STATE OF CONNECTICUT

PUBLIC UTILITIES REGULATORY 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

BRENDAN J. O'BRIEN AND GARRETT J. MURRAY

Revenue Requirements Panel

On behalf of

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

July 14, 2026

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Brendan J. O'Brien. My business address is 107 Selden Street, Berlin, Connecticut 06037.

Q. By whom are you employed and in what position?

A. I am employed by Eversource Energy Service Company ("ESC" or "Service Company") as the Vice President, Distribution Rates and Revenue Requirements for Eversource Energy Service Company ("ESC"). ESC provides centralized services to the natural gas and electric operating subsidiaries of Eversource Energy, including The Connecticut Light & Power Company ("CL&P" or "Eversource" or the "Company"). In this role, I have overall responsibility for rates and rate-related policies and procedures, as well as the preparation and presentation of regulatory filings by Eversource Energy operating affiliates to the respective regulatory commissions in Connecticut, Massachusetts and New Hampshire.

Q. Please describe your educational background and employment experience.

A. I graduated from the University of Connecticut in Storrs, Connecticut, with a Bachelor of Science degree in Accounting. I began my career at Deloitte & Touche, LLP in

Hartford, Connecticut, and worked there for approximately eight and a half years, as an Audit Senior Manager. During that time, I became a Certified Public Accountant. In 2019, I left Deloitte to join Mahoney Sabol & Company, LLP, another public accounting firm located in Glastonbury, Connecticut. I worked there for approximately two years and served as Audit Senior Manager before joining Eversource Energy as the Director of Revenue and Regulatory Accounting. In that role, I was responsible for all aspects of the accounting and financial reporting for revenue, accounts receivable, and regulatory matters for each of the Eversource Energy operating utility subsidiaries, including the Company. In August 2025, I was promoted to my current position.

Q. Have you previously testified in any formal hearings before regulatory bodies?

A. Yes, I have previously testified before PURA in the annual RAM proceeding (Docket Nos. 24-01-03 and 25-01-03), the Yankee Gas Rate Case (Docket No. 24-12-01), and CL&P's Catastrophic Storm Cost proceeding (Docket Nos. 24-03-30 and 25-12-13). Additionally, I have also testified before the Massachusetts Department of Public Utilities and the New Hampshire Public Utility Commission on numerous occasions.

Q. Please state your name and business address.

A. My name is Garrett J. Murray. My business address is 107 Selden Street, Berlin, Connecticut 06037.

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

A. I am employed by ESC as Director of Revenue Requirements for our Connecticut electric and gas utility companies and am providing testimony on behalf of the

Company.

As the Director of Revenue Requirements, I am responsible for preparing and presenting regulatory filings and revenue requirements calculations for Eversource's Connecticut electric and gas subsidiaries, including the Company.

Q. Please describe your educational and employment experience.

A. I received a Bachelor of Science degree in Accounting from Southern Connecticut State University and earned a Master of Business Administration with a concentration in Finance from the University of Connecticut. I have been with Eversource for over 17 years, joining Northeast Utilities, Eversource's predecessor, in 2009. I have worked in the transmission and distribution regulatory and revenue requirements organizations, holding roles of increasing responsibility. I assumed my current position as Director of Revenue Requirements, beginning in January 2026.

Q. Have you previously testified in any formal hearings before regulatory bodies?

A. Yes, I have previously testified before PURA. Most recently, I testified on behalf of the Company in storm proceedings in Docket Nos. 24-03-30 and 25-12-13. I have also previously testified before PURA in numerous other Dockets, including the Yankee Gas Rate Case in Docket No. 24-12-01 and the CL&P RAM proceeding in Docket No. 26-01-03.

Q. What is the purpose of your testimony in this proceeding?

A. Our testimony provides the revenue requirement calculation and the existing revenue deficiency for CL&P for the rate period to be examined in this rate case. The proposed rate year for this case is July 1, 2027 through June 30, 2028 ("Rate Year"). In addition, the testimony of Company witnesses Donald J. Scacco Jr., Digaunto Chatterjee and Douglas P. Horton, in Exhibit CLP-ELP-1, sets forth a Performance Based Multi-Year Rate Plan ("PBMRP") proposal. The Company's proposed rate year revenue requirement, along with the Company's PBMRP proposal represent the "Rate Plan" presented in this case. Our testimony also walks through the Company's proposals on:

- The expiration of the Electric System Improvement ("ESI") rate adjustment mechanism;
- The recovery of the revenue requirement on certain capital projects currently recovered through the Company's Rate Adjustment Mechanism ("RAM"); and
- The recovery of incremental internal labor costs currently recovered through the Company's RAM.

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

A. Yes. We are supporting many of the Company's standard filing requirement ("SFR") schedules included in this Application. Specifically, the Revenue Requirements Panel is sponsoring Exhibit CLP-REVREQ-2, which contains SFRs in Section A – Revenue Requirement; Section B – Rate Base; Section C – Operating Income; Section D – Cost of Capital; Section F – Forecasted Results; Section G – Historicals; and Section H – Supplemental Filing Requirements. Each SFR has a designated witness or witness panel identified. In addition, the Revenue Requirements Panel is sponsoring Exhibit

CLP-REVREQ-3, which provides Schedule C-3.0 for the last five years. The Revenue Requirements Panel is also sponsoring Exhibits CLP-REVREQ-4 through 11 (including certain sub-exhibits), which provide the supporting documentation for all of the Company's proposed deferred asset and liability balances as of December 31, 2025.

Exhibit	**Content**
Exhibit CLP-REVREQ-2	Standard Filing Requirements, Schedules A, B, C D, F, G, and H
Exhibit CLP-REVREQ-2 (Storms A)	Standard Filing Requirements (Schedules A, B,C D, F, G, and H) for 2018 – 2023 Storms
Exhibit CLP-REVREQ-2 (Storms B)	Standard Filing Requirements (Schedules A, B,C D, F, G, and H) for 2024 – March 2025 Storms
Exhibit CLP-REVREQ-3	5-Year Historical Schedule C-3.0
Exhibit CLP-REVREQ-4	Deferred Third Party Make Ready Pole Work Supporting Documentation
Exhibit CLP-REVREQ-4(A)	Deferred Third Party Make Ready Pole Work Invoices
Exhibit CLP-REVREQ-5	Deferred COVID-19 costs and COVID-19 Bad Debt Supporting Documentation
Exhibit CLP-REVREQ-6	Deferred Allconnect Expenses Supporting Documentation
Exhibit CLP-REVREQ-6(A)	Deferred Allconnect Expenses Invoices
Exhibit CLP-REVREQ-7	Deferred Gross Earnings Tax (GET) Liability Supporting Documentation
Exhibit CLP-REVREQ-8	Deferred Fee Free Cost Supporting Documentation
Exhibit CLP-REVREQ-8(A)	Deferred Fee Free Cost Invoices
Exhibit CLP-REVREQ-9	Deferred Rate Case Expense Supporting Documentation
Exhibit CLP-REVREQ-10	Deferred Legal Service Funding Supporting Documentation
Exhibit CLP-REVREQ-10(A)	Deferred Legal Service Funding Invoices
Exhibit CLP-REVREQ-11	Deferred Connecticut Management Audit Fees Supporting Documentation
Exhibit CLP-REVREQ-11(A)	Deferred Connecticut Management Audit Fees Invoices

Q. How is your testimony organized?

A. Our testimony is organized into the following sections:

- Section I provides the introduction;
- Section II contains a summary of the revenue requirement analysis undertaken for the Company. The Company has organized this testimony in order to generally track the sequence of costs in accordance with PURAs Standard Filing Requirements ("SFRs");
- Section III includes a discussion of test year rate base and rate year adjustments, and related issues;
- Section IV discusses the adjustments to test year operating and maintenance expenses and rate year adjustments, and related issues;
- Section V discusses adjustments to test year other operating expenses and rate year adjustments, and related issues;
- Section VI discusses the Lead Lag Study;
- Section VII provides details of the Company's proposal to roll into base rates the capital recovered through its Electric System Improvements ("ESI") rate adjustment mechanism;
- Section VIII provides details of the Company's proposal to roll into base rates the capital recovered through other, non-ESI RAM components and incremental internal labor recovered in the RAM;
- Section IX discusses the Company's treatment of cost categories addressed in Public Act 23-102; and
- Section X provides the conclusion to our pre-filed testimony.

II. SUMMARY OF REVENUE REQUIREMENT ANALYSIS

Q. Why does CL&P need to increase base rates?

A. The Company's filing at this time is necessitated by the cost of significant investments in electric infrastructure made to deliver safe, reliable and resilient service to our customers. In total, the Company has installed approximately $3.3 billion in net utility

plant since 2017 for the benefit of our customers, of which approximately $600 million is not currently included in rates. In addition to enabling a high level of service reliability to residential and business customers, the Company's investments in electric distribution infrastructure generate approximately $240 million annually in state and local tax revenue for the 157 municipalities that Eversource serves in Connecticut. The remaining revenue deficiency that is not associated with infrastructure investments arises from core operating needs, including increases in operating and maintenance ("O&M") expense and vegetation-management costs, along with increased costs to restore the electric system after typical inclement weather conditions and to fund restoration and response efforts necessitated by larger, major weather events that arise more sporadically.

As a public service company, CL&P must have rates in place that allow it to meet its public service obligation to provide safe, reliable, and cost-effective service to our customers, including the recovery of its operating costs and the cost of capital to debt lenders and equity investors. Consistent with this obligation, the Company must continuously invest in its distribution system to ensure safe and reliable operation. As outlined in the testimony of Lavelle A. Freeman, David L. Gladey, Jennifer A. Schilling, Dr. Elli Ntakou and John DiPaola-Tromba, in Exhibit CLP-TSP-1, our electric infrastructure is classified as *"essential critical infrastructure"* that supports critical sectors (including healthcare, financial systems, communications and transportation and other public support systems), public health and safety systems,

economic growth and security, while supporting many critical aspects of daily life for Connecticut residents. The Company takes our obligation very seriously and works each and every day to meet the challenges of that role in a responsible, prudent and diligent manner. As a result, although CL&P has made substantial capital investments in its system since its last rate case, it is critical to recognize that the need for on-going electric infrastructure investments will continue for the foreseeable future. Electric distribution facilities require constant attention in order to maintain a safe and reliable system for our customers, manage aging infrastructure, electrification trends and grid modernization efforts. These investments to maintain and improve the system's safety, reliability and resiliency are a critical factor driving today's need for a revenue increase. CL&P must increase its distribution rates to account for the system investment not currently reflected in rates and is proposing to implement a PBMRP that will provide revenue support for the significant distribution investment needs, focusing on affordability and providing rate stability through gradual annual rate increases, while also ensuring that Company incentives maintain alignment with that of our customers.

Q. Please explain the methodology CL&P used to determine the overall revenue requirement.

A. The Company developed the Rate Year's revenue requirement using traditional pro forma adjustments to historical test year data, as outlined in the SFRs. These pro forma adjustments project the Company's rate year income statement, rate base and capital structure.

Q. What test year period did CL&P use for the revenue requirement analysis presented in this case?

A. The test year period used for the revenue requirement analysis is the 12-month period ending December 31, 2025 ("Test Year").

Q. What is the Rate Year in this case?

A. As discussed above, the term Rate Year refers to the 12 months from July 1, 2027 through June 30, 2028, during which the initial rates established in this proceeding will be in effect. The Company is also proposing a PBMRP that would allow subsequent rate adjustments subject to certain performance requirements. The testimonies of Company witnesses Donald J. Scacco Jr., Digaunto Chatterjee and Douglas P. Horton, in Exhibit CLP-ELP-1, as well as Julia Frayer of London Economics International LLC ("LEI") in Exhibit CLP-PBR-1, discuss the PBMRP proposal in detail.

Q. Please describe the calculation of the requested Rate Year revenue that CL&P has presented.

A. Please refer to Schedule A-1.0 of the SFRs, which takes the pro forma rate year operating income before rate increases and compares it to the required operating income. The required operating income is calculated by multiplying the pro forma rate base by the Weighted Average Cost of Capital ("WACC") for the Rate Year. As shown on Schedule D-1.0, the WACC incorporates the level of capitalization required to support rate base, as well as the weighted cost of long-term debt for the rate year and a Return of Equity ("ROE") of 10.25 percent. This analysis demonstrates a total revenue deficiency in the Rate Year excluding the impact of 2018 through March 2025

catastrophic storms of approximately $451 million as shown on Schedule A-1.0. This analysis also demonstrates a total revenue deficiency in the Rate Year, inclusive of the impact of 2018 through March 2025 catastrophic storms of approximately $727 million, which is also shown on Schedule A-1.0[1]. The computation of the Company's revenue deficiency reflects a total average rate base of $6.8 billion and assumes a weighted cost of capital of 7.74 percent, as supported by the testimony of Company witness Ann E. Bulkley, in Exhibit CLP-ROE-1.

Q. Has the Company calculated a separate deficiency for 2018 – 2023 and 2024 – March 2025 Storm costs?

A. Yes, the Company has provided a separate set of SFRs for 2018 – 2023 catastrophic storm and pre-staging costs and a separate set of SFRs for 2024 – March 2025 catastrophic storm costs. Those revenue deficiencies are provided as Exhibit REVREQ-2 (Storms A)-A,B,C,D Schedules ($246.946 million deficiency) and Exhibit REVREQ-2 (Storms B)-A,B,C,D Schedules ($29.350 million deficiency).

Q. How has the Company determined the costs and customer contributions to be included for 2018 – 2023 and 2024 – March 2025 storms?

A. Specific to the 2018 – 2023 catastrophic storm and pre-staging costs, the Company has included $974.219 million of catastrophic storm and pre-staging costs and $396.710 million of carrying charges which were based on the Company's interrogatory response to Q-LFE-001-SP01 filed in Docket No. 25-12-13 on May 8, 2026. Taking into

[1] The detailed calculations of the revenue deficiency on 2018 – 2023 and 2024 – March 2025 storms are filed as Exhibit CLP-REVREQ-2 (Storms A)-A,B,C,D Schedules and Exhibit CLP-REVREQ-2 (Storms B)-A,B,C,D Schedules respectively.

consideration PURA's proposal to offset the 2018 and 2023 catastrophic storm and pre-staging costs with customer contributions in the Draft Decision of Docket No. 25-12-13 issued on June 29, 2026, the Company has applied (1) $101.470 million in base distribution customer contributions from 2018 through December 2023 and associated carrying charges of $38.892 million calculated from the estimated date of payment; and (2) $100 million of customer contributions recovered through the Company's Competitive Transition Assessment ("CTA") over the period May 1, 2026 through April 30, 2027 and associated carrying charges of $3.869 million. The total customer contributions and carrying charges offsetting the 2018 – 2023 catastrophic storm and pre-staging event costs is $244.230 million. As described in more detail below, although the Company's expectation is that these storm costs will be securitized, the Company is presenting the costs in this proceeding for alternate recovery (through the Company's proposed Storm Cost Recovery Adjustment Factor, or SCRAF) should PURA ultimately not approve recovery of these costs through securitization financing, which will be the subject of review in a separate, future proceeding.

Specific to the 2024 – March 2025 catastrophic storm costs, the Company has included $157.270 million of catastrophic storm and pre-staging costs and $27.559 million of carrying charges filed as Exhibit CLP-STORM-ACCT-1 (Summary) to this application. Consistent with PURA's proposal to offset the 2018 and 2023 catastrophic storm and pre-staging costs with customer contributions, the Company has applied customer contributions against the 2024 – March 2025 costs in the amount of $42.614

million in base distribution customer contributions from January 2024 through March 2025 and associated carrying charges of $8.305 million calculated from the estimated date of payment.

See the table below for a summary of storm costs, carrying charges and customer contributions.

