the benefits it provides shall not be disclosed. As demonstrated by Exhibit CLP-EMPLOYEE-5 and Exhibit CLP-EMPLOYEE-6, Eversource benefit plans for union and non-union employees are approximately at or above the average. The Towers Watson Ben Val survey is conducted every two years. It should be noted that there is some variability in the surveys based on the companies that choose to participate in a particular survey and their benefit plan designs.

**Q. More specifically, what were the results of the most recent benchmark analysis?**

A. Exhibits CLP-EMPLOYEE-5 and CLP-EMPLOYEE-6 present the 2025 benchmarking analysis conducted by Towers Watson, which is the most recent analysis showing that overall, the value of the Eversource employee benefit programs is reasonable when compared to those of its utility peer group. Eversource's combined non-union employee benefit program value is 104.26 percent of the average value and is well within the utility group range of 89.96 percent to 112.99 percent. Similarly, Eversource's combined union employee benefit program value is 104.05 percent of the average value and is well within the utility group range of 87.53 percent to 117.80 percent.

**Q. With respect to benefits for union employees, how are those determined?**

A. All of Eversource's employee benefits for union employees are negotiated within each union's collective bargaining agreement. For example, CL&P union locals of the

IBEW, the second largest collective bargaining unit representing employees of CL&P, just signed a new contract as of June 1, 2026, that increases the amount of co-payments and deductibles that are components in the health plans effective January 1, 2027.

**B. Healthcare Benefits for Employees**

**Q. Please explain the types of health care benefits provided to CL&P employees.**

A. Eversource offers three distinct health plan choices for employees of CL&P and its other affiliates to address various employee needs and risk tolerances:

- Preferred Provider Organization PPO-100 with no deductibles and fixed copays for all out-of-pocket costs, but higher payroll contributions;
- Preferred Provider Organization PPO-90 with moderate deductibles, out-of-pocket costs and lower payroll contributions than the PPO-100; and
- The Saver Plan, which is a "High Deductible Health Plan" or "HDHP" with high deductibles, a health savings account option and the lowest payroll contributions.

Each of these plans complies with the Patient Protection and Affordable Care Act ("ACA") and includes important preventive benefits to promote the wellness of employees and their families. Each of the three medical plan offerings is a Preferred Provider Organization ("PPO"), which include in-network benefits with lower employee cost and out-of-network benefits at a higher employee cost. Due to the extensive network maintained by health insurers in our area, over 90 percent of employee claims are incurred on an in-network basis, which is more cost effective for both employees and CL&P. In addition, CL&P hired DataiSight, which is a healthcare cost containment and data analytics firm, to further drive down costs by lowering

*out-of-network costs* mainly by improving how claims are evaluated, billed, and negotiated.

Each plan includes employee cost sharing for in-patient treatment, medical imaging, emergency room visits, and other high-cost procedures. The health plan options are coupled with a prescription drug program that includes utilization management,[20] step therapy programs,[21] and other cost savings features, including mail order requirements for maintenance medications or a Smart 90 program that allows for a retail refill option for all three medical plan options. The plans each have different actuarial values to provide employees with choice and cost differential.

Additionally, opt-out credits of $500 per plan year are paid to those employees who have alternative health care coverage and elect not to participate in the Eversource plans. These credits are a fraction of the cost that would otherwise be required to provide coverage for employees who opt out.

**Q. Are there any other health care benefits offered by Eversource?**

A. Yes. Eversource also offers two standardized dental plan offerings with payroll contributions reflective of the cost of the plan, and one standard vision plan.

[20] In this case, utilization management is the evaluation of the appropriateness and medical necessity of medications according to evidence-based criteria or guidelines.

[21] Step Therapy is a prior authorization program that encourages the use of less costly yet effective medications before more costly medications are approved for coverage.