Table 1
Storm Cost Summary

	($ in Millions)	
	2018 – 2023 Storms	2024 – March 2025 Storms
Storm Costs	$974.219	$157.270
Storm Cost Carrying Charges	$396.710	$ 27.559
Customer Contributions	($201.470)	($ 42.614)
Customer Contributions Carrying Charges	($ 42.760)	($ 8.305)
Net Storm Costs	**$1,126.699**	**$133.910**

Q. Will the deficiencies for the 2018 – 2023 and 2024 – March 2025 Storm costs change?

A. Potentially. The Company is currently involved in two storm dockets assessing the prudence and recovery of the 2018 – 2023 catastrophic storm and pre-staging event costs. Docket No. 25-12-13, Application of The Connecticut Light and Power Company d/b/a Eversource Energy for Order to Securitize 2018-2023 Catastrophic Storm Costs, was established to determine the total amount of catastrophic storm and pre-staging cost to be deemed prudent. Docket No. 26-04-04, Financing Order for 2018 – 2023 Storm Costs of The Connecticut Light and Power Company d/b/a Eversource

Energy, was established for PURA consider whether the issuance of rate reduction bonds are in the best interest of ratepayers with respect to the 2018 – 2023 storm costs. Depending on the outcome of those dockets the Company's application in this docket could change.

Q. If changes are required, how will the Company incorporate those changes?

A. If changes are required, the Company is proposing that such changes be reflected in its response to Q-LFE-001, which is generally reserved for all updates and corrections to the Company's application that are identified throughout the proceeding.

Q. What is the Company's proposal with respect to recovery of these storm costs?

A. The detailed proposal for cost recovery of the 2018 – 2023 catastrophic storm and pre-staging event costs and the 2024 – March 2025 catastrophic storm costs are outlined in the testimony of the leadership panel filed as Exhibit CLP-ELP-1.

Q. Please describe how you determined the Company's rate of return for ratemaking purposes.

A. Schedule D-1.0 presents a projected five-quarter average capital structure and the cost of common equity, preferred stock and long-term debt. Work Paper D-1.1, presents the details of the Company's Rate Year outstanding long-term debt balances net of associated costs. Work Paper D-1.2, presents the detail of the Company's Rate Year annual costs. As shown on Schedule D-1.0, the Company's projected five-quarter average capital structure as of June 30, 2028, is 45.24 percent long-term debt, 0.90 percent preferred stock, and 53.86 percent common equity.

Q. What post-Test Year adjustments were made to the Company's capital structure?

A. As shown on Schedule D-3.0 the Company projects to have three long-term debt issuances after the end of the Test year: (1) Series A - 2026, a 10-year note for $450 million to be issued on September 30, 2026 with an assumed rate of 5.22%; (2) Series A - 2027, a 10-year note for $700 million to be issued on January 31, 2027 with an assumed rate of 5.29%; and (3) Series A - 2028, a 10-year note for $300 million projected to be issued on March 1, 2028 with an assumed rate of 5.52%.

In addition, the Company projected the common equity balances as of June 30, 2027 and June 30, 2028 based on assumptions of net income and projected dividend and capital contributions from Eversource Energy, CL&P's parent company. These adjustments have been reflected in the capital structure proposed in this proceeding, as shown on Schedule D-5.0.

Q. Please describe the Company's other rate-related proposals included in this proceeding and explain whether these proposals affect the computation of the revenue requirement.

A. In this proceeding, the Company is proposing to implement or continue various rate-related proposals, including:

- The discontinuation of the Company's ESI. Section 5 of Public Act No. 23-102 states, in part that "[i]n any proceeding to amend rates under section 16-19 of the general statutes… the Public Utilities Regulatory Authority shall not reauthorize the on-bill reconciling mechanism for new electric plant additions that was first authorized in 2018." The Company proposes that costs and

revenues associated with the capital previously recovered through the ESI be reflected in base distribution rates, with rates effective as a result of this proceeding. If implemented as proposed, this would discontinue the ESI mechanism in the future, although amounts for both costs and revenues prior to July 1, 2027 (the proposed rate effective date in this proceeding) will logistically require the reconciliation to continue for a period of time after rates are effective in this proceeding to conduct a final reconciliation of costs and revenues, which will not be known until after the rate effective date in this proceeding. This is further discussed in Section XII below in our testimony.

- The inclusion in base distribution rates of all revenue requirements associated with capital that is currently recovered through the Company's Non-Bypassable Federally Mandated Congestion Charge ("NBFMCC") and System Benefits Charge ("SBC") reconciliation mechanisms. Note that, similar to the discussion above regarding the sunsetting of the ESI mechanism, the Company is proposing to reflect the costs of the capital currently recovered through the Company's NBFMCC and SBC mechanisms in base rates, such that the current recovery will cease to operate in its current form after the implementation of new rates in this proceeding. However, due to the timing of the NBFMCC and SBC mechanisms and the fact that base rates in this proceeding will be set prospectively for effect July 1, 2027, and the fact that the NBFMCC and SBC mechanisms recover costs for capital additions not reflected in base rates, the

mechanism will need to remain in place to allow for cost recovery of the costs incurred prior to July 1, 2027, but not yet recovered in base distribution rates as of July 1, 2027, and to reconcile any over- or under-recovered balances for that time period, as well. Similarly, to the extent there is additional capital investment required to support the programs contained in the NBFMCC and SBC that is required after base rates are established in this proceeding, the Company will propose recovery of such costs in a future RAM proceeding for PURA's review and approval. This proposal is discussed further below in our testimony.

- The continuation of a revenue decoupling mechanism consistent with Conn. Gen. Stat. §16-19-tt(b) with one modification to allow for carrying charges on any over/under-recovery consistent with all other Rate Adjustment Mechanism ("RAM") components. This proposal is described in the testimony of the Rates Panel in Exhibit CLP-RATES-1 (sponsored by Company witnesses Edward A. Davis, Kimberly Parsons). The revenue decoupling mechanism allows for the reconciliation of the actual level of annual base distribution revenues against the approved distribution revenue requirement for the Rate Year resulting from this proceeding. The mechanics of the mechanism rely on, but do not affect, the revenue requirement in this proceeding; and

- As a result of a settlement agreement in Docket No. 17-10-46, Application of The Connecticut Light and Power Company d/b/a Eversource Energy to Amend

its Rate Schedules, PURA approved an earning sharing mechanism that set an ROE threshold of 9.25 percent, with any earnings in excess of 9.25 percent shared automatically on a 50%-50% basis with customers. In this proceeding the Company proposes to continue this construct until the Company's next base rate proceeding, such that the Company would automatically begin sharing any earnings in excess of the authorized ROE in this case on a 50%-50% basis with customers for any earnings in excess of the allowed ROE resulting from this proceeding.

Q. Is there any other analysis that you have relied on to prepare the CL&P revenue requirement?

A. Yes. To compute the Company's revenue requirement, we have relied upon the testimony and analysis of several Company witnesses, as follows:

- The recommended return on equity and cost of capital is presented in the testimony of Company witness Ann E. Bulkley (The Brattle Group) (Exhibit CLP-ROE-1);
- Capital Planning and Additions adjustments are discussed in the testimony of Company witnesses David L. Gladey, John P. DiPaola-Tromba, Leanne M. Landry, and Jeffrey D. Turano (Exhibit CLP-ADDITIONS-1);
- Employee compensation and benefits adjustments are discussed in the testimony of Company witnesses Sasha P. Lazor, Marianne H. Eichler and Kara A. O'Connor (Exhibit CLP-EMPLOYEE-1);
- Environmental remediation activities associated with the remediation of Manufactured Gas Plant ("MGP") and other complex environmental remediation activities and associated costs are described in the testimony of Company witnesses Marc J. Richards, Gary A. Iadarola and Clare B. Connolly (Exhibit CLP-ENV-1);

- Vegetation Management program and associated costs as discussed in the testimony of Company witness John P. DiPaola-Tromba, Sean D. Redding, and Jenna Turner (Exhibit CLP-VMP-1);

- Customer Services and the fee free program are described in the testimony of Company witnesses Jess Cain, Jared A. Lawrence, and Andrew C. Belden (Exhibit CLP-CUSTOMER-1);

- Storm Cost Recovery for the 2024-2025 Storm Events are discussed in the testimony of Company witnesses Christopher E. Colorio, Mark P. Baldwin, John P. DiPaola-Tromba, Leanne M. Landry, and John G. Griffin (Exhibit CLP-STORM-1); and

- Lastly, the Company's revenue requirement includes depreciation expense derived from the depreciation study prepared by Company witness Ned W. Allis (Gannett Fleming, Inc.) (Exhibit CLP-DEPRECIATION-1).

Q. Is the Company's revenue requirement presented in the SFR schedules?

A. Yes. SFR Schedule A-1.0 identifies the rate increase associated with CL&P's income statement, rate base, and capital structure for the Test Year and Rate Year. Moreover, the Company has included this increase within the SFR "F" Schedules to align its request with the operating revenues and expenses included in its forecasted financial data.

To calculate the Company's revenue requirement for the Rate Year, the Company used specific cost estimates where available. In other instances, the Company calculated incremental expenses using objective, well-established escalation factors, such as the forecasted Gross Domestic Product Price Deflator from Moody's Analytics, to make conservative adjustments to expenses through the Rate Year.

III. RATE BASE CHANGES

Q. How was CL&P's Rate Year rate base developed?

A. Schedule B-1.0 of the SFRs show the Company's average Rate Year rate base level of $6.8 billion for the Rate Year. Consistent with past CL&P rate case proceedings, the Company used the projected average rate year rate base in its calculation of the required rate year revenue requirement. Using the average rate base calculation provides the appropriate midpoint of the Rate Year for calculating the Rate Year's revenue deficiency.

Q. Is the Company proposing to update the projections included in its application?

A. Yes. As noted above, the Company's rate base utilizes actual balance as of December 31, 2025, and, where applicable, projected activity through the end of the proposed Rate Year (June 30, 2028). The Company is proposing to update the projected rate base amounts to replace forecasted information with actuals, where applicable, and provide supporting documentation for those updated actuals as the proceeding progresses, as well as updates to planned capital. See also the joint testimony of witnesses David L. Gladey, John P. DiPaola-Tromba, Leanne M. Landry and Jeffrey D. Turano, in Exhibit CLP-ADDITIONS-1.

Q. Please describe the Post-Test Year rate base adjustments.

A. The table below outlines the rate base adjustments from Test Year levels to the Rate Year end. As described above, the Company used the average Rate Year rate base in its calculation of the required rate year revenue requirement. A listing of all rate base adjustments is provided on Schedule B-1.0 of the SFRs and in the supporting

workpapers and schedules referenced therein. The Company discusses the more notable adjustments further below.

Table 2
Summary of Rate Base Post-Test Year Adjustments
$ (000)

(A) Description	(B) Test Year Ended 12/31/2025	(C) Interim Period Adjustments	(D) = (B) + (C) Interim Period Ended 06/30/2027	(E) Rate Year Adjustments	(F) = (D) + (E) Rate Year Ended 06/30/2028	(G) Schedule Reference
Utility Plant In Service	$ 8,827,942	$ 695,380	$ 9,523,322	$ 549,185	$ 10,072,507	Schedule B-2.0
Depreciation Reserve	(1,611,067)	(166,831)	(1,777,898)	(207,575)	(1,985,473)	Schedule B-3.0
Net Utility Plant In Service	7,216,875	528,549	7,745,424	341,610	8,087,034	
Materials & Supplies, excluding Fuel	151,831	17,544	169,375	2,779	172,154	Schedule B-4.0
Working Capital Allowance	56,689	(5,850)	50,839	-	50,839	Schedule B-4.0
Prepayments	8,923	107	9,030	117	9,147	Schedule B-5.0
Regulatory Asset - FAS 109	(105,265)	26,753	(78,512)	15,664	(62,848)	Schedule B-6.0
Deferred Taxes on CIAC, net of gross-up	35,961	2,043	38,004	1,546	39,550	Schedule B-6.1
Deferred Assets, net of taxes	730,798	(722,129)	8,669	(2,167)	6,502	Schedule B-6.2
Accumulated Deferred Income Taxes	(1,186,674)	(64,507)	(1,251,181)	(24,342)	(1,275,523)	Schedule B-7.0
Accumulated Deferred Income Taxes - FAS 109	105,265	(26,753)	78,512	(15,664)	62,848	Schedule B-7.1
Reserves, net of taxes	(78,358)	(5,121)	(83,479)	(3,768)	(87,247)	Schedule B-8.0
Customer Deposits	(10,881)	-	(10,881)	-	(10,881)	Schedule B-9.0
Average Rate Base	$ 6,925,164	$ (249,364)	$ 6,675,800	$ 315,775	$ 6,991,575	

A. Utility Plant in Service

Q. What costs are included in the Utility Plant in Service?

A. As shown on Schedule B-2.0 (Utility Plant in Service), the Company has a Test Year ending balance of $8.828 billion. The Test Year ending balance includes electric plant in service in FERC Account No. 101 (as adjusted for asset retirement costs discussed below) and completed construction not classified – electric in FERC Account No. 106 as discussed further below. The Test Year balance was also reported in the Company's Annual Report to the Public Utilities Regulatory Authority for the year ended December 31, 2025 (see Exhibit H-1.0 (FERC Form No. 1)). Refer to the table below, which reconciles the FERC Form 1 to the Test Year ending balance in Schedule B-2.0.

Table 3
Reconciliation Between FERC Form 1 to Schedule B-2.0, Plant In Service
$ (000)

Line	Description	FERC Accounts	FERC Form 1 Reference	Amount
1	Total Distribution Plant	360 - 374	Page 207, Line 75	$ 8,276,751
2	Less Asset Retirement Costs for Distribution Plant	374	Page 207, Line 74	(2,679)
3	Less Adjustment to Plant	370	N/A	(1,218)
4	Total Distribution Plant per Sch. B-2.0, Line 18 Col. (B)		Sum Lines 1 thru 3	$ 8,272,853
5	Total General Plant	389 - 399.1	Page 207, Line 99	$ 625,930
6	Less Transmission-Related General Plant	389 - 399.1	Page 207, Line 99 FN(e)	(70,744)
7	Less Asset Retirement Costs for General Plant	399.1	Page 207, Line 98	(99)
8	Total General Plant per Sch. B-2.0, Line 21 Col. (B)		Sum Lines 5 thru 7	$ 555,089
9	Test Year Total Plant In-Service per Sch. B-2.0, Line 24 Col. (B)		Line 4 + Line 8	$ 8,827,942

Per Title 18, Chapter I, Subchapter C, Part 101 of the Code of Federal Regulations, FERC Account No. 101 "shall include the original cost of electric plant, included in [plant] accounts 301 to 399, prescribed herein, owned and used by the utility in its electric operations, and having an expectation of life in service of more than one year from date of installation. Including such property owned by the utility but held by nominees." The Company does, however, exclude Plant Account No. 374 (asset retirement costs for distribution plant) and Plant Account No. 399.1 (asset retirement costs for general plant) from the FERC Account No. 101 balance, as that account reflects the future cost associated with removing or decommissioning certain assets and not the current, operational value of the assets. Therefore, it is properly excluded from rate base.

In addition, Title 18, Chapter I, Subchapter C, Part 101 of the Code of Federal Regulations describes FERC Account No. 106 as including "the total of the balances of work orders for electric plant which has been completed and placed in service but

which work orders have not been classified for transfer to the detailed electric plant accounts." Meaning this account represents assets that are used and useful but have not been fully functionalized and classified into their final Plant Account Nos. 301 through 399 yet. The FERC Account No. 106 balances included in Plant Account Nos. 301 through 399 are tentatively classified as accurately as practicable according to prescribed account classifications. These assets are placed in service, used and useful, represent their current operational value, and are therefore properly included in rate base.

Q. What do the Utility Plant in Service adjustments reflect?

A. As shown on Schedule B-2.1 (Utility Plant in Service) the Company adjusts the test year balance for additions and retirements by individual Plant Account through the end of the Rate Year utilizing the Company's internal forecasts. The Company incorporated capital additions of $848 million and retirements of ($152) million for a net adjustment of $696 million in the interim period[2] and capital additions of $665 million and retirements of ($116) million for a net adjustment of $549 million in the Rate Year. Please see the testimony of Company witnesses David L. Gladey, John P. DiPaolo-Tromba, Leanne M. Landry, and Jeffrey D. Turano, in Exhibit CLP-ADDITIONS-1, for a discussion on the forecasted capital additions and retirements. It

[2] The test year in this proceeding is the calendar year ended December 31, 2025. The first rate year in this proceeding is that rate year beginning with new base rates, starting July 1, 2027. The Company uses the term "interim period" to reflect the activity, both actual and estimated, between the end of the test year and the start of the rate year. In this way, the interim period ending balance as of June 30, 2027, is the same as the Rate Year beginning balance starting July 1, 2027.

is important to align the forecasted capital additions with the end of the Rate Year because by including a projection of capital additions through the end of the Rate Year, the Company's rates and resulting revenues will be set at an appropriate level, providing the Company an opportunity, but not a guarantee, to earn its allowed rate of return in the Rate Year. From that point forward the Company's proposed PBMRP (inclusive of the capital support mechanism) would provide the Company with additional revenues to support the costs of incremental infrastructure investments for each year after the going-in rates are set through the end of the PBMRP period.[3]

To the extent that, in the final order in this proceeding, PURA declines to incorporate capital additions through the end of the Rate Year in going-in rates set in this proceeding, the Company's initial capital recovery mechanism would need to be adjusted accordingly to catch up the revenues required by including the capital additions starting from the first day after the cut-off date through the end of the first PBMRP adjustment period. Please refer to the testimony of Company witnesses Donald J. Scacco Jr., Digaunto Chatterjee and Douglas P. Horton, in Exhibit CLP-ELP-1 for further discussion on the regulatory framework to support capital infrastructure investment proposed as part of the Company's overall PBMRP.

[3] See Testimony of Company witnesses Donald J. Scacco Jr., Digaunto Chatterjee and Douglas P. Horton in Exhibit CLP-ELP-1.

Q. What is the Company's proposed Interim and Rate Year level of Utility Plant in Service?

A. As discussed above, the Company's test year ending balance was $8.828 billion and the proposed net adjustment in the interim period is $695 million, resulting in a Rate Year beginning plant in service balance of $9.523 billion. Including the Rate Year net adjustment of $549 million, the Rate Year ending plant in service balance is $10.073 billion. As discussed above, the Company used the average Rate Year rate base in its calculation of the required rate year revenue requirement for effect July 1, 2027. The average of the interim period ending balance and the Rate Year ending balance is $9.798 billion ([$9.523 billion + $10.073 billion] / 2 = $9.798 billion).

B. Reserve for Depreciation

Q. What credits are included in the Reserve for Depreciation?

A. As shown on Schedule B-3.0 (Reserve for Depreciation) the Company has a Test Year ending balance of ($1.611) billion. The Test Year balance includes accumulated provision for depreciation of electric utility plant in FERC Account No. 108 (as adjusted for the accumulated provision for depreciation of asset retirement obligations discussed below) and accumulated provision for amortization of electric utility plant in FERC Account No. 111. The Test Year balance of reserve for depreciation in FERC Account No. 108 was also reported in the Company's Annual Report to the Public Utilities Regulatory Authority for the year ended December 31, 2025 (see Exhibit H-

1.0 (FERC Form No. 1). Refer to the table below reconciling the FERC Form 1 to the Test Year ending balance in Schedule B-3.0.

Table 4
Reconciliation Between FERC Form 1 to Schedule B-3.0, Depreciation Reserve
$ (000)

Line	Description	FERC Accounts	FERC Form 1 Reference	Amount
1	Distribution Plant Depreciation Reserve	108	Page 219, Line 26	$ (1,490,127)
2	Less Asset Retirement Obligation for Distribution Plant	108	Internal Records	1,935
3	Total Distribution Plant Depreciation Reserve per Sch. B-3.0, Line 17 Col. (B)		Sum Lines 1 and 2	$ (1,488,192)
4	General Plant Depreciation Reserve	108	Page 219, Line 28	$ (144,899)
5	Add Intangible Reserve	111	Internal Records	(1,119)
6	Less Transmission-Related General Plant Reserve	108	Page 219, Line 28 FN(f)	23,032
7	Less Asset Retirement Obligation for General Plant	108	Internal Records	110
8	Total General Plant Depreciation Reserve per Sch. B-3.0, Line 20 Col. (B)		Sum Lines 4 thru 7	$ (122,875)
9	Test Year Depreciation Reserve per Sch. B-3.0, Line 23 Col. (B)		Line 3 + Line 8	$ (1,611,067)

Per Title 18, Chapter I, Subchapter C, Part 101 of the Code of Federal Regulations, FERC Account No. 108 shall be credited with, amongst other items, "[a]mounts charged to account 403, Depreciation Expense, or to clearing accounts for current depreciation expense for electric plant in service; and [a]mounts charged to account 403.1, Depreciation expense for asset retirement costs, for current depreciation expense related to asset retirement costs in electric plant in service in a separate subaccount." The remaining categories of credits as defined in the Code of Federal Regulations for this account are not applicable to the Company at this time and therefore are not addressed specifically. Consistent with the treatment of utility plant in-service (described above), the Company excludes the reserve for depreciation associated with Asset Retirement Obligations ("AROs") from the FERC Account No. 108 balance as that account reflects the accretion of future cost associated with removing or decommissioning certain assets and not the current, operational value of the assets.

Therefore, it is properly excluded from rate base consistent with the ARO balance discussed in the utility plant in service section above.

In addition, Title 18, Chapter I, Subchapter C, Part 101 of the Code of Federal Regulations states that FERC Account No. 111, amongst other items, "shall be credited with the following: (1) Amounts charged to account 404, Amortization of Limited-Term Electric Plant, for the current amortization of limited-term electric plant investments. (3) Amounts charged to account 405, Amortization of Other Electric Plant." The remaining category of credits as defined in the Code of Federal Regulations for this account are not applicable to the Company at this time and therefore are not addressed specifically.

Q. What do the Reserve for Depreciation adjustments reflect?

A. As shown on Schedule B-3.1 (Reserve for Depreciation) the Company adjusts the test year balance for depreciation accruals, retirements and cost of removal through the end of the Rate Year, which are based on the Company's internal utility plant in service forecasts. The Company incorporated depreciation accruals of $396 million, which comes from Schedule C-3.34 (Interim Period), retirements of ($152) million, which comes from Schedule B-2.1 (Utility Plant in Service) and cost of removal of ($77) million, which comes from the Company's internal forecasts for a net increase to the reserve for depreciation of $167 million in the interim period; and depreciation accruals of $382 million, which comes from Work Paper C-3.34, retirements of ($116) million, which comes from Schedule B-2.1 (Utility Plant in Service) and cost of removal of

($59) million, which comes from the Company's internal forecasts for a net increase to the reserve for depreciation of $208 million in the Rate Year.

Q. What is the Company's proposed Interim and Rate Year level of Reserve for Depreciation?

A. As discussed above, the Company's test year ending balance was ($1.611) billion and the proposed net adjustment in the interim period is ($167) million, resulting in a Rate Year beginning balance of ($1.778) billion. Including the Rate Year net adjustment of ($208) million, the Rate Year ending balance is ($1.985) billion. As discussed above, the Company used the average Rate Year rate base in its calculation of the required rate year revenue requirement. The average of the interim period ending balance and the Rate Year ending balance is ($1.882) billion ([($1.778) billion + ($1.985) billion] / 2 = ($1.882) billion).

C. Materials and Supplies Excluding Fuel

Q. What costs are included in the materials and supplies (excluding fuel)?

A. As shown on Schedule B-4.0 (Working Capital) the Company has a Test Year five-quarter average balance of $162 million for materials and supplies excluding fuel. Also as shown on Schedule B-4.0, the Company's actual Test Year balance of material and supplies in inventory was $152 million, or roughly $10 million less than the five-quarter average balance utilized in the Company's cost of service in this proceeding. Because materials and supplies can fluctuate significantly quarter to quarter, due to timing, the Company uses a five-quarter average rather than a year-end balance for the Test Year. The Test Year average balance includes plant materials and operating

supplies in FERC Account No. 154 and stores expense undistributed in FERC Account No. 163. The Test Year beginning and ending balances were also reported in the Company's Annual Report to the Public Utilities Regulatory Authority for the year ended December 31, 2025 (see Exhibit H-1.0 (FERC Form No. 1). Refer to the table below reconciling the FERC Form 1 to the Test Year ending balance in Schedule B-4.0.[4]

Table 5
Reconciliation Between FERC Form 1 to Schedule B-4.0, Material and Supplies
$ (000)

Line	Description	FERC Accounts	FERC Form 1 Reference	Amount
1	Plant Materials and Operating Supplies	154	Page 227, Line 5	$ 194,059
2	Add Distribution Plant (Estimated)	154	Page 227, Line 9	19,880
3	Add Distribution M&S Adjustment	154	Internal Records	19,807
4	Less Transmission-Related Component	154	Page 227, Line 5 FN(b)	(81,916)
5	Total Material and Supplies per WP Sch. B-4.0, Line 21 Col. (D)		Sum Lines 1 thru 4	$ 151,831

Per Title 18, Chapter I, Subchapter C, Part 101 of the Code of Federal Regulations, FERC Account No. 154 "shall include the cost of materials purchased primarily for use in the utility business for construction, operation and maintenance purposes. This account shall include also the book cost of materials recovered in connection with construction, maintenance or the retirement of property, such materials being credited to construction, maintenance or accumulated depreciation provision, respectively." In addition, FERC Account No. 154 states that "Materials and supplies issued shall be credited hereto and charged to the appropriate construction, operating expense, or other

[4] As outlined in the reconciliation above, the Company identified a reclassification of materials and supplies between the distribution and transmission business segment, which has been appropriately adjusted in the rate filing herein.

account on the basis of a unit price determined by the use of cumulative average, first-in-first out, or such other method of inventory accounting as conforms with accepted accounting standards consistently applied." Therefore, the FERC Account No. 154 balance reflects the net cash outflow of materials and supplies purchased, and the materials and supplies credited to this account and charged to the appropriate construction, operating expense, or other account and is appropriately included in rate base.

Per Title 18, Chapter I, Subchapter C, Part 101 of the Code of Federal Regulations, FERC Account No. 163 "shall include the cost of supervision, labor and expenses incurred in the operation of general storerooms, including purchasing, storage, handling and distribution of materials and supplies." In addition, FERC Account No. 163 states that "[t]his account shall be cleared by adding to the cost of materials and supplies issued a suitable loading charge which will distribute the expense equitably over stores issues. The balance in the account at the close of the year shall not exceed the amount of stores expenses reasonably attributable to the inventory of materials and supplies exclusive of fuel, as any amount applicable to fuel cost should be included in account 152, Fuel Stock Expenses Undistributed." In accordance with the Code of Federal Regulations, the Company utilizes FERC Account No. 163 to accumulate the costs of operating the storerooms and subsequently allocates them to work orders that use the storerooms for materials and supplies. The costs recorded to this account are allocated out via loaders on each material transaction as well as quarterly true ups.

Q. What do the materials and supplies (excluding fuel) adjustments reflect?

A. As shown on Work Paper B-4.0 p1 (Materials and Supplies) the Company adjusted the test year average balance for inflation utilizing the Moody's Analytics Inc. Gross Domestic Product – Price Index (GDP-PI) forecast for the interim and rate periods. The GDP-PI measures changes in the prices of goods and services produced in the United States, including those exported to other countries. Therefore, this is an appropriate inflation factor to apply to the materials and supplies the Company purchases in order to calculate the known and measurable adjustment for purposes of establishing going in rates in this proceeding. The Company incorporated interim period inflation of $7.643 million ($161.732 million * 4.73% = $7.643 million); and Rate Year period inflation of $2.779 million ([$161.732 million + $7.643 million] * 1.64% = $2.779 million).

Q. What is the Company's proposed Interim and Rate Year level of materials and supplies (excluding fuel)?

A. As discussed above, the Company's test year average balance was a cost of $161.732 million and the proposed adjustment in the interim period of $7.643 million resulting in a proposed interim period average balance of $169.375 million. Including the Rate Year adjustment of $2.779 million, the Rate Year ending balance is $172.154 million. As discussed above, the Company used the average Rate Year rate base in its calculation of the required rate year revenue requirement. The average of the interim period average balance and the Rate Year average balance is $170.765 million ([$169.375 million + $172.154 million] / 2 = $170.765 million).

D. Working Capital

Q. What costs are included in the working capital?

A. As shown on Schedule B-4.0 (Working Capital) the Company has a Test Year amount of $56.689 million for working capital. The working capital amount is designed to compensate the Company (or customers) for the timing differences of its actual cash inflows for services provided and cash outflows for services purchased. The Company discusses its calculation of the working capital in greater detail in Section VI.

Q. What do the working capital adjustments reflect?

A. As shown on Schedule H-1.4 (Working Capital) the Company adjusted the test year average balance by ($5.850) million. Please see Section VI of this testimony for a detailed description of the Company's proposed methodology for calculating the working capital allowance.

Q. What is the Company's proposed Interim and Rate Year level of working capital?

A. As discussed above, the Company's test year average balance was a cost of $56.689 million with adjustments of ($5.850) million for a rate year level of working capital of $50.839 million.

E. Prepayments

Q. What costs are included in prepayments?

A. As shown on Schedule B-5.0 (Prepayments) the Company has a Test Year ending balance of $8.923 million. The Test Year balance includes prepaid balances in FERC Account No. 165 (exclusive of prepaid property taxes as those are accounted for in the

Company's working capital calculation). Per Title 18, Chapter I, Subchapter C, Part 101 of the Code of Federal Regulations, FERC Account No. 165 "shall include payments for undelivered gas and other prepayments of rents, taxes, insurance, interest, and like disbursements made prior to the period to which they apply." In accordance with the Code of Federal Regulations, the Company has included prepayments associated with agency fees, insurance, regulatory assessments, vehicle costs and workers' compensation.

Q. What do the prepayment adjustments reflect?

A. As shown on Schedule B-5.0 (Prepayments) the Company adjusted the test year balance by $0.224 million ($0.107 million for the interim period and $0.117 million for the Rate Year). This adjustment was solely related to the prepaid regulatory assessments the Company incurs, which are billed to the Company quarterly by the Connecticut Department of Energy and Environmental Protection ("DEEP") and are used to fund the operations of DEEP and PURA. Historically, these costs have increased annually since the Company's last rate case, and therefore, these prepaid regulatory assessment balances as of the end of the Test Year were escalated through the rate year using the GDP-PI inflation[5]. All other prepayments were held flat at their Test Year level, as shown on Schedule B-5.0.

[5] The regulatory assessments billed to CL&P in the last five years (2021 – 2025) has increased on average 8% each year.

Q. What is the Company's proposed Rate Year level of prepayments?

A. As discussed above, the Company's test year ending balance was $8.923 million and the proposed adjustment in the interim period is $0.107 million resulting in a proposed interim period ending balance of $9.030 million. Including the Rate Year adjustment of $0.117 million, the Rate Year ending balance is $9.147 million. As discussed above, the Company used the average Rate Year rate base in its calculation of the required rate year revenue requirement. The average of the interim period ending balance and the Rate Year ending balance is $9.089 million ([$9.030 million + $9.147 million] / 2 = $9.089 million) as shown on Schedule B-1.0, line 30.

F. Deferred Taxes on CIAC, Net of Gross-Up

Q. What costs are included in the deferred taxes on CIAC, net of gross-up?

A. As shown on Schedule B-6.1 (Deferred Taxes on CIAC, Net of Gross-up) the Company has a Test Year ending balance of $45.505 million with an offsetting credit of ($9.544) million for a net balance of $35.961 million. The Test Year balance includes accumulated deferred income taxes in FERC Account No. 282. Per Title 18, Chapter I, Subchapter C, Part 101 of the Code of Federal Regulations, FERC Account No. 282 "shall include the tax deferrals resulting from adoption of the principle of comprehensive inter-period income tax allocation described in General Instructions 18 of this system of accounts which are related to all property other than accelerated amortization property." Additionally, the Test Year balance reflects other deferred credits in FERC Account No. 253.

Q. What do the deferred taxes on CIAC adjustments reflect?

A. As shown on Schedule B-6.1 (Deferred Taxes on CIAC, Net of Gross-up) the Company adjusted the Test Year by $3.589 million ($2.043 million for the interim period and $1.546 million for the Rate Year). The adjustment is related to the deferral of taxes collected for CIAC taxable income, based on a five-year average. The collected taxes are amortized over a 20-year period using the MACRs amortization schedule.