**Q. Does Eversource control the costs of its benefit programs through self-insurance?**

A. Yes. Eversource runs a self-insured health plan, which means that Eversource pays for employee and covered dependent health care claims as they happen, rather than paying a fixed monthly premium to an insurance company. Within this framework, Eversource covers only the *actual cost* of doctor visits, hospital stays, and prescriptions that employees and covered dependents use, plus a set administrative fee to the insurance carrier. The insurance carrier still plays an important role in this framework by processing claims, managing the provider network, and handling day-to-day administration, but Eversource, not the insurer, pays the actual claims.

In contrast, a fully insured health plan has the company pay a fixed premium every month regardless of how much health care employees and covered dependents actually use. Those premiums include a profit margin above actual cost that is high enough for the insurance company to protect itself against risk and earn a profit. With a self-insured plan, the company avoids paying for unused coverage and insurance company profit margins, which can result in significant savings when overall health care use is lower.

Because Eversource has employees in multiple states, a self-insured plan also allows it to offer one consistent health plan, rather than having to conform to different state insurance rules in each location. This administrative flexibility helps control costs while maintaining uniform benefits for employees.

**Q. In addition to self-insurance, please describe Eversource's efforts to control growth in employee health care costs.**

A. Eversource, on behalf of CL&P and all of its affiliates, has controlled growth in its employee health care costs through numerous targeted programs within the self-insurance framework. In recent years, Eversource has implemented changes to all medical options to reduce costs, including the promotion of a HDHP design that encourages consumerism. The design also provides employees with access to a Health Savings Account that employees can utilize to save funds for future medical expenses such as during retirement.

Eversource has implemented these plan designs across the system to help control the growth in healthcare costs without diminishing the quality of its benefits programs. Eversource has consolidated medical carriers and streamlined options, which enables the Eversource operating subsidiaries to more effectively extend health management programs to participants through Eversource's health care vendor, such as the following:

- Targeted programs focused on utilization and case management for cancer and other acute conditions;
- Specific programs that identify and control chronic and acute medical conditions;
- Disease and lifestyle management programs; and
- Coaching, support and education services for participants who have been diagnosed with or treated for chronic disease conditions or for participants who self-identify as eligible for these services. Under the Eversource Administrative Services Agreement, the health plan vendor has created a fund that provides cash incentives to participants enrolled in a chronic condition

management program who, working with a program nurse, set and achieve goals related to the management of their health risk.

The objective of these programs is to support employees in managing their health conditions, while reducing or preventing future healthcare claims.

**Q. Has Eversource taken other steps to control growth in employee health care costs?**

A. Yes. In 2025, Eversource also performed a pricing market check for a medical plan third-party administrator. Eversource issued a request for information ("RFI") from Anthem as they were not an option in a prior request for proposal ("RFP") process in 2019. The benefit of soliciting a bid is to explore new enhancements in the market including technology, evaluating enhanced navigation and advocacy service models, and affirming that Eversource receives the most competitive contact terms available. Through this process, Eversource was able to renegotiate reduced pricing for contract terms and fees with Blue Cross Blue Shield of Massachusetts (BCBSMA) through the contract term end in December 2027.

In addition to the recent RFI of medical plan vendors in 2025, Eversource is currently running a RFP for its pharmacy benefit manager ("PBM") prescription coverage beginning in 2027. Eversource anticipates that this process will result in deeper discounts in payments for prescription drugs, and lower administrative fees.

In conjunction with its current PBM, Eversource has also continued to employ and grow several utilization management programs, such as step therapy programs, which encourage the use of lower cost generic medications, drug quantity management programs that utilize the U.S. Food and Drug Administration guidelines regarding

dosage limits, and prior-authorization programs that require clinical evidence before filling certain higher cost and higher risk medications. Programs promoting the use of 90-day prescription mail order or Smart 90 at retail pharmacies for maintenance drugs have also been instituted and have resulted in additional savings due to the elimination of dispensing fees and targeted intervention on the use of brand name medications when generics are available. Mail order dispensing also eliminates barriers to refill thereby improving medication adherence and reducing future disease risk.