Q. What is the Company's proposed Interim and Rate Year level of Deferred Taxes on CIAC, Net of Gross-up?

A. As discussed above, the Company's test year ending balance was $35.961 million, net and the proposed adjustment in the interim period is $2.043 million, net resulting in a proposed interim period ending balance of $38.004 million, net. Including the Rate Year adjustment of $1.546 million, net, the Rate Year ending balance is $39.550 million, net. As discussed above, the Company used the average Rate Year rate base in its calculation of the required rate year revenue requirement. The average of the interim period ending balance and the Rate Year ending balance is $38.777 million ([$38.004 million + $39.550 million] / 2 = $38.777 million) as shown on Schedule B-1.0, line 32.

G. Deferred Assets, Net of Taxes

Q. What costs are included in the deferred assets, net of taxes?

A. As shown on Schedule B-6.2 (Deferred Assets) the Company has a Test Year ending balance of $1.008 billion with offsetting accumulated deferred income taxes ("ADIT")

of $277.444 million for a balance net of ADIT of $730.798 million. The Test Year ending balance includes certain sub-account balances within the following FERC Account Nos.: (1) other regulatory assets in FERC Account No. 182.3; (2) Miscellaneous deferred debits in FERC Account No. 186; (3) other deferred credits in FERC Account No. 253; and (4) other regulatory liabilities in FERC Account No. 254. Please see the table below, which summarizes the deferred debits/assets and deferred credits/liabilities included in rate base. Each one is discussed in more detail below.

Q. How are the deferred assets reflected in Rate Base and Operating Expense?

A. In the immediately following sections, the Company discusses the balances of the deferred assets and liabilities that the Company is proposing to include in rate base. The test year balances reflect the amount of expenses that have been deferred through the test year and prior and are owed to the Company from customers or the amount of excess expenses the Company has collected and now owes back to customers. These balances are adjusted for known and projected changes through the rate year where applicable, including the reduction related to the recovery of the balance through amortization expense, which are amounts proposed in this proceeding, generally to be recovered or refunded over four years. These balances are reduced as they are either collected from or refunded back to customers through annual amortizations. The Company discusses the level of amortization expense related to these balances included in its operating expenses in Section V.3 below.

Q. What do these deferred assets and liabilities represent?

A. The deferred assets and liabilities included in the Company's rate application represent a mix of (1) the continuation of previously authorized deferred costs; and (2) newly established deferred costs that were authorized deferral treatment through prior PURA decisions issued after the Company's last base distribution rate case. The Company is proposing to continue deferral treatment for some of the deferred assets and liabilities after new base distribution rates are effective, while other deferred assets and liabilities expire after the authorized amortization period and the Company is proposing that going forward treatment for expenses incurred after the start of the rate year (July 1, 2027) return to traditional ratemaking. Each deferred asset and liability is discussed further below.

Table 6
Summary of Deferred Debits/Assets and Deferred Credits/Liabilities
$ (000)

(A) Description	(B) Test Year Ended 12/31/2025	(C) Interim Period Adjustments	(D) = (B) + (C) Interim Period Ended 07/01/2027	(E) Rate Year Adjustments	(F) = (D) + (E) Rate Year Ended 06/30/2028
Deferred Environmental Remediation Costs	$ 7,420	$ 3,283	$ 10,703	$ (2,676)	$ 8,027
Deferred Pole Make Ready Costs	16,581	6,998	23,579	(5,895)	17,684
Deferred COVID-19 Costs & COVID-19 Related Bad Debt	13,070	-	13,070	(3,268)	9,802
Deferred Allconnect Expenses	(108)	108	-	-	-
Deferred GET Liability	(26,492)	(6,623)	(33,115)	8,279	(24,836)
Fee for Free Deferred (Over)/Under-Recovery Dkt 17-10-46	(5,764)	(558)	(6,322)	1,581	(4,741)
Deferred Rate Case Expense	-	3,100	3,100	(775)	2,325
Deferred Legal Services Funding Dkt 23-11-04	37	7	44	(11)	33
CT Management Audit	901	-	901	(225)	676
Deferred Storm Pre-Stage Cost Reserve Recovery Dkt 17-10-46	1,002,212	(1,002,212)	-	-	-
Deferred Storm Cost Reserve Recovery Dkt 17-10-46	385	(385)	-	-	-
Total Deferred Assets	$ 1,008,242	$ (996,282)	$ 11,960	$ (2,990)	$ 8,970

Q. Why is the Company proposing rate base treatment for deferred assets and liabilities in this proceeding?

A. Deferred assets and liabilities reflect amounts that are deferred for future recovery from or refund to customers, generally at the time of a base rate proceeding, in the absence of a separate mechanism operating outside of base rates. PURA has historically provided for rate base treatment of regulatory assets and liabilities, but has not historically allowed carrying charges to accrue on deferred assets or liabilities prior to their incorporation into rate base as part of a rate case, except in certain circumstances.

As a ratemaking practice, allowing the recovery of deferred assets and liabilities as a component of rate base has provided a level of compensatory recovery for the actual carrying charges incurred prior to a prudence determination, as the allowed return on rate base is determined at a single point in time and set in base rates at the time of a distribution rate case. It is important to highlight that this treatment is symmetrical to both regulatory assets and liabilities alike.

Q. Has this process been changed in recent distribution rate proceedings by PURA?

A. Yes. In Docket No. 22-08-08 (United Illuminating's ("UI") 2023 base distribution rate case) and other subsequent base distribution rate cases, PURA has adjusted this longstanding ratemaking practice and instead allowed for the recovery of all regulatory assets and liabilities over an identified period of time, outside of rate base, with carrying costs accruing at the pre-tax weighted average cost of capital ("WACC") on a prospective basis over the recovery period. Additionally, PURA determined that (1) carrying charges on regulatory assets and liabilities are permissible only with express

approval from PURA, (2) are only allowed prospectively during the recovery period and (3) allowing recovery of carrying charges on deferred costs that have not undergone a prudence determination contradicts general ratemaking principles.

Q. Please describe the flaws in rationale for these changes in Docket No. 22-08-08 and subsequent base rate proceedings.

A. The conclusions reached in Docket No. 22-08-08 are supported by a reference to the generally accepted accounting principles ("GAAP") and more specifically Accounting Standards Codification ("ASC") 980. The rationale to evaluate GAAP and ASC 980 was a result of a Connecticut Supreme Court decision which made reference to the Financial Accounting Standards Board ("FASB") Statement No. 71, which is now codified under ASC 980.

In the final decision, PURA first concluded that a regulatory asset exists at the point in which it is probable that a previously incurred cost will be recoverable in rates. The Company agrees this is an accurate representation of the accounting requirements under ASC 980 for any Company to recognize a regulatory asset under GAAP accounting rules. However, PURA goes on to conclude that allowing carrying costs prior to a prudence determination is not permissible because carrying costs do not meet the definition of an "incurred cost", which is a requirement under the recognition criteria within ASC 980-340-25-1. This conclusion is factually incorrect. In the decision PURA references the distinction under GAAP between an "incurred cost" and an "allowable cost." Under ASC 980-10-20 an incurred cost is defined as "a cost arising

from cash paid out or obligation to pay for an acquired asset or service, a loss from any cause that has been sustained and must be paid for." According to PURA's decision carrying costs are not assets, services or losses that must be paid for and therefore are not an "incurred cost" chargeable to expense.

This assertion ignores the fact that under GAAP and ASC 980, a debt-based carrying cost, which is a component of the weighted average cost of capital ("WACC") does represent an incurred cost. The regulatory lag created by deferring recovery of prudently incurred costs requires the Company to increase its borrowing, which is financed through a combination of long-term debt and equity. The interest expense associated with that funding is a "service" and that service is "paid for" by the utility. Therefore, carrying charges plainly meet the definition of an incurred cost under ASC 980.

PURA further concluded that carrying costs should not be applied at the time of cost incurrence because that would be inconsistent with the principle that rates are set on a prospective basis. PURA's conclusions however are refuted by its own precedent where in the annual Rate Adjustment Mechanism ("RAM") process under and over recoveries are allowed continuous carrying charges prior to a prudence determination. For any regulatory deferral, the utility is funding customer obligations with available capital resources, all of which come at a cost, which must be accounted for under GAAP and should be recognized under ratemaking principles. Likewise, customer

funds collected by the utility and subject to refund should be treated equally for both accounting and ratemaking purposes.

Finally, PURA determined in Docket No. 22-08-08 that allowing the recognition of carrying charges on deferred costs, would provide "extraordinary relief upon extraordinary relief"[6], noting that a regulatory asset is an extraordinary form of relief for utilities as it provides recovery of expenses beyond the amounts provided in base distribution rates. However, a regulatory deferral is a very common ratemaking practice that PURA has consistently adopted either through annual reconciliation mechanisms, such as the RAM mechanisms, or other base distribution rate deferrals such as Environmental Remediation costs or other amounts outside the utilities control such as Pole Make-Ready costs, both of which are outlined below. PURA determined in Docket No. 22-08-08 that permitting the recognition of carrying charges on deferred expenses prior to a prudence determination could incentivize utilities to delay a request for cost recovery "perhaps indefinitely."[7] This conclusion is inaccurate and flawed. In fact, the accumulation of significant carrying costs is a direct consequence of prolonged delays in cash recovery. Such delays or regulatory lag actually create a financial incentive for the utility to pursue timely cost recovery to minimize future carrying costs that would otherwise accrue.

6 Docket No. 22-08-08, Final Decision, at 28.
7 Docket No. 22-08-08, Final Decision, at 28.

Q. Should PURA's historical rate base treatment for deferred assets and liabilities continue to be applied?

A. Yes. Carrying costs on deferred expenses are an integral part of any regulatory asset or liability and must be included in the total cost of the deferral. Said differently, the deferred cost and the costs to finance that amount are inseparable. Thus, assuming the underlying costs are prudent, carrying charges must also be recognized for the Company to recover the costs of capital supplied to support such prudent expenses.

Given PURA has not historically allowed the recognition of carrying charges from cost incurrence between rate cases on deferred assets the historical rate base treatment must continue to be applied as it provides a compensatory level of recovery of historical carrying charges for the regulatory lag associated with these deferrals. If PURA continues to remove deferred cost from rate base, then carrying charges from the date of cost incurrence should be allowed to compensate the utility for the costs of capital deployed to support all prudently incurred deferred costs.

1. Deferred Environmental Remediation Costs

Q. What costs are included in the deferred environmental remediation costs?

A. As shown on Schedule B-6.2 (Deferred Assets) the Company has a Test Year ending gross balance of a credit of $7.420 million. The costs recorded to this deferred asset are associated with the Company's ongoing annual environmental remediation costs for its MGP sites to comply with DEEP regulations. This activity is further described in the testimony of Company witnesses Marc J. Richards, Gary A. Iadarola and Clare

B. Connolly, Exhibit CLP-ENV-1. Offsetting these costs are recovery amounts authorized in the Company's last base distribution rate case in Docket No. 17-10-46. Please see Exhibit CLP-ENV-3 for a breakdown of the costs and recoveries since the last rate case, which ties to the total Test Year ending balance of $7.420 million. Exhibit CLP-ENV-3(A) includes copies of invoices supporting the costs where applicable.

Q. Are these costs appropriately deferred?

A. Yes. These costs have been incurred and treated in the same deferred manner since prior to the last rate case. The latest approval was in Docket No. 17-10-46, in which PURA approved the proposed Settlement Agreement. In compliance with that Settlement Agreement, the Company has been deferring the environmental remediation costs and recovering a fixed level of revenues to offset those costs.

Q. What adjustments were made to the deferred balance?

A. As shown on Work Paper C-3.36 p2 (Environmental), the Company adjusted the test year balance for a number of factors. The Company incorporated projected remediation activity for the period January 1, 2026 through June 30, 2027 of $3.283 million.

Q. What is the Company's proposed Interim and Rate Year gross balance of deferred remediation, removal or containment of coal tar deposits?

A. As discussed above, the Company's gross interim balance of deferred remediation is projected to be $10.703 million as of the start of the rate year in this proceeding (July 1, 2027). The Company's Rate Year balance reflects the additional amortization of

$2.676 million for a Rate Year ending balance of $8.027 million ($10.703 million – $2.676 million = $8.027 million).

Q. Did the Company net ADIT against the gross balance discussed above for the deferred remediation?

A. Yes. As shown in Schedule B-6.2 (Deferred Assets), the Company applied ($2.042) million, ($2.945) million, and ($2.209) million of ADIT to offset the gross balances for the Test Year end, the interim year end, and the Rate Year end, respectively. This results in net balances of $5.378 million, $7.758 million and $5.818 million for the Test Year end, the interim year end and the Rate Year end, respectively. As discussed above, the Company used the average Rate Year rate base in its calculation of the required rate year revenue requirement. The average of the interim period ending balance and the Rate Year ending balance is $6.788 million ([$7.758 million + $5.818 million] / 2 = $6.788 million).

Q. Is the Company proposing to continue to defer costs associated with complex environmental remediation sites?

A. Yes. As noted in the testimony of Marc J. Richards, Gary A. Iadarola and Clare B. Connolly, the sequence, timing, and magnitude of response activities can vary from site to site depending upon the size of the site, the degree of contamination, nearby sensitive receptors, land ownership, the degree of oversight and control exercised by regulators, and many other site-specific factors. These dynamic circumstances, on-site conditions and state and municipal requirements or expectations speed projects up or slow projects down, impacting not only timing but cost. All of these variables make it extremely

difficult to accurately forecast the level of expense to be incurred in a year and cause significant fluctuations year-over-year in the level of expense incurred. Therefore, these costs do not fit well with traditional base rate recovery which is designed to establish base distribution rates based on expected future levels of annual costs. The variability in these environmental remediation costs drives the need for the continuation of deferral treatment. This request is not a blank check, but rather a treatment that requires the Company to meet the burden of a prudence review on its environmental remediation costs in the next rate case.

2. Deferred Third Party Make Ready Pole Work Costs

Q. What costs are included in the deferred pole make ready costs?

A. As shown on Schedule B-6.2 (Deferred Assets) the Company has a Test Year ending gross balance of $16.581 million. The costs recorded to this deferred asset are associated with the costs of performing non-billable make-ready pole work not recovered in base distribution rates to meet established standards, as approved in Docket No. 19-01-52RE01, PURA Investigation of Developments in the Third Party Pole Attachment Process – Make Ready. Please see Exhibit CLP-REVREQ-4 for a breakdown of the costs, which ties to the total Test Year ending balance of $16.581 million.

Q. Are these costs appropriately deferred?

A. Yes. These costs were authorized to be deferred within Docket No. 19-01-52RE01. In that proceeding, PURA recognized that although the "EDCs received some level of

recovery in base distribution rates to perform non-billable make-ready work, the amount has been demonstrated to be insufficient to meet the amount of make-ready work currently underway and anticipated in the coming years." As a result, PURA directed the Company to "record these costs in a regulatory asset and seek approval for them in the next general rate case." Docket No. 19-01-52RE01, at 45.

Q. What adjustments were made to the deferred balance?

A. As shown on Work Paper C-3.36 p3 (Third Party Make Ready Pole Work Costs) the Company adjusted the test year balance as follows: (1) the Company incorporated actual deferred activity for the period January 1, 2026 through February 28, 2026 of $0.118 million; and (2) the Company incorporated estimated non-billable costs for the period March 1, 2026 through June 30, 2027 (the end of the interim period) of $6.880 million. This results in a deferral balance as of the start of the rate year of $23.579 million ([$16.581 million plus $0.118 million plus $6.880 million = $23.579 million]), which the Company is proposing to amortize in rates over 4 years, resulting an annual amortization amount of $5.895 million ($23.579 million / 4 years = $5.895 million).

Q. What is the Company's proposed Interim and Rate Year gross balance of deferred Third Party Make Ready Pole Work Costs?

A. As discussed above, the Company's gross interim balance of deferred Third Party Make Ready Pole Work Costs is $23.579 million. The Company's Rate Year balance reflects one year of amortization totaling $5.895 million discussed in item (3) above for a Rate Year ending balance of $17.684 million ($23.579 million – $5.895 million = $17.684 million), provided that PURA approves the amortization as proposed.

Q. Did the Company net ADIT against the gross balance discussed above for the deferred Third Party Make Ready Pole Work Costs?

A. Yes. As shown in Schedule B-6.1 (Deferred Assets), the Company amounts of ($4.563) million, ($6.488) million and ($4.866) million of ADIT offsetting the gross balances for the Test Year end, the interim year end and the Rate Year end, respectively. This resulted in net balances of $12.018 million, $17.091 million and $12.818 million for the Test Year end, the interim year end and the Rate Year end, respectively. As discussed above, the Company used the average Rate Year rate base in its calculation of the required rate year revenue requirement. The average of the interim period ending balance and the Rate Year ending balance is $14.955 million ([$17.091 million + $12.818 million] / 2 = $14.955 million).

Q. Is the Company proposing to continue to defer costs associated with Third Party Make Ready Pole Work Costs?

A. Yes. As noted in the Capital Additions testimony of David L. Gladey, John P. DiPaola-Tromba, Leanne M Landry, and Jeffrey D. Turano, in Exhibit CLP-ADDITIONS-1, the Company utilizes third party contractors for make ready work and the number of applications received and processed on an annual basis vary widely from year to year. This variability makes it extremely difficult to establish a representative level of make-ready expense in base distribution rates. As a result, the Company has not included any pole make-ready costs within base distribution rates in this proceeding and is proposing to continue to defer and track these make-ready costs until CL&P's next distribution rate case.

3. Deferred COVID-19 Costs & COVID-19 Related Bad Debt

Q. What costs are included in the deferred COVID-19 Costs and COVID-19 Related Bad Debt?

A. As shown on Schedule B-6.2 (Deferred Assets) the Company has a Test Year ending gross balance of $13.070 million, which is made up of $11.771 million for COVID-19 related bad debt and $1.300 million related to COVID-19 costs net of savings. The Company tracked incremental bad debt expense during the pandemic by comparing total actual non-hardship bad debt expense to the higher of the average net write off amount for the prior three years (2017 – 2019) and total bad debt expense included in base distribution rates. Within the Final Decision in Docket No. 22-08-08, PURA adopted "the approach that only non-hardship uncollectible above the level allowed in rates through the end of 2021 are allowable in the COVID regulatory asset as the non-hardship uncollectible attributable to the non-hardship shut-off moratoriums were more likely than not to have been written off by then." A similar approach was also adopted by PURA within Docket No. 23-11-02 and 24-12-01. The Company's COVID-19 bad debt deferral as of December 31, 2021 was approximately $18.025 million. The reduction in our deferral after fiscal year 2021 is due to bad debt reserve reductions recognized in 2022, which were credited against our COVID-19 bad debt deferral.

The incremental COVID-19 costs net of savings represent costs driven by the pandemic associated with staff sequestering, facilities cleaning, personal protective equipment, maintaining the Company's workforce and other costs required to work safely in providing an emergency response to the Governor's state of emergency. All of these

costs are incremental to the Company's base distribution rates. These costs have been partially offset by operational savings resulting from suspended work activities and other factors.

Please see Exhibit CLP-REVREQ-5 for a breakdown of the deferred COVID-19 Costs and COVID-19 Related Bad Debt, which ties to the total Test Year ending balance of $13.070 million ($11.771 million in COVID-19 related bad debt and $1.300 in COVID-19 Costs).

Q. Are these costs appropriately deferred?

A. Yes. In Docket No. 20-03-15, Emergency Petition of William Tong, Attorney General for the State of Connecticut, for a Proceeding to Establish a State of Emergency Utility Shut-Off Moratorium, PURA allowed the Company to establish a regulatory asset to track "costs incurred and revenues lost" as a result of PURA's orders during the pandemic requiring the implementation of a shut-off moratorium, the elimination of financial security deposits and balance reduction payments to restore utility service and the implementation of a COVID-19 payment plan. The Company has deferred such costs in accordance with the directive in Docket No. 20-03-15 and has made quarterly compliance filings with Order Nos. 14 and 27 disclosing the Company's deferred balances at the time of each compliance filing. The Company's final compliance filing

on October 9, 2024 noted that the Company had a total deferred balance of $13.1 million.

Q. What adjustments were made to the deferred balance?

A. As shown on Work Paper C-3.36 p8 (COVID-19 Deferred Costs), the Company is proposing to amortize the balance of $13.070 million over 4 years for an annual amortization expense of $3.268 million. For purposes of determining the amount for inclusion in rate base, the Company adjusted the interim balance for the annual amortization of the projected deferred balance at July 1, 2027 by $3.268 million ($13,070 million / 4 years = $3.268 million).

Q. What is the Company's proposed Interim and Rate Year gross balance of deferred COVID-19 costs?

A. As discussed above, the Company's gross interim balance of deferred COVID-19 costs is $13.070 million. The Company's Rate Year balance reflects the Company's proposed rate year amortization of $3.268 million discussed above for a Rate Year ending balance of $9.802 million ($13.070 million – $3.268 million = $9.802 million).

Q. Did the Company net ADIT against the gross balance discussed above for the deferred COVID-19 costs?

A. Yes. As shown in Schedule B-6.2 (Deferred Assets), the Company applied credits of ($3.597) million, ($3.597) million and ($2.697) million of ADIT offsetting the gross balances for the Test Year end, the interim year end and the Rate Year end, respectively. This results in net balances of $9.473 million, $9.473 million and $7.105 million for the Test Year end, the interim year end and the Rate Year end, respectively. As

discussed above, the Company used the average Rate Year rate base in its calculation of the required rate year revenue requirement. The average of the interim period ending balance and the Rate Year ending balance is $8.289 million ([$9.473 million + $7.105 million] / 2 = $8.289 million).

Q. Is the Company proposing to continue to defer costs associated with COVID-19 Costs?

A. No. As shown in Exhibit CLP-REVREQ-5, the Company stopped tracking the costs associated with COVID-19 and therefore there is no additional deferred costs going forward.

4. Deferred Allconnect Revenues

Q. What is included in the balance of deferred Allconnect revenues?

A. As shown on Schedule B-6.2 (Deferred Assets), the Company has a Test Year ending gross balance of ($0.108) million. The amounts recorded to this deferred liability represent revenues the Company received as a result of transferring customers to a third-party company Allconnect, which assisted customers with other services such as cable, internet and phone.

Please see Exhibit CLP-REVREQ-6 and Exhibit CLP-REVREQ-6(A) for a breakdown of the deferred Allconnect revenues and invoices respectively supporting the Test Year ending gross balance of ($0.108) million.

Q. Are these costs appropriately deferred?

A. Yes. PURA has approved the deferral of these revenues in Docket No. 14-05-06 and Docket No. 17-10-46. Allconnect is a customer services company that assists customers with the selection of service plans and service providers across a broad array of home services. The Company recommended Allconnect's services to its customers when they established or transferred services. The Company received revenue from Allconnect for those referrals.

Q. What adjustments were made to the deferred balance?

A. As shown on Work Paper C-3.36 p5 (Deferred Allconnect Revenue) the Company adjusted the test year balance to normalize the Rate Year for expired charges that occurred in the test year.

Q. What is the Company's proposed Interim and Rate Year gross balance of deferred Allconnect revenues?

A. As discussed above, the Company's gross interim and Rate Year balance of deferred Allconnect revenues is zero.

Q. Did the Company net ADIT against the gross balance discussed above for the deferred Allconnect costs?

A. Yes. As shown in Schedule B-6.2 (Deferred Assets), the Company applied credits of $0.030 million offsetting the gross balances for the Test Year end, and zero-balance for the interim year end and the Rate Year. This resulted in net balances of ($0.078) million for the Test Year end, and zero-balance the interim year end and the Rate Year end. As discussed above, the Company used the average Rate Year rate base in its calculation

of the required rate year revenue requirement. The average of the interim period ending balance and the Rate Year ending balance is zero.

Q. Is the Company proposing to continue to defer costs associated with Allconnect revenue?

A. No. The Company no longer partners with Allconnect to refer customers to their services and therefore no longer receives revenues from Allconnect to defer.

5. Deferred Gross Earnings Tax (GET) Liability

Q. What costs are included in the deferred Gross Earnings Tax (GET) liability?

A. The costs recorded to this deferred liability are associated with the Company's obligation to defer Conservation and Load Management ("C&LM") gross earnings tax (GET) included in distribution rates after CAM and C&LM rates were combined by legislation passed in the State of Connecticut. The C&LM portion of GET included in distribution rates has been deferred since the combination of these rates, to be refunded to customers.

Please see Exhibit CLP-REVREQ-7 for a breakdown of the deferred C&LM GET liability supporting the Test Year ending gross balance of ($26.492) million.

Q. Are these costs appropriately deferred?

A. Yes. On March 18, 2020, PURA directed CL&P in Docket No. 20-02-01, Annual Reconciliation of the Conservation Adjustment Mechanisms, to accrue and record the CAM GET collected in base distribution rates subsequent to January 1, 2020, as a regulatory liability and refunded back to customers.

Q. What adjustments were made to the deferred balance?

A. As shown on Work Paper C-3.36 p6 (C&LM GET Liability) the Company is proposing to amortize the balance of ($33.115) million over 4 years for an annual amortization expense of ($8.279) million. For purposes of determining the amount for inclusion in rate base, the Company adjusted the test year balance for two factors: (1) The Company incorporated projected costs from the test year through June 30, 2027 of ($6.623) million; and (2) the annual amortization of the projected deferred balance at June 30, 2027 (($33.115) million [see item (1) above]); of ($8.279) million (($33.115) million / 4 years = ($8.279) million).

Q. What is the Company's proposed Interim and Rate Year gross balance of deferred C&LM GET liability?

A. As discussed above, the Company's gross interim balance of C&LM GET deferred costs is ($33.115) million. The Company's Rate Year balance reflects one year of amortization as proposed in this proceeding of ($8.279) million discussed in item (2) above for a Rate Year ending balance of a credit of ($24.836) million (($33.115) million – ($8.279) million = ($24.836) million).

Q. Did the Company net ADIT against the gross balance discussed above for the deferred C&LM GET costs?

A. Yes. As shown in Schedule B-6.2 (Deferred Assets), the Company applied debits of $7.290 million, $9.112 million and $6.834 million of ADIT offsetting the gross balances for the test year, interim year end and the Rate Year end, respectively. This resulted in net credit balances of ($19.202) million, ($24.003) million and ($18.002)

million for the test year, interim year end and the Rate Year end, respectively. As discussed above, the Company used the average Rate Year rate base in its calculation of the required rate year revenue requirement. The average of the interim period ending balance and the Rate Year ending balance is ($21.003) million ([($24.003) million + ($18.002) million] / 2 = ($21.003) million).

Q. Is the Company proposing to continue to defer costs associated with C&LM GET costs?

A. No. The Company has not proposed to collect any GET associated with C&LM in base distribution rates as the CAM rate was calculated to recover the full amount of GET associated with the CAM rate within the CAM rate itself. Pursuant to Section 9 of Public Act 18-50, amended Conn. Gen. Stat.§ 16-245m(d), CL&P's 3 mill per kWh C&LM charge and 3 mill per kWh CAM charge have been eliminated as of January 1, 2020, and a fully reconciling CAM charge that ensures the C&LM plan is fully funded by collecting up to 6 mills per kWh has been established. Since there is no GET associated with C&LM in base distribution rates, therefore there is no longer a need to defer any costs recovered through the base rate, as any applicable GET associated with C&LM will be reflected in the CAM.

6. Fee for Free Deferred (Over)/Under-Recovery, Dkt 17-10-46

Q. What costs are included in the deferred fee free balance?

A. As shown on Schedule B-6.2 (Deferred Assets) the Company has a Test Year ending gross balance of a credit of ($5.764) million. The costs recorded to this deferred asset

are for waived credit card fees incurred by customers paying their electric bills, which the Company is billed for. Offsetting these credit card fees are revenues authorized in the Company's last base distribution rate case in Docket No. 17-10-46. Please see Exhibit CLP-REVREQ-8 and Exhibit CLP-REVREQ-8(A) for a breakdown of the costs and recoveries since the last rate case as well as supporting invoices, which ties to the total Test Year ending balance of a credit of ($5.764) million.

Q. Are these costs appropriately deferred?

A. Yes. The deferral treatment of costs and recoveries was approved in Docket No. 17-10-46, in which PURA approved the proposed Settlement Agreement. Specifically, the Settlement Agreement stated that "[b]ased on a comparison of actual total "Fee Free" credit card/debit program costs incurred by the Company to the amount allowed in rates, any over-collection shall be credited to customers and any under-collection shall be deferred for recovery in rates at the time of the next rate case." In Compliance with that Settlement Agreement, the Company has been deferring credit card fee payments and recovering a fixed level of accruals to offset those costs.

Q. What adjustments were made to the deferral balance?

A. As shown on Work Paper C-3.36 p7 (Fee Free (Over)/Under-Recovery) the Company is proposing to amortize the credit balance of ($6.322) million over 4 years for an annual amortization expense of ($1.581) million. For purposes of determining the amount for inclusion in rate base, the Company adjusted the Test Year balance for two factors. (1) The Company incorporated estimated deferred net fee free activity for the

period January 1, 2026 through June 30, 2027 of a credit of ($0.558) million; and (2) the annual amortization of the projected deferred balance at June 30, 2027 (a credit of ($6.322) million; [a credit of ($5.764) million plus a credit of ($0.558) million = a credit of ($6.322) million]) of a reduction of ($1.581) million (($6.322) million / 4 years = ($1.581) million).

Q. What is the Company's proposed Interim and Rate Year gross balance of deferred fee free costs?

A. As discussed above, the Company's gross interim balance of deferred fee free costs is a credit of ($6.322) million. The Company's Rate Year balance reflects one year of the Company's proposed amortization of ($1.581) million discussed in item (2) above for a Rate Year ending balance of ($4.741) million (a credit of ($6.322) million – a credit of ($1.581) million = ($4.741) million).

Also, as discussed later in this testimony, in this proceeding, the Company is proposing to include a base level of fee free expense in base distribution rates and no longer defer any under/over-recoveries for collection/refund in the next base distribution rate proceeding. The base level of fee free expense is separate from the amortization of the prior balance and is described in Section IV of this testimony.

Q. Did the Company net ADIT against the gross balance discussed above for the deferred fee free costs?

A. Yes. As shown in Schedule B-6.2 (Deferred Assets), the Company applied debits of $1.586 million, $1.740 million, and $1.305 million of ADIT to offset the gross balances for the Test Year end, the interim year end and the Rate Year end, respectively. This

resulted in net credit balances of ($4.178) million, ($4.582) million and ($3.436) million for the Test Year end, the interim year end and the Rate Year end, respectively. As discussed above, the Company used the average Rate Year rate base in its calculation of the required rate year revenue requirement. The average of the interim period ending balance and the Rate Year ending balance is a credit of ($4.009) million ([a credit of ($4.582) million + a credit of ($3.436) million] / 2 = a credit of ($4.009) million).

Q. Is the Company proposing to continue to defer costs associated with Fee Free costs?

A. No. As discussed later in this testimony, since the last rate case the Company has nine (9) years of experience with the waived credit/debit card fees and therefore has better insight into the appropriate level of expenses to include in base distribution rates. In this proceeding, the Company is proposing to include a base level of fee free expense in base distribution rates and no longer defer any under/over-recoveries for collection/refund in the next base distribution rate proceeding.

7. Deferred Rate Case Expense

Q. What costs are included in the deferred rate case expense balance?

A. The costs recorded to this deferred asset are associated with the Company's preparation of, participation in and attendance at anything connected with this rate case proceeding including the cost associated with external attorney's fees and fees incurred to engage expert witnesses, consultants and incremental supporting personnel. The Company is

proposing to update the rate case expense during the proceeding for costs incurred by PURA, the OCC and other state agencies to participate in the rate proceeding that are passed through to the Company. Please see Exhibit CLP-REVREQ-9 for a breakdown of the projected costs, which ties to the total Rate Year ending balance of $3.100 million.