A major driver of inflation for prescription drugs is the cost of specialty medications prescribed to people with ongoing and complex medical conditions. Specialty medications are high-cost drugs, including infused or injectable medications that require close monitoring and special storage. In 2024, Eversource implemented Pillar Rx to assist in cost savings in its specialty medication spend. PillarRx identifies outside funding (e.g., from drug manufacturers) to help pay for expensive specialty medications. PillarRx is the middleman that works with employees, pharmacy and insurance to obtain coupons, co-pay assistance and other financial assistance directly from drug manufacturers. The table below provides details of savings obtained through PillarRx to date for all pharmacy claims across the Eversource system:

**Table 11: PillarRx Cost Savings**

| Year | PillarRx Savings |
|---|---|
| 2024 | $1.6M |
| 2025 | $1.6M |
| 2026 YTD April | $0.468M |

Lastly, Eversource also continues to explore opportunities for savings through enhanced health education and disease management programming, as well as through regular competitive assessment of vendor pricing and performance.

**Q. How are costs of the healthcare plans determined?**

A. To manage this responsibility of paying claims as they arise, employers establish what are often called "working rates." A working rate is simply a carefully estimated monthly budget for future health care costs. Employers create working rates by looking at several years of past claims, current enrollment, expected medical and prescription drug trends, and known upcoming risks. Actuaries and benefits experts help translate this information into an expected per-employee cost, which the company sets aside each month. These rates are not fixed premiums paid to an insurance company; instead, they are planning tools that help smooth expenses and ensure that enough money is available to pay claims as they arise.

To develop a company's working rate, benefit actuaries study years of past medical and pharmacy claims to understand how employees have actually used health care. They look at patterns such as doctor visits, hospital stays, prescriptions, and high-cost claims, and then adjust that history for expected changes in the coming year. These adjustments are called trend assumptions, and they reflect factors such as medical price increases, new or higher-cost drugs, changes in utilization, and shifts in the employee population. Actuaries also consider one-time events in the historical data and remove anomalies, such as high-cost claims so the outlook reflects normal, ongoing experience. By vetting the claims history and combining it with expected future trends, actuaries project the

company's anticipated health care costs. That projection becomes the foundation for the working rate, helping the employer to budget accurately while ensuring sufficient funds are available to pay claims as they occur. Given the annual variability with the above-mentioned health factors used to calculate the working rates, especially member claims history, the rates are fully developed in the third quarter of the prior year and vary each year.

**Q. How is the working rate calculated?**

A. Table 12, below provides the detailed calculation of the working rate for 2026 prepared by Eversource's benefits consultant. This calculation is based on Eversource's actual paid health claims, cost trends and fees.

**Table 12: Working Rate Calculation**

## 2026 Medical/Rx Projection

| | | Active Employees | |
|---|---|---|---|
| | | Aug23-July24 | Aug24-Jul25 |
| 1 | Total Paid Claims | $207,528,570 | $235,577,198 |
| 2 | IBNR Adjustment | 1.00 | 1.00 |
| 3 | Mature Paid Claims | $207,528,570 | $235,577,198 |
| 4 | Claims > $1M | $2,038,079 | $1,116,543 |
| 5 | BCBS OON Error - Claims Credit (paid 05/2025) | $128,057 | $2,433,075 |
| 6 | Net Paid Claims | $205,362,434 | $232,027,579 |
| 7 | Average Employees (Lagged 1 Month) | 8,795 | 9,177 |
| 8 | PEPM | $1,946 | $2,107 |
| 9 | PEPY | $23,349 | $25,282 |
| 10 | Annual Medical & Rx Trend | 1.096 | 1.096 |
| 11 | Midpoint Months (Lagged 1 Month) | 30.0 | 18.0 |
| 12 | Compounded Trend | 1.256 | 1.147 |
| 13 | Trended PEPY | $29,332 | $28,990 |
| 14 | Claims Fluctuation/Margin | 1.005 | 1.005 |
| 15 | 2024 PillarRx Copay Assistance | 0.996 | 1.000 |
| 16 | 2024 Rx Renewal & Coalition Adjustment | 0.998 | 1.000 |
| 17 | 7/1/24 Data iSight Implementation | 0.986 | 0.999 |
| 18 | 2025 Rx Market Check | 0.9996 | 0.9998 |
| 19 | 2026 Confirmed Preventive Care Changes | 1.001 | 1.001 |
| 20 | 2026 Rx Market Check | 0.9996 | 0.9996 |
| 21 | Blue Advantage Pricing | 1.001 | 1.000 |
| 22 | Adjusted PEPY | $28,910 | $29,129 |
| 23 | Period Weighting | 10.0% | 90.0% |
| 24 | Weighted Claims | $29,107 | |
| 25 | Stop Loss Premium | $285 | |
| 26 | ASO Admin Expenses | $450 | |
| 27 | Total Fixed Expenses | $735 | |
| 28 | Total 2026 Premium Equivalent Cost | $29,843 | |
| 29 | 2025 Premium Equivalent Cost | $26,751 | |
| 30 | **% Increase** | **11.6%** | |

**Q. Is it reasonable for PURA to rely on the working rate to determine the Company's benefits costs in the Rate Year?**

A. Yes. The healthcare plans are self-insured, which means that Eversource relies on the services of a third-party vendor for plan administration, but Eversource pays only the actual claims submitted by employees rather than paying premiums to a third-party insurer. On an annual basis, Eversource's benefits consultant develops working rates

for the next calendar year for budgeting and plan administration purposes in the same manner that health insurance plan premiums would be calculated. Working rates are determined using actuarial principles similar to the analysis formerly used for general insurance premiums. In addition, the working rates used by Eversource for budget and plan administration purposes are not derived through forecasting assumptions relying on a broad-based pool of insured parties but are sufficiently correlated with Eversource's own experience to support the Company's health care expense. Table 11 shows the analytical components that are used to develop annual working rates, which are specific to Eversource. These rates are comparable to what an insurance company would calculate if Eversource was fully insured, rather than self-insured. However, a medical insurance company would also include added costs to account for the insurer's risk margins, taxes, and profit. Because Eversource self-insures, this risk is assumed by Eversource and taxes and profit are eliminated, resulting in lower costs to CL&P and its customers.

**Q. Has Eversource structured its plans so that its employees can contribute to controlling growth in healthcare costs?**

A. Yes. In addition to self-insuring, Eversource employs pricing strategies that encourage employees to consider lower cost health plan options. Eversource also encourages its employees to evaluate alternate health plan coverage available to them through employed family members.

One example of a Company-employed pricing strategy is to have non-union employees pay a lower percentage of their own premium cost and a higher percentage of the

premium cost for their dependents. These percentages are applied against the Company's core plan design, the PPO-90 Plan, and employees pay the cost of buying up to a higher level of coverage or receive the savings associated with buying down to a lower level of coverage. Under this employee-contribution model, non-union employees paid an average of approximately 21 percent of the premium-equivalent cost in 2025. This same pricing strategy is applied to CL&P union-represented employees and the most recent union contract extends out through 2030 using this same pricing methodology.

**Q. Has Eversource taken steps to promote employee wellness and reduce the demand for healthcare?**

A. Yes. In addition to the health-management programs offered by Eversource's health vendors described earlier, Eversource uses a targeted health risk management program to help reduce the demand for healthcare through healthy living, health education, and chronic condition management. There are two such programs available to employees and their dependents. The first is a wellness incentive program offered on a voluntary basis to employees and spouses that includes a wide variety of initiatives such as health education, weight and stress management programs, workplace ergonomics and injury prevention programs.

The second option is offered through Eversource's healthcare program where participants who have chronic medical conditions are offered coaching and resources aimed at management of those conditions. The health plan carrier identifies participants eligible for participation in the program by reviewing claims data and

diagnosis information provided to the health plan. Also, many participants who experience a surgical procedure will be eligible for participation. Participants are also able to self-identify for participation.