Q. Are these costs appropriately deferred?

A. To be clear, the Company has not deferred these costs prior to the test year. These are costs incurred after the test year and expected to be incurred throughout the interim period and are currently being deferred by the Company. The Company is seeking authorization for deferral and cost recovery through this rate proceeding. Please also see Section IX of this testimony, covering the impacts of Public Act 23-102, including rate case expenses. As described therein, the costs identified in section 2 of SB7 (i.e., rate case expenses) are a necessary cost of a regulated utility to ensure that its rates are set at a just and reasonable level to ensure the ongoing investments into the system to maintain a safe and reliable system and to allow the Company a reasonable opportunity, but not a guarantee, to earn its authorized return on equity. As such, these costs are appropriately recovered from customers and are therefore included in the Company's proposed revenue requirement in this proceeding.

Q. What adjustments were made to the deferred balance?

A. As shown on Work Paper C-3.36 p10 (Rate Case Expense) the Company is proposing to amortize the projected balance of $3.100 million over 4 years for an annual

amortization expense of $0.775 million. For purposes of determining the amount for inclusion in rate base, the Company adjusted the test year balance for two factors. (1) The Company incorporated projected costs for the period January 1, 2026 through June 30, 2027 of $3.100 million; and (2) the annual amortization of the projected deferred balance at June 30, 2028 ($3.100 million / 4 years = $0.775 million).

Q. What is the Company's proposed Interim and Rate Year gross balance of deferred rate case expense?

A. As discussed above, the Company's gross interim balance of deferred rate case costs is $3.100 million. The Company's Rate Year balance reflects the additional amortization of $0.775 million for a Rate Year ending balance of $2.325 million ($3.100 million – $0.775 million = $2.325 million).

Q. Did the Company net ADIT against the gross balance discussed above for the deferred rate case costs?

A. Yes. As shown in Schedule B-6.2 (Deferred Assets), the Company applied credits of ($0.853) million and ($0.640) million of ADIT offsetting the gross balances for the interim year end and the Rate Year end, respectively. This resulted in net balances of $2.247 million and $1.685 million for the interim year end and the Rate Year end, respectively. As discussed above, the Company used the average Rate Year rate base in its calculation of the required rate year revenue requirement. The average of the

interim period ending balance and the Rate Year ending balance is $1.966 million ([$2.247 million + $1.685 million] / 2 = $1.966 million).

8. Deferred Legal Services Funding, Dkt 23-11-04

Q. What costs are included in the deferred legal service funding?

A. As shown on Schedule B-6.2 (Deferred Assets) the Company has a Test Year ending gross balance of $0.037 million. This balance reflects recoverable costs associated with legal and advocacy services that aid customers with payment arrangements and arrearage management, enrollment in hardship or assistance programs, and prevention of service termination.

Please see Exhibit CLP-REVREQ-10 and Exhibit CLP-REVREQ-10(A) for a breakdown of the deferred Legal Service Funding expenses and invoices respectively supporting the Test Year ending gross balance of $0.037 million.

Q. Are these costs appropriately deferred?

A. Yes. In Docket No. 23-11-04, PURA Implementation of the Legal Services Funding Provisions of Section 30 of Public Act 23-102, PURA established the Customer Legal Advocacy Services Program ("CLAS Program") for organizations or individuals ("Providers") assisting customers with utility bill or arrearage payments as directed in Section 30 of Public Act 23-102. Providers submit monthly invoices to the Company for eligible services for reimbursement. The Company is allowed to defer "the costs

incurred under the Program and may seek recovery of such deferred costs in their next rate case." Docket No. 23-11-04 at 10.

The Company is proposing to include a base level of expense in base distribution rates and will continue to defer future eligible costs incurred under the program for recovery in the next base distribution rate case.

Q. What adjustments were made to the deferred balance?

A. As shown on Work Paper C-3.36 p4 (Legal Service Funding) the Company is proposing to amortize the projected balance of $0.044 million over 4 years for an annual amortization expense of $0.011 million. For purposes of determining the amount for inclusion in rate base, the Company adjusted the test year balance for two factors. (1) The Company incorporated deferred cost activity for the period January 1, 2026 through February 28, 2026 of $0.007 million; and (2) the annual amortization of the projected deferred balance at June 30, 2027 ($0.044 million; [$0.037 million plus $0.007 million = $0.044 million]) of $0.011 million ($0.044 million / 4 years = $0.011 million).

Q. What is the Company's proposed Interim and Rate Year gross balance of deferred legal services funding?

A. As discussed above, the Company's gross interim balance of its deferred legal services funding is $0.044 million. The Company's Rate Year balance reflects the proposed amortization of $0.011 million discussed in item (2) above for a Rate Year ending balance of $0.033 million ($0.044 million – $0.011 million = $0.033 million).

Q. Did the Company net ADIT against the gross balance discussed above for the deferred legal services funding asset?

A. Yes. As shown in Schedule B-6.2 (Deferred Assets), the Company applied credits of ($0.010) million, ($0.012) million and ($0.009) million of ADIT offsetting the gross balances for the Test Year end, the interim year end and the Rate Year end, respectively. This resulted in net balances of $0.027 million, $0.032 million and $0.024 million for the Test Year end, the interim year end and the Rate Year end, respectively. As discussed above, the Company used the average Rate Year rate base in its calculation of the required rate year revenue requirement. The average of the interim period ending balance and the Rate Year ending balance is $0.028 million ([$0.032 million + $0.024 million] / 2 = $0.028 million).

Q. Is the Company proposing to continue to defer costs associated with Legal Services costs incurred as a result of Docket No. 23-11-04?

A. Yes. The Company cannot predict what costs will be incurred in the future associated with the legal and advocacy services that aid customers with payment arrangements and arrearage management, enrollment in hardship or assistance programs, and prevention of service termination. Due to this uncertainty the Company is proposing to continue to defer these costs going forward.

9. Deferred Management Audit Fees

Q. What costs are included in the deferred management audit fees?

A. As shown on Schedule B-6.2 (Deferred Assets), the Company has a Test Year ending gross balance of $0.901 million. The costs recorded to this deferred asset are associated

with PURA consultant FTI Consulting, Inc. for work they performed on the Connecticut management audit in 2022 and 2023. Please see Exhibit CLP-REVREQ-11 and Exhibit CLP-REVREQ-11(A) for a breakdown of the costs and invoices, which ties to the total Test Year ending balance of $0.901 million.

Q. Are these costs appropriately deferred?

A. Yes. The costs deferred relating to FTI Consulting, Inc.'s work in the CT management audit were incurred by PURA and were passed through to the Eversource Companies including CL&P. These were not costs incurred directly by the Company to participate in or support the audit. Because these costs were incurred by PURA and passed through to the Company, these costs were appropriately deferred for recovery as part of this rate proceeding.

Q. Are these costs authorized by PURA for recovery in another docket?

A. Yes. PURA allowed Yankee Gas to recover its share of the FTI Consulting fees related to the management audit in Docket No. 24-12-01, Application of Yankee Gas Services Company d/b/a Eversource Energy to Amend Its Rate Schedules.

Q. What adjustments were made to the deferred balance?

A. As shown on Work Paper C-3.36 p11 (CT Management Audit), the Company is proposing to amortize the balance of $0.901 million over 4 years for an annual amortization expense of $0.225 million. For purposes of determining the amount for inclusion in rate base, the Company adjusted the test year balance to reflect the annual

amortization of the deferred balance at June 30, 2027 of $0.225 million ($0.901 million / 4 years = $0.225 million).

Q. What is the Company's proposed Interim and Rate Year gross balance of deferred CT management audit fees?

A. As discussed above, the Company's gross interim balance of deferred CT management audit fees is a credit of $0.901 million. The Company's Rate Year balance reflects the proposed amortization of $0.225 million discussed above for a Rate Year ending balance of $0.676 million ($0.901 million – $0.225 million = $0.676 million).

Q. Did the Company net ADIT against the gross balance discussed above for the deferred CT management audit fees?

A. Yes. As shown in Schedule B-6.2 (Deferred Assets), the Company applied credits of ($0.248) million, ($0.248) million and ($0.186) million of ADIT offsetting the gross balances for the Test Year end, the interim year end and the Rate Year end, respectively. This resulted in net balances of $0.653 million, $0.653 million and $0.490 million for the Test Year end, the interim year end and the Rate Year end, respectively. As discussed above, the Company used the average Rate Year rate base in its calculation of the required rate year revenue requirement. The average of the interim period ending balance and the Rate Year ending balance is $0.572 million ([$0.653 million + $0.490 million] / 2 = $0.572 million).

H. Accumulated Deferred Income Taxes ("ADIT")

Q. What is included in the ADIT balance?

A. As shown on Schedule B-7.0 (Accumulated Deferred Income Tax – Other than FAS 109), the Company has a Test Year ending balance of ($1.187) billion. The Test Year balance includes the tax deferrals resulting from the adoption of the principle of comprehensive inter-period income tax allocation described in General Instruction 18 of the Uniform System of Accounts, which are related to all property other than accelerated amortization property.

Q. What do the ADIT adjustments reflect?

A. As shown on Schedule B-7.0, the Company is proposing a post-test year adjustment of ($88.849) million. The majority of this adjustment was driven by the Company's plant in-service, including adjustments to tax deferrals on existing plant and new tax deferrals on projected plant in service through the end of the Rate Year.

Q. What is the Company's proposed Interim and Rate Year level of ADIT?

A. As discussed above, the Company's Test Year ending balance was a credit of ($1.187) billion and the proposed adjustment in the interim period is a credit of ($64.507) million resulting in a Rate Year beginning plant in service balance of ($1.251) billion. Including the Rate Year net adjustment of a credit of ($24.342) million, the Rate Year ending balance is a credit of ($1.276) billion. As discussed above, the Company used the average Rate Year rate base in its calculation of the required rate year revenue requirement for effect July 1, 2027. The average of the interim period ending balance

and the Rate Year ending balance is a credit of ($1.263) billion ([credit of ($1.251) billion + credit of ($1.276) billion] / 2 = ($1.263) billion).

IV. CHANGES TO OPERATING AND MAINTENANCE EXPENSES

A. Adjustments to O&M Expenses

Q. Please describe the Post-Test Year O&M expense adjustments.

A. The table provided below outlines the more notable O&M expense adjustments from Test Year levels to the Rate Year. A complete listing of all operating expense adjustments is available on Schedule C-3.0 of the SFRs.

Table 7
Summary of O&M Post-Test Year Adjustments
$ (000)

(A) Description	(B) Test Year Ending 12/31/2025	(C) Post Test Year Adjustments	(D) = (B) + (C) Rate Year Ending 06/30/2028	(E) Schedule Reference
Audit Fees	$ 659	$ 58	$ 717	**Schedule C-3.2**
Bank Fees & Debt Service Charges	864	173	1,037	**Schedule C-3.3**
Board of Trustees	515	-	515	**Schedule C-3.4**
Payroll Expense	134,683	15,138	149,821	**Schedule C-3.5**
Employee Variable Compensation	9,285	2,010	11,295	**Schedule C-3.6**
Officer Variable Compensation	6,458	(2,689)	3,769	**Schedule C-3.7**
Computer Services	23,328	1,503	24,831	**Schedule C-3.8**
Corporate Communications	216	(48)	168	**Schedule C-3.9**
Customer Service	13,934	(169)	13,765	**Schedule C-3.10**
EESCO Capital Funding	20,721	564	21,285	**Schedule C-3.11**
Employee Benefits	23,791	4,219	28,010	**Schedule C-3.12**
Environmental	3,931	(2,001)	1,930	**Schedule C-3.13**
Facilities Maintenance	5,318	223	5,541	**Schedule C-3.14**
Fee Free Expense	2,483	642	3,125	**Schedule C-3.15**
Field Operations (Overhead Lines-Operation & Maintenance)	19,467	2,623	22,090	**Schedule C-3.16**
Field Operations (Underground Lines-Operation & Maintenance)	3,257	9	3,266	**Schedule C-3.17**
Human Resources, Education and Training	876	-	876	**Schedule C-3.18**
Insurance	9,171	1,483	10,654	**Schedule C-3.19**
Legal	5,185	204	5,389	**Schedule C-3.20**
Materials and Supplies	1,892	122	2,014	**Schedule C-3.21**
Mutual Aid Dues	466	(210)	256	**Schedule C-3.22**
Postage Expense	5,649	127	5,776	**Schedule C-3.23**
Regulatory Assessments	10,139	1,517	11,656	**Schedule C-3.24**
Rent Expense	5,209	605	5,814	**Schedule C-3.25**
Catastrophic Storm Reserve Accrual	49,682	10,318	60,000	**Schedule C-3.26**
Pre-Staging Reserve Accrual	3,000	1,000	4,000	**Schedule C-3.27**
Non-Catastrophic/Pre-Stanging Incremental Storm Expenses	30,288	7,712	38,000	**Schedule C-3.28**
Telecommunications	982	63	1,045	**Schedule C-3.29**
Uncollectible Expense	17,185	89	17,274	**Schedule C-3.30**
Vegetation Management	25,309	50,830	76,139	**Schedule C-3.31**
Vehicle Expenses	14,288	1,472	15,760	**Schedule C-3.32**
O&M Residual	3,726	(2,042)	1,684	**Schedule C-3.33**
TOTAL OPERATION AND MAINTENANCE EXPENSE	$ 451,957	$ 95,545	$ 547,502	

1. Audit Fees

Q. What costs are included in the Audit Fees expenses?

A. As shown on Schedule C-3.2 (Audit Fees), the Company incurred test year expenses of $659,000. The test year expenses reflect External Audit Fees of $659,000. The Test

Year amount was identified based on accounting work order ("AWO") descriptions and cost elements.

Q. What does the Audit Fees expense adjustment reflect?

A. As shown on Schedule C-3.2 (Audit Fees), the Company is proposing adjustments to the test year of $58,000. This adjustment relates to pro forma adjustments to the test year of ($4,000) and a rate year adjustment of $62,000. The pro forma adjustments to the test year of ($4,000) is included due to being an external audit fee related to a non-recurring quality assurance review. The rate year adjustment of $62,000 reflects the difference between the projected rate year amount of Audit Fees and the test year pro forma amount of Audit Fees. The projected rate year amount of Audit Fees was derived as the total amount of accrued audit engagement fees for 2026 escalated for the remainder of the interim period applying inflation factors based on GDP-PI (Gross Domestic Product Price Index) of 1.84% (for the six-month period January 1 – June 30, 2027) and 1.64% for the rate year escalation.

Q. What is the Company's proposed Rate Year level of Audit Fees expense?

A. As discussed above, the Company's test year was $659,000 and the proposed adjustment is $58,000, resulting in a proposed Rate Year level of expense of $717,000.

2. Bank Fees and Debt Service Charges

Q. What costs are included in the Bank Fees and Debt Service Charges?

A. As shown on Schedule C-3.3 (Bank Fees and Debt Service Charges) the Company incurred test year expenses of $864,000. The test year expenses reflect Bank Service Charges of $809,000 and Debt Service Charges of $55,000. These test year amounts were identified based on AWO descriptions and cost elements.

Q. What does the Bank Fees and Debt Service Charges adjustment reflect?

A. As shown on Schedule C-3.3 (Bank Fees and Debt Service Charges) the Company is proposing adjustments to the test year of $173,000. These adjustments relate to pro forma adjustments to the test year of $150,000 and a rate year adjustment of $23,000. The pro forma adjustments to the test year include rating agency fees paid to S&P, Moody's and Fitch that are recorded to other interest expense. Although these amounts are recorded to other interest expense, they represent actual costs of service and as a result are reflected herein. The rate year adjustment of $23,000 reflects the difference between the projected rate year amount of Bank Fees and Debt Service Charges and the test year pro forma amount of Bank Fees and Debt Service Charges. The projected rate year amounts of Bank Fees and Debt Service Charges were derived from line-item-by-line-item escalation factors for the interim and rate years provided by the Company's Treasury Department to determine the rate year expense level.