**Q. Please describe the changes in CL&P's employee healthcare benefit expense for the Test Year and the Rate Year.**

A. The projected expense for the Rate Year was developed using the actual healthcare expense incurred in the Test Year, after normalization, and projecting the increase over time in consideration of a number of factors. Although health care costs continue to rise year over year due to medical inflation and the geographic region of CL&P's service territory, it is important to note that these cost increases have been mitigated by numerous efforts Eversource undertook to control costs, including changes to plan design and employee cost sharing through union negotiations, and successful RFI and RFPs that lowered administrative costs. Also, as stated earlier, the plan designs have differing actuarial values and out-of-pocket costs, which contribute to further reduced program costs. Lastly, lower administrative fees paid to vendors and the impact of consolidating PBMs and adoption of Rx and specialty management programs also has helped to offset the impact of health care inflation.

Even with these efforts, healthcare cost inflation has grown steadily each year. Eversource has a higher than industry average cost trend forecast due to the geographic cost of benefits in the Northeast. Table 13, below, provides Eversource's Medical and Pharmacy trends, as well as the Dental and Vision trends from 2016 to 2026 with estimates for 2027. Eversource finalizes its underwriting process in August of each

year to calculate working rates for the upcoming year and provide to employees at open enrollment. The 2027 projected trends use a forward-looking average of market medical, pharmacy, dental and vision trends from national surveys, as well as Eversource-specific trend factors from its carriers. The 2027 Medical and Pharmacy projected trend is slightly lower than the 2026 actual, which represents an initial expectation of Eversource's renewal for 2027 regressing to the mean following a year of slightly above trend experience. CL&P can provide an updated trend percentage later in this docket if the percentage increase changes materially from this estimate.

**Table 13: Annual Cost Trends**

| Annual Healthcare Plan Increase | | | |
|---|---|---|---|
| Year | Medical/Rx Increase % | Dental Increase % | Vision Increase % |
| 2016 | 6.70% | 0.6% | 0.1% |
| 2017 | 7.20% | 1.2% | 3.6% |
| 2018 | 6.10% | 0.0% | 3.4% |
| 2019 | 5.10% | 0.0% | 0.0% |
| 2020 | 4.10% | 0.0% | 0.0% |
| 2021 | 4.80% | 0.0% | 0.0% |
| 2022 | 4.70% | 0.0% | 0.0% |
| 2023 | 2.50% | 0.0% | 0.0% |
| 2024 | 8.00% | 0.0% | 0.0% |
| 2025 | 6.30% | 2.9% | 2.3% |
| 2026 | 11.60% | 3.6% | 0.0% |
| Estimated 2027 | 11.10% | 4.5% | 4.0% |

**Q. With respect to employee benefits expense, does CL&P's rate application address the concern cited by PURA for its partial disallowance of healthcare benefit costs based on the working rate computation in Docket No. 24-12-01?**

A. Yes. In the Yankee Gas Rate Case, PURA disallowed a portion of Yankee's medical benefits stating Yankee had not supported the projected 7 percent increase to the

medical benefits expense in the Rate Year, and that the increase "appears to be based on the same factors already used by Brown and Brown in determining its 6.3% protected change, including EESCO's medical benefits carrier estimates and survey data."[22] As a result, PURA disallowed Yankee's projected 7 percent increase in the medical benefits expense and instead allowed a 6.3 percent increase.

To address PURA's concern in the Yankee Gas Rate Case, we have provided additional information in our testimony on the working rate calculation and the analytical components of this calculation. As discussed earlier in our testimony, Eversource has a rigorous annual process to calculate the medical benefits expense working rates. The process typically begins in August and working rates are finalized for the next calendar year in September using the most current data. In this process, Eversource's benefits consultant develops working rates for the next calendar year for budgeting and plan administration purposes in the same manner that health insurance plan premiums would be calculated. As noted, Table 12 shows specifically the analytical components that are used to develop annual working rates, which are specific to Eversource.