Q. What is the Company's proposed Rate Year level of Bank Fees and Debt Service Charges?

A. As discussed above, the Company's test year was $864,000 and the proposed adjustment is $173,000, resulting in a proposed Rate Year level of expense of $1,037,000.

3. Board of Trustees

Q. What costs are included in the Board of Trustees expense?

A. As shown on Schedule C-3.4 (Board of Trustees), the Company incurred test year expenses of $515,000. The test year expenses reflect Trustee Retainer Fees of $290,000, and Restricted Stock Units of $225,000. These test year amounts were identified based on AWO descriptions and cost elements.

Q. What is the Company's proposed Rate Year level of Board of Trustees expense?

A. As discussed above, the Company's test year was $515,000 and seeks no adjustment to the test year results in a proposed Rate Year level of expense of $515,000.

4. Compensation: Payroll Expense

Q. What costs are included in the Payroll Expense?

A. As shown on Schedule C-3.5 (Payroll Expense) the Company incurred test year expenses of $134,683,000. The test year expenses reflect (1) base salary expense charged by CL&P employees to CL&P; (2) overtime and premium payroll expense charged by CL&P employees to CL&P; (3) base salary expense charged by ESC and

other affiliate company employees to CL&P; and (4) overtime and premium payroll expense charged by ESC and other affiliate company employees to CL&P. The test year amount in Schedule C-3.5 (Payroll Expense) reflects only the expense portion of items (1) through (4) above and does not include any amount that was capitalized during the test year.

Q. What does the Payroll Expense adjustment reflect?

A. As shown on Schedule C-3.5 (Payroll Expense) the Company is proposing post-test year adjustments of $15,138,000. These adjustments account for two items; (1) the Company first calculates an annualization adjustment to reflect actual employee salaries for active and filled positions only as of December 31, 2025, for both CL&P and ESC (other affiliate companies are not included in the annualization adjustment). The annualized payroll costs reflect only those Full Time Equivalent ("FTE") employee positions that were both active and filled as of December 31, 2025. There was a total of 1,417 CL&P employees and 4,493 ESC employees that were both active and filled as of December 31, 2025. There were 30 inactive or unfilled CL&P positions and 303 inactive or unfilled ESC positions as of December 31, 2025. Because the Company's Test Year annualized payroll expense excluded the above-referenced unfilled and inactive positions, the annualized Test Year has an imputed vacancy rate of approximately two (2) percent for CL&P and six (6) percent for ESC embedded in the costs (i.e., the payroll expense is lowered because the Company excludes inactive and unfilled positions). As a result, no costs associated with any inactive or unfilled

positions (i.e., any vacant positions) are included in the Company's proposed Rate Year cost of service in this proceeding; and (2) Known and measurable compensation increases for union and non-union employees through the Rate Year for CL&P and ESC employees. The details of this adjustment are shown on Work Paper C-3.5.

Q. How did the Company determine the annualization adjustment?

A. As discussed above, the Company utilized the actual salaries for active and filled positions at CL&P and ESC as of December 31, 2025 as the basis for its normalization adjustment. From there the Company determined the portion of those salaries that were (1) allocated to CL&P and (2) expensed versus capitalized. One hundred percent of CL&P employee salaries were allocated to CL&P. For the ESC salaries, the Company utilized the actual test year allocated salaries by department as a percentage of total charges by department, to determine an allocation rate for each department. The actual test year allocation rate for each department was then applied to that department's actual salaries to get the allocation portion of their actual December 31, 2025 salaries that is allocated to CL&P. From there, the Company utilized the actual test year capitalization rates for CL&P and ESC to capitalize a portion of those salaries, leaving only the expense portion in Schedule C-3.5.

Q. Please explain the salary/wage escalations the Company is proposing.

A. The Rate Year payroll expense reflects an adjustment for annual salary/wage escalation. The following table summarizes the annual projected wage increases as

well as adjustments such as shift differentials, promotions, and step increases for certain employee groups.

Table 8

Summary of Wage Increases

Employee Group	Interim Period	Rate Year	Increase Date
Exempt	3%	3%	March 15
Non-Exempt	3%	3%	March 15
Union: Teal Book	3%	3%	June 1
Union: Local 369	3%	3%	June 2
Union: Local 12004	3%	3%	April 1
Union: Windsor	3%	3%	March 15
Union: DSO/WMECO	3%	3%	October 1
Union: Eversource Gas Steelworkers	3%	3%	May 15
Union: Convex	3%	3%	August 30

The testimony of Company witnesses Sasha P. Lazor, Marianne H. Eichler and Kara A. O'Connor in Exhibit CLP-EMPLOYEE-1 provides additional support and justification of these escalation percentages.

Q. Is the Company requesting additional FTEs in the Rate Year?

A. Yes, the Company's request includes a total of 58 additional FTEs in the cost of service, 29 CL&P Non-Union FTEs and 29 ESC Non-Union FTEs.

Q. Why are these adjustments necessary?

A. The adjustments are necessary to establish the level of O&M Payroll that CL&P will experience during the Rate Year. The adjustments apply the actual percentage increases for payroll expenses associated with union and non-union employees in 2026,

and the expected increases for 2027 and 2028, to a normalized level of annualized payroll amounts charged to O&M during the Test Year. The 2026 payroll merit increase was granted to non-union employees March 15, 2026. As shown above, the Company has included a 3 percent merit increase for non-union employees, effective in March 2027 and 2028. The Company will provide evidence of the actual March 2027 merit increase during the proceeding and will supplement the record with a written management commitment letter for the March 2028 merit increase.

Q. Does the Application include recovery of the CEO, CFO, and CL&P President's base compensation as part of the rate year O&M expense?

A. No. Although the CEO, CFO, and CL&P President's base compensation is a normal part of business operations and supports the necessary leadership to operate the Company in a manner which ultimately benefits customers, the Company has excluded these costs from its Application. Such costs associated with the Company's CEO, CFO, and CL&P President[8] were incurred by CL&P during the Test Year but have been removed from the cost of service in this proceeding. Therefore, the Company has applied a pro forma reduction of its Test Year costs associated with CEO, CFO, and CL&P President's base compensation.

[8] The Company has excluded the base and variable compensation of the CL&P President consistent with section 1.4.12 of the Amended Settlement Agreement in Docket No 17-12-03RE11 and Docket No. 17-10-46RE03.

Q. What is the Company's proposed Rate Year level of Payroll Expense?

A. As discussed above, the Company's test year was $134,683,000 and the proposed adjustment is $15,138,000, resulting in a proposed Rate Year level of expense of $149,821,000.

5. Employee Variable Compensation

Q. What costs are included in the Employee Variable Compensation expense?

A. As shown on Schedule C-3.6 (Employee Variable Compensation) the Company incurred test year expenses of $9,285,000, net of amounts capitalized. The Test Year variable pay expenses relate to all non-executive and non-officer employees of CL&P and ESC supporting CL&P. Officer variable compensation is addressed in the following section and included within Schedule C-3.7 (Officer Variable Compensation).

Q. Is the Employee Variable Compensation expense included within the cost of service net of capitalization?

A. Yes. As outlined within Schedule C-3.6 p.1 the Company has removed all capitalized variable compensation costs for all non-executive and non-officer employees for both CL&P and ESC employees.

As outlined in the Employee Compensation and Benefits testimony of witnesses Sasha P. Lazor, Marianne H. Eichler and Kara A. O'Conner, in Exhibit CLP-EMPLOYEE-1, variable compensation is a critical component of the Company's annual labor costs incurred allowing the Company to attract and retain key talent in order to continue to

provide safe and reliable service to our customers. From an accounting perspective, the Company is required to follow both the generally accepted accounting principles ("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.

Q. What does the Employee Variable Compensation expense adjustment reflect?

A. As shown on Schedule C-3.6 (Employee Variable Compensation) the Company is proposing adjustments to the test year of $2,010,000, net of amounts capitalized. The adjustment normalizes the expense to include only variable pay amounts related to employees of CL&P and ESC supporting CL&P for services provided in the Test Year, resulting in a $394,000 increase to the Test Year expense. Because Variable payments are made in February or March of the year following the service period for which performance is measured (e.g., the 2025 plan year incentive was paid in 2026), only

those employees who were employed at the time of payment receive the variable pay. In using actual variable payments made in March 2026 to determine the Test Year expense, the Company highlights that this reflects only employees that were both (1) employed by the Company at the time of the incentive payment (i.e., March 2026) and (2) qualified for the payment as they provided services in 2025. Had the Company used the payroll FTE count as of the Test Year end to calculate the Employee Variable Compensation expense for the Test Year, it could have included employees who left the Company after December 31, 2025. As such, the Company has presented a conservative level of Employee Variable Compensation expense for the Test Year because the variable expense is either equal to or less than the actual FTEs at the end of the Test Year because, (1) if an employee is active as of December 31, 2025 and on the Company's payroll, but leaves prior to Variable Compensation payments being made, that employee will not receive the Variable Payment in March 2026, and (2) if an employee is hired after December 31, 2025, that employee does not qualify for an Variable Compensation payment in March 2026.

In addition, since variable pay is based upon a percentage of base pay, the Rate Year increase of $1,616,000, net is due to the normal merit increase, which is the same three percent merit increase described in the Payroll Expense section above and further supported by the testimony of Company witnesses Sasha P. Lazor, Marianne H. Eichler and Kara A. O'Connor, in Exhibit CLP-EMPLOYEE-1.

Q. What is the Company's proposed Rate Year level of Employee Variable Compensation expense?

A. As discussed above, the Company's Test Year was $9,285,000, net capitalized portion, and the proposed adjustment is $2,010,000, net capitalized portion, resulting in a proposed Rate Year level of expense of $11,295,000, net of amounts capitalized.

6. Officer Variable Compensation

Q. What costs are included in the Officer Variable Compensation expense?

A. As shown on Schedule C-3.7 (Officer Variable Compensation), the Company incurred test year expenses of $6,458,000. The Test Year variable pay expenses include cash incentives and Long-Term Incentive Plan ("LTIP") expenses related to executives and officers of ESC supporting CL&P. There is no capitalization adjustment for officer variable pay. As outlined above, the Company follows GAAP and FERC accounting rules and as officers do not typically charge capital or construction projects directly in their day-to-day responsibilities, no direct capitalization adjustment is applied to officer variable pay.

Q. What does the Officer Variable Compensation expense adjustment reflect?

A. As shown on Schedule C-3.7 (Officer Variable Compensation), the Company is proposing adjustments to the test year of ($2,689,000). The adjustment represents the removal of: (1) all variable pay expenses, including cash incentives and LTIP, related to Eversource's CEO and CFO, and CL&P's President and (2) the LTIP expenses related to all executives and officers of ESC supporting CL&P. In addition, the Test

Year was further reduced to normalize the expense by including only cash incentive payments made for services provided in the Test Year. The Test Year Pro Forma expense adjustment totaled a reduction of ($2,957,000). The remaining Test Year Pro Forma costs represent the cash incentive payments made for services provided by non-CEO/CFO/CL&P President executives and officers of ESC supporting CL&P in 2025.

In addition, since variable pay is based upon a percentage of base pay, the increase from the Test Year Pro Forma to the Rate Year of $268,000 is due to the normal merit increase, which is the same three percent merit increase described in the Payroll Expense section above and further supported by the testimony of Company witnesses Sasha P. Lazor, Marianne H. Eichler and Kara A. O'Connor, in Exhibit CLP-EMPLOYEE-1.

Q. What is the Company's proposed Rate Year level of Officer Variable Compensation expense?

A. As discussed above, the Company's Test Year was $6,458,000 and the proposed adjustment is ($2,689,000), resulting in a proposed Rate Year level of expense of $3,769,000.

7. Computer Services

Q. What costs are included in the Computer Services expense?

A. As shown on Schedule C-3.8 (Computer Services) the Company incurred test year expenses of $23,328,000. The test year expenses reflect Application Development, Support and IT Administration expense of $12,056,000, Network Services of

$390,000, Technical Services of $8,930,000 and Security of $1,952,000. These test year amounts were identified based on AWO descriptions and the cost control centers expenses were charged to.

Q. What does the Computer Services expense adjustment reflect?

A. As shown on Schedule C-3.8 (Computer Services) the Company is proposing adjustments to the test year of $1,503,000. These adjustments relate to a rate year adjustment of $1,503,000 results from applying inflation factors based on GDP-PI (Gross Domestic Product Price Index) for the Interim Period (4.73%) and the Rate Year (1.64%).

Q. What is the Company's proposed Rate Year level of Computer Services expense?

A. As discussed above, the Company's Test Year was $23,328,000 and the proposed adjustment is $1,503,000, resulting in a proposed Rate Year level of expense of $24,831,000.

8. Corporate Communications

Q. What costs are included in the Corporate Communications expense?

A. As shown on Schedule C-3.9 (Corporate Communications) the Company incurred test year expenses of $216,000. The test year expenses reflect Media Relations and Other Communication Expenses of $244,000 and Mandated Bill Inserts of ($28,000). These test year amounts were identified based on AWO descriptions and a review of the

appropriate cost elements to be included in Corporate Communications operations and maintenance expense.

Q. What does the Corporate Communications expense adjustment reflect?

A. As shown on Schedule C-3.9 (Corporate Communications) the Company is proposing adjustments to the test year of ($48,000). These adjustments relate to a downward pro forma adjustment to the test year of ($59,000) and a rate year adjustment of $11,000. The downward pro forma adjustment to the test year related to the following: ($86,000) to remove expenses not related to Media Relations and Other Communication Expense, ($26,000) of out of period expenses for Media Relations and Other Communication Expenses, and $53,000 related to removal of prior period credits recorded in the test year for Mandated Bill Inserts. The rate year adjustment of $11,000 results from applying inflation factors based on GDP-PI for the Interim Period (4.73%) and the Rate Year (1.64%).

Q. What is the Company's proposed Rate Year level of Corporate Communications expense?

A. As discussed above, the Company's test year was $216,000 and the proposed adjustment is ($48,000) resulting in a proposed Rate Year level of expense of $168,000.

9. Customer Services

Q. What costs are included in the Customer Services expense?

A. As shown on Schedule C-3.10 (Customer Services), the Company incurred test year expenses of $13,934,000. The test year expenses reflect the costs for customer care

related activities such as customer account records and collections, billing, customer support, and other customer experience activities. The expenses in this schedule exclude costs already included in other schedules, such as the salaries of the customer care employees, which are already included in Schedule C-3.5 (Payroll Expense) and their associated benefits, which are already included in Schedule C-3.12 (Employee Benefits).

Q. What does the Customer Services expense adjustment reflect?

A. As shown on Schedule C-3.10 (Customer Services), the Company is proposing adjustments to the test year of $(169,000). The test year adjustment of $13,000 is driven by the normalization of a clearing account which nets to $0 over time, however, the balance at December 31, 2025 was a credit of $13,000 due to the timing of the clearing entries. The Company normalized this balance back to $0. Another ($218,000) was removed from the test year; this was related to a DG Rebate clearing account, which also nets to $0 over time, similar to the adjustment referenced above. The Company also removed a one-time miscellaneous adjustment of $36,000 related to escheated checks.

Q. What is the Company's proposed Rate Year level of Customer Services expense?

A. As discussed above, the Company's test year was $13,934,000 and the proposed adjustment is ($169,000), resulting in a proposed Rate Year level of expense of $13,765,000.

10. ESC Capital Funding

Q. What costs are included in the ESC Capital Funding expense?

A. As shown on Schedule C-3.11 (ESC Capital Funding) the Company incurred test year expenses of $20,721,000, net of amounts capitalized. The Test Year expenses reflect CL&P's allocated portion of the capital costs associated with the capital investments that are made by ESC on behalf of its affiliated Operating Companies, including CL&P. These capital investments primarily relate to shared IT infrastructure. The IT infrastructure is needed to further enhance CL&P's ability to provide safe, reliable, and quality service to our customers. Accounting for IT infrastructure that supports more than one Operating Company at the ESC level is a way to: (a) efficiently implement a new solution as one integrated solution to be used on a shared basis, rather than deploying several separate and distinct instances of the same application, or different applications, serving the same business need at each separate Operating Company; and (b) charge the costs of shared IT infrastructure across multiple entities on an efficient basis. The IT infrastructure includes certain common use equipment, primarily computer equipment and enterprise computer applications.