In the Yankee Gas Rate Case, Yankee Gas initially projected for the case that its working rate increase would be 7 percent, including at the evidentiary hearing as late as May 2025. However, data at the time showed this trend to be increasing up to 11.6 percent, which PURA rejected. However, when we kicked off the working rate process with Brown & Brown (Eversource's healthcare actuary) in August 2025, we found in

[22] Yankee Gas Rate Case, Final Decision, at 117.

fact that the trend was significantly increasing and therefore driving a larger increase in the working rate than we had seen in many years. The trend was up nationally, not just for Eversource. The working rate calculation for 2026 confirmed the 11.6 percent projection. Therefore, CL&P's filing now reflects an estimated working rate based on the most current data, which shows 11.1 percent for 2027. As noted, CL&P can provide an updated trend percentage later in this docket if the percentage increase changes materially.

### C. Healthcare Benefits for Retirees

**Q. What steps has Eversource taken on behalf of CL&P and its other affiliates to control the growth in retiree medical costs?**

A. Eversource, on behalf of CL&P and its other affiliates companies, has controlled the growth of retiree health care costs by capping health care subsidies and changing plan designs for both pre-65 retirees and post-65 Medicare eligible retirees. At the same time, retirees have maintained access to important medical and prescription drug insurance coverage to support them in their retirement.

In response to the increasing pressure of inflation and the diminishing impact of traditional cost trend management programs, effective January 1, 2017, all retirees were transitioned to a private health care exchange, Via Benefits (formerly known as One Exchange). Eversource sought to find a standardized approach across all its subsidiaries, including standardizing the amount of the subsidy provided to retirees, and adopting an approach that is sustainable in the long-term and that continues to provide meaningful coverage for retirees.

The retiree exchange approach is a more efficient delivery system than a self-funded group plan and benefits both retirees and Eversource for the following reasons:

- The exchange has a larger risk pool than the self-funded group plan. Medicare, outside of employer group sponsored coverage, has over 40 million members, making it easier to spread high-cost claimants and manage the cost trend over time. This results in lower premiums and out-of-pocket costs for retirees who are subject to the Company's cap on contributions.

- The retiree exchange population is getting younger as 10,000 baby boomers retire into Medicare every day and join the risk pool. By contrast, Eversource's population, by virtue of its grandfathering rules, is getting older and therefore the risk increases every year, resulting in escalating costs for retirees and the Company.

- This approach provides enhanced access to government funding. Eversource's self-funded group health plan received government funding to offset the cost of its prescription drug coverage but received far less than individual market prescription plans do. Prior to the move to the retiree exchange, no Eversource retiree had access to a Medicare Advantage plan. Also, in some areas, the government funding for Medicare Advantage plans is such that retirees have access to a plan with no premium.

As retirees were moved to Via Benefits, Eversource provided a subsidy in the form of tax-free contributions into a Health Reimbursement Account ("HRA") that can be used to offset the cost of premiums and out-of-pocket costs for qualified medical expenses. Under this model, retirees choose the medical and prescription drug plan that works for them based on age and residence. Availability and choice of plans varies by state. The Eversource-provided HRA subsidy for retirees, who had previously paid monthly premiums for coverage under the Eversource group plan, is $2,500 for eligible retirees age 65 and above and $6,500 for eligible retirees under the age of 65. There have been no increases to these subsidy amounts since the plan inception in 2017 keeping costs down.

**Q. Is it necessary and appropriate for the Company to sponsor retiree health?**

A. Yes. In the utility industry, the recruitment and retention of skilled and knowledgeable employees is critical to operate CL&P's electric infrastructure in a safe, reliable and cost-effective manner and to provide high-quality customer service. The Company must make substantial investments in training and development over a period of many years to develop an employee base that has a thorough understanding of its electric distribution and customer service systems. CL&P's sponsorship of these employee benefit programs is an important part of the total rewards compensation program that is designed to attract and retain employees who have the skills necessary to operate these systems.

## D. Other Post-Retirement Employee Benefits

**Q. Has Eversource taken actions to ensure that the costs of its retirement income programs are reasonable and competitive?**

A. Yes. Eversource, on behalf of CL&P and its other affiliates, has implemented measures to help control the growth and volatility in long-term retirement benefit costs, while providing a competitive level of retirement income benefits to attract and retain employees. Prior to 2025, Eversource's 401(k) plan design for employees who did not qualify for one of the legacy defined benefit pension plans included an employer match contribution and a non-elective employer contribution based on years of service and age called "K-Vantage." When developed, the K-Vantage contribution was intended to provide a "pension-like" retirement benefit for a modern workforce that would be more cost-effective to fund than the legacy defined benefit plans held by longer service employees. After a review of the K-Vantage plan and retirement income benchmarking

in 2023, Eversource decided to make changes to its retirement offerings. One benchmarking analysis was provided in the Towers Watson BenVal Survey, where the retirement results placed Eversource below the utility peer group. Eversource results are in the bars labeled "CIP" and "CIPU" on Exhibits CLP-EMPLOYEE-7 and CLP-EMPLOYEE-8. Please refer to these exhibits for the referenced survey results. Eversource also worked with Aon, its retirement plan actuary, and Aon's Benefit Index benchmarking similarly showed that Eversource was below its peers in retirement income design. Based on the benchmarking review and the objective to attract and retain a skilled workforce, Eversource made several changes to the retirement income programs as of January 1, 2025.

**Q. Please comment further on the reasons for the plan design changes.**

A. Eversource strives to offer a competitive benefits program as part of its total rewards compensation approach. In particular, Eversource understands that saving for retirement is a high priority for its employees. However, the 2023 benchmarking analysis showed that the K-Vantage plan did not provide employees with a competitive level of benefits that was needed to attract and retain skilled employees in the utility industry. Considerations related to the new retirement plan design involved the fact that Eversource recognizes that CL&P employees have a very specialized and competitive skill set, physically demanding and hazardous jobs, and provide an essential public service. A competitive retirement income plan was important to the retention and recruitment of these skilled workers. The organization also sought to have the new retirement income plan design involve a shared responsibility between

CL&P and its workers to incentivize employees to make a significant contribution to their own retirement income. Another consideration was that the K-Vantage design placed investment responsibility and its financial outcome solely on the employee and the volatile nature of the stock market was also a factor in the decision to replace the K-Vantage contribution in the 401(k) plan with a secure cash balance contribution, which would not be subject to investment volatility. As a result, all employees of CL&P and ESC who previously received K-Vantage employer contributions now participate in a cash balance pension plan (in addition to a 401(k)-plan employer match). These changes are described in more detail below:

- All CL&P employees and ESC employees who provide service to CL&P will now participate in a form of defined benefit pension plan, which is either a legacy plan or the new cash balance pension plan, in addition to a 401(k)-plan employer match.

- Long-time CL&P and ESC employees who remained in the traditional defined benefit pension plan at the time the K-Vantage was implemented (and were not in the K-Vantage plan), remain in their defined benefit pension plan and continue to receive a 401(k) employer match of 100 percent of the first three percent of eligible compensation contributed into each participant's 401(k) account.

- Other CL&P and ESC employees who were previously provided a K-Vantage contribution are now eligible for the new cash balance pension plan, in addition

to a 401(k)-employer match of 100 percent of the first six percent of eligible compensation contributed into each participant's 401(k) account. The two 401(k) plan employer match formulas are due to the differing values of their pension plan benefits (traditional legacy defined benefit plan versus the new cash balance pension plan).

As a result, the Company now shares in the responsibility of planning for each employee's retirement by managing investments and guaranteeing annuities as an option for employees. The cash balance pension plan eliminates some market volatility impact at the individual participant level and provides Eversource with more predictable and controllable costs than traditional pensions.

**Q. Please provide additional details on the changes made as of January 1, 2025.**

A. Effective January 1, 2025, the following changes were made:

- Creation of the new Eversource Cash Balance Pension Plan ("CBPP") for existing K-Vantage employees and newly hired employees after January 1, 2025. The new CBPP design includes contributions based on age and years of service as follows:

**Pay Credit Contribution**

| Age plus Service | Percentage of Covered Pay |
|---|---|
| Less than 40 years | 3.5% of compensation |
| 40 or more but less than 60 years | 4.5% of compensation |
| 60 or more years | 6.0% of compensation |

- The Eversource 401(k) plan employer matching contribution was increased from 100 percent up to the first 3 percent of participant contributions to 100 percent up to the first 6 percent of participant contributions, for participants in the new CBPP.

The CBPP provides several key benefits. These include more options for retirement income withdrawals, including guaranteed monthly annuities or lump sum options. ESC, on behalf of CL&P and all affiliates, is also responsible for managing the investments in the CBPP, not the plan participants, and will provide a minimum guaranteed annual interest rate of 4.0 percent, which provides Eversource with more predictable and controllable costs than traditional pension and 401(k) plans. The CBPP also provides employees and Eversource increased benefit predictability and portability compared to traditional defined benefit pension plans. Additionally, the CBPP is insured by the Pension Benefit Guarantee Corporation ("PBGC"), which provides insurance that the pension benefit will be paid.

**Q. Does CL&P's rate application address the concern cited by PURA for its partial disallowance of 401(k) expense in Docket No. 24-12-01?**

A. Yes. In the Yankee Gas Rate Case, PURA rejected a portion of Yankee Gas's costs related to employees who receive both a 401(k) benefit and a defined pension benefit. PURA found that "the 'Needs Met' standard is 'misaligned with reality'" and that Yankee Gas "failed to provide any evidence demonstrating the relationship between the $492,000 401(k) expense and talent acquisition. As such, [PURA] finds that [Yankee Gas] failed to prove that requiring ratepayers to pay for employees who receive both a 401(k) expense and a defined benefits expense is reasonable or necessary

to provide safe and reliable service to customers, or to maintain appropriate staffing levels."[23]

The Yankee Gas Rate Case decision was a break from the past, where PURA recognized Eversource had done "considerable work in minimizing the cost of its retirement benefits while still providing a competitive level of pension and health care benefits."[24] Providing the 3 percent match for traditional pension plan participants is reasonable, appropriate, and in line with this past PURA precedent indicating that Eversource should provide a competitive level of retirement benefits.

Eversource must attract and retain uniquely skilled employees to work on a 24/7/365 basis for the benefit of customers, and it does so by providing a total rewards package that is attractive and competitive, as compared to its peers in the marketplace. In this regard, the Company's 3 percent match for this segment of employees is intended to correct an asymmetry in the Company's retirement plans, such that all employees receive similar retirement outcomes. It would be inconsistent, inappropriate, and unreasonable to unevenly fund the retirement benefits of segments of the employee population in relation to others, merely based on whether the segment of employees joined CL&P at a time when they were eligible to participate in a defined pension plan.

[23] Id. at 121.

[24] Docket No. 17-10-46, Application of The Connecticut Light and Power Company d/b/a Eversource Energy to Amend its Rate Schedules (Apr. 18, 2018), at 12.

## E. Employee Benefits Summary and Conclusion

**Q. Please summarize how CL&P provides reasonable and cost-effective employee benefits.**

A. The Eversource benefit programs, including those offered by CL&P, are regularly reviewed and compared to industry best practices to help ensure that CL&P maintains a competitive program that supports the goal of attracting, motivating, and retaining a skilled and qualified workforce.

The benefits provided are designed to take advantage of available tax savings and are self-insured in order to provide Eversource greater control over how healthcare dollars are spent. In addition, Eversource utilizes health management programs to help control cost, and wellness incentives that are designed to proactively reduce the need for future healthcare services. Eversource has also proactively realigned programs and reduced benefits costs to CL&P, its employees and its customers.

Although healthcare costs will continue to increase in future years, Eversource has been successful in controlling and mitigating cost increases to the extent possible and in maintaining reasonable and competitive programs.

**Q. Where in CL&P's rate application can PURA find more information on the specific costs of CL&P's employee benefits programs?**

A. The costs of employee benefits are detailed in SFR Schedule C-3.12 (Employee Benefits) and SFR Workpaper C-3.12. The Company's SFRs are provided in Exhibit CLP- REVREQ-2-A, B, C, D Schedules.

## IV. CONCLUSION

**Q. Does this conclude your direct testimony?**

A. Yes, it does.