The capital costs incurred by ESC in support of the IT infrastructure are billed to CL&P as components of O&M expense, as is the case for all Eversource operating companies. Generally, the Rate of Return applied by ESC in the normal course of business for computing the allocated cost to the affiliated Operating Companies associated with these capital investments is derived using: (1) a weighted average of the Eversource

Operating Companies' most recently authorized ROEs (9.71 percent); and (2) ESC's actual capital structure and its actual cost of debt. Since the Company's last base distribution rate case, the ESC Capital Funding has increased due to an increase in IT infrastructure at ESC necessitated to (1) enable business process improvements and new business capabilities via the implementation of new technology solutions; (2) improve customer interaction capabilities; (3) standardize collaboration and service technologies across the enterprise; and (4) maintain secure and supported technology solutions.

Q. What does the ESC Capital Funding expense adjustment reflect?

A. As shown on Schedule C-3.11 (ESC Capital Funding) the Company is proposing adjustments to the test year of $564,000, net of amounts capitalized. The adjustment represents replacing the weighted average authorized ROEs used in the ESC calculation, which represents the Eversource Operating Companies' most recently authorized ROEs in their respective jurisdictions (the 9.71 percent), with the CL&P proposed ROE (10.25 percent). The Company's proposal is to ultimately reflect PURA's authorized ROE in the final rates approved in this proceeding, such that the Company proposes that the cost of capital reflected in rates for the cost of capital charged by ESC to CL&P will reflect PURA's authorized return on equity determined in this proceeding. The Company is not proposing a post-test year adjustment to ESC's capital structure or the cost of debt utilized in the calculation of ESC cost of capital.

Q. What is the Company's proposed Rate Year level of ESC Capital Funding expense?

A. As discussed above, the Company's Test Year was $20,721,000 and the proposed adjustment is $564,000, resulting in a proposed Rate Year level of expense of $21,285,000.

11. Employee Benefits

Q. What costs are included in the Employee Benefits expense?

A. As shown on Schedule C-3.12 (Employee Benefits), the Company incurred test year expenses of $23,791,000, net of amounts capitalized, associated with employee benefits offered to CL&P employees and ESC employees who provided a service to CL&P. The Test Year expenses include the following benefits:

- Insurance expenses covering healthcare, disability, workers' compensation, and group life insurance.
- Retirement costs, including Pension, 401(k), SERP, Non-SERP, and other post-employment benefits.

Q. What does the Employee Benefits expense adjustment reflect?

A. As shown on Schedule C-3.12 (Employee Benefits), the Company is proposing adjustments to the test year of $4,219,000. The increase to Test Year employee benefits is primarily due to higher Healthcare Benefits (Medical, Dental, Vision) costs, partially offset by a credit to Pension Expense.

Q. What is the Company's proposed Rate Year level of Employee Benefits expense?

A. As discussed above, the Company's test year was $23,791,000 and the proposed adjustment is $4,219,000, resulting in a proposed Rate Year level of expense of $28,010,000. The projected expense for the Rate Year was developed using the actual expenses incurred in the Test Year and projecting a change to the costs over the time period ending June 30, 2028. The changes include using a combination of the most recently available information from the Company's actuaries to develop known and measurable adjustments, and a number of escalation factors specific to the type of employee benefit and the calendar year between the Test Year and the Rate Year. Please refer to testimony provided by the Company's witnesses, Sasha P. Lazor, Marianne H. Eichler and Kara A. O'Connor, in Exhibit CLP-EMPLOYEE-1, for further discussion on employee benefits.

12. Environmental

Q. What costs are included in the Environmental expense?

A. As shown on Schedule C-3.13 (Environmental), the Company incurred test year expenses of $3,931,000. The test year expenses reflect outside services for site remediation, clean up and disposal of waste materials, manholes and vaults, licensing and permitting, and other environmental services.

Q. What does the Environmental expense adjustment reflect?

A. As shown on Schedule C-3.13 (Environmental), the Company is proposing an adjustment to the test year of ($2,001,000). The pro forma adjustment to the test year

excludes ($2,444,000) for reserve adjustment accruals associated with new environmental sites. The rate year adjustment of $443,000 reflects estimated remediation expenses related to newly released Connecticut Department of Energy & Environmental Protection ("CT DEEP") remediation-based regulations and known and measurable price increases for manholes and vaults contracts.

Q. What is the Company's proposed Rate Year level of Environmental expense?

A, As discussed above, the Company's test year was $3,931,000 and the proposed adjustment is ($2,001,000), resulting in a proposed Rate Year level of expense of $1,930,000.

13. Facilities Maintenance

Q. What costs are included in the Facilities Maintenance expense?

A. As shown on Schedule C-3.14 (Facilities Maintenance), the Company incurred test year expenses of $5,318,000. The test year expenses reflect services required to maintain the Company's facilities such as building maintenance, facility cleaning, grounds maintenance, garbage and snow removal, security and utilities.

Q. What does the Facilities Maintenance expense adjustment reflect?

A. As shown on Schedule C-3.14 (Facilities Maintenance), the Company is proposing an adjustment to the test year of $223,000. This adjustment utilizes GDP-PI to inflate the costs through the end of the Rate Year. As discussed previously, the GDP-PI measures changes in the prices of goods and services produced in the United States, including those exported to other countries. Therefore, this is an appropriate inflation factor to

apply to the outside services and other costs the Company incurs relating to its facilities maintenance.

Q. What is the Company's proposed Rate Year level of Facilities Maintenance expense?

A. As discussed above, the Company's test year was $5,318,000 and the proposed adjustment is $223,000, resulting in a proposed Rate Year level of expense of $5,541,000.

14. Fee Free

Q. What costs are included in the Fee Free expense?

A. As shown on Schedule C-3.15 (Fee Free) the Company incurred test year expenses of $2,483,000. In Docket No. 17-10-46, PURA approved the Company's proposal under which residential customers would not be assessed a credit/debit card transaction fee, and the program's cost would be charged to the residential customer segment only. The expenses in the Test Year represent the credit/debit card fees that were charged to the Company to be reimbursed by customers.

Q. What does the Fee Free expense adjustment reflect?

A. As shown on Schedule C-3.15 (Fee Free) the Company is proposing adjustments to the test year of $642,000. The Test Year pro forma adjustment of a credit of ($98,000) is a normalization of the Test Year to ensure only 12 months of actual bills and associated sales tax are included in the test year. The rate year adjustment of $740,000 accounts for the projected level of credit/debit card transaction fees (projected level of

credit/debit card payments times the projected fee per payment), less the projected savings associated with the additional credit/debit card payments.

Q. What is the Company's proposed Rate Year level of Fee Free expense?

A. As discussed above, the Company's test year was $2,483,000 and the proposed adjustments are $642,000, resulting in a proposed Rate Year level of expense of $3,125,000.

Q. What is the Company's proposal regarding Fee Free expense?

A. In the Company's last base distribution rate case in Docket No. 17-10-46, the Company included a base level amount in base distribution rates. Then, based on a comparison of actual total "Fee Free" credit card/debit program costs incurred by the Company to the amount allowed in rates, any over-collection shall be credited to customers and any under-collection shall be deferred for recovery in rates at the time of the next rate case. Since the last rate case the Company has nine (9) years of experience with the waived credit/debit card fees and therefore has better insight into the appropriate level of expenses to include in base distribution rates. In this proceeding, the Company is proposing to include a base level of fee free expense in base distribution rates and no longer defer any under/over-recoveries for collection/refund in the next base distribution rate proceeding. Consistent with the majority of other cost categories in this proceeding, the fee free expenses are now a normal part of the Company's operating expenses and any variances will be considered ebb and flow after rates are effective as a result of this rate proceeding.

15. Field Operations – Overhead Lines

Q. What costs are included in the Field Operations – Overhead Lines expense?

A. As shown on Schedule C-3.16 (Field Operations Overhead Lines-Operation & Maintenance), the Company incurred test year expenses of $19,467,000. The test year expenses reflect Outside Services expenses of $20,617,000, Police and Flagging Services expenses of $3,293,000, Meals, Mileage and Employee Expenses of $3,742,000, Permits, Fees and Payments Expenses of $1,682,000. The test year expense is reduced by ($9,867,000) related to capitalized emergent Overhead Field work, resulting in test year expense, net of capitalized amounts, of $19,467,000.

Q. What does the Field Operations Overhead Lines expense adjustment reflect?

A. As shown on Schedule C-3.16 (Field Operations), the Company is proposing adjustments to the test year of $2,623,000. These adjustments relate to a pro forma adjustment to the test year of $1,286,000 and a rate year adjustment of $1,337,000. The pro forma adjustment to the test year relates to the following: ($493) of non-Field Operations related expenses for Outside Services expenses, ($33,651) of non-Field Operations related Employee Expenses, and $1,319,888 of out of period joint line billing adjustments included in "Other" Field Operations. The rate year adjustment of $1,337,000 results from applying inflation factors based on GDP-PI (Gross Domestic Product Price Index) for the Interim Period (4.73%) and the Rate Year (1.64%).

Q. What is the Company's proposed Rate Year level of Field Operations expense?

A. As discussed above, the Company's Test Year was $19,467,000 and the proposed adjustment is $2,623,000, resulting in a proposed Rate Year level of expense of $22,090,000.

16. Field Operations – Underground Lines

Q. What costs are included in the Field Operations Underground Lines expense?

A As shown on Schedule C-3.17 (Field Operations – Underground Lines), the Company incurred test year expenses of $3,257,000. The test year expenses reflect Outside Services expenses of $5,287,000, Police and Flagging Services expenses of $473,000, Meals, Mileage and Employee Expenses of $57,000, Permits, Fees and Payments Expenses of $51,000, and Other Field Operations expenses of ($2,611,000) related to capitalized underground emergency maintenance, resulting in test year expense, net of capitalized amounts, of $3,257,000. These test year amounts were identified based on the transaction data included in FERC accounts 584 and 594, combined with a review of the appropriate cost elements to include as Field Operations expense.

Q. What does the Field Operations Underground Lines expense adjustment reflect?

A As shown on Schedule C-3.17 (Field Operations Underground Lines) the Company is proposing adjustments to the test year of $9,000. These adjustments relate to a downward pro forma adjustment to the test year of ($188,000) and a rate year adjustment of $197,000. The pro forma adjustment to the test year related to the following: a reduction of $364,000 of non-recurring expenses in Outside Services and

the removal of $176,000 of credits (i.e., an increase of $176,000) related to joint line billing adjustments associated with periods prior to the test year in "Other" Field Operations. The rate year adjustment of $197,000 results from applying inflation factors based on GDP-PI (Gross Domestic Product Price Index) for the Interim Period (4.73%) and the Rate Year (1.64%).

Q. What is the Company's proposed Rate Year level of Field Operations Underground Lines expense?

A. As discussed above, the Company's Test Year was $3,257,000 and the proposed adjustment is $9,000, resulting in a proposed Rate Year level of expense of $3,266,000.

17. Human Resources, Education and Training

Q. What costs are included in the Human Resources, Education and Training expense?

A. As shown on Schedule C-3.18 (Human Resources, Education and Training), the Company incurred test year expenses of $876,000. The test year expenses reflect Organization and Talent Development expenses of $622,000, Fit for Duty Testing expenses of $242,000, and Travel, Training and Miscellaneous Expenses of $12,000. These test year amounts were identified based on AWO descriptions and a review of the appropriate cost.

Q. What is the Company's proposed Rate Year level of Human Resources, Education and Training expense?

A. The Company is not proposing any changes to the Test Year amount of $876,000.

18. Insurance

Q. What costs are included in the Insurance expense?

A. As shown on Schedule C-3.19 (Insurance), the Company incurred test year expenses of $9,171,000. The test year reflects only the expense portion of insurance costs and does not include any amount that was capitalized during the test year. The test year expenses include insurance premium coverage costs for general liability, worker's compensation, property loss, privacy protection, D&O, fiduciary, and crime. Also, ESC is self-insured for a portion of its public liability insurance. The test year includes general liability expense associated with the Company's self-insurance layer of coverage, as it directly applies or is allocated to CL&P. Lastly, the test year includes loyalty credits that represent credits granted by AEGIS to its policyholders who purchase coverages from a specified number of eligible lines of businesses, which are renewed over the next year.

Q. What does the Insurance expense pro-forma adjustment reflect?

A. As shown on Schedule C-3.19 (Insurance), the Company is proposing adjustments to the test year of $430,000. To determine the appropriate level of Insurance to reflect in the rate year revenue requirement, the Company obtained the most recent insurance policies entered into by ESC in 2025, including the premium of each policy that applied to CL&P. The resulting premiums formed the basis of the Insurance expense included in the test year normalized over the 12-month period. CL&P records premium expenses of $10,000 or greater as a prepaid item in FERC Account 165010 to be

amortized over the policy period. In addition, the Company adjusts the general liability balance sheet reserve annually based on an actuarial report, which looks at historical and future trends, costs, and other data. The actuarial adjustment is recorded against the general liability balance sheet reserve account to true-up the reserve to reflect the actual costs through June 30th and re-establishes the general liability reserve balance to reflect the expense on a going forward basis, beginning July 1st. The test year expense was normalized to reflect the most recent actuarially determined general liability expense.

Q. Please describe the CL&P corporate insurance for property and liability coverage.

A. Property and liability coverage includes several categories of insurance that provide protection from property loss, general liability and other damages that CL&P may incur in the conduct of its business. ESC manages the corporate insurance program through which CL&P secures insurance coverage. The corporate insurance program includes both premium-based and self-insured coverage in order to obtain the most cost-effective loss protection.

Q. How does ESC manage its liability insurance costs?

A. All insurance programs and policies are evaluated annually with the aid of insurance brokers in order to secure the best available coverage at the best available rate. To balance the risk mitigation that insurance provides and the level of premium costs, an appropriate level of self-insurance deductible is negotiated with insurance carriers. Higher deductible levels result in lower insurance premiums while also resulting in a

higher retention of risk of loss. It is the balance between the two that ESC must manage on behalf of CL&P and the other operating companies that it serves.

ESC utilizes a well-accepted process when procuring insurance programs. To achieve optimal coverage at the best cost, ESC works with its brokers to facilitate the process. The broker compiles the market submission and works with various insurance markets to solicit quotes for insuring the ESC program.

Approximately three to four months prior to the renewal date of the program, ESC's Insurance team holds a strategy meeting with the broker to discuss the current coverage in place, opportunities for improvement in coverage and upcoming renewal requirements, and strategies for presenting risk mitigation requirements to the market to optimize the coverage ESC has in place for the utility subsidiaries it serves, including CL&P.

ESC participates in various industry group discussions to stay abreast of insurance issues and trends, including working groups within the Edison Electric Institute. ESC's Insurance team also maintains knowledge of key corporate initiatives that lower Eversource's risk profile, helping to ensure the underwriting process goes smoothly. In addition to this knowledge, and to the industry trend information provided by the broker, ESC also utilizes independent sources, such as Edison Electric Institute and other insurance surveys to evaluate market trends.

ESC utilizes an actuary each year to perform a study of the loss experienced from the self-insurance layer of general liability to determine what should be maintained in a balance sheet reserve to cover those claims within the self-insurance layer by operating company, including CL&P.

On a combined basis, these processes assist in assuring that Eversource's corporate liability costs, including CL&P's, are as reasonable as possible.

Q. What is the Company's proposed Rate Year level of Insurance expense?

A. As shown on Schedule C-3.19, the Company is proposing a rate year adjustment to the pro forma test year of $1,053,000, resulting in a proposed Rate Year level of expense of $10,654,000. To derive this rate year expense amount, the Company adjusted the respective premium costs to reflect the latest available information for those insurance policies for which the Company received new insurance policies entered into by ESC in 2026, including the premium for each policy that applied to CL&P. The resulting premiums formed the basis of the Insurance expense included in the Rate Year, adjusted for escalation factors that were provided by the Company's insurance brokers and their expectations based on current market conditions. Those escalation factors are as follows: general liability – 7.8 percent; worker's compensation – 10 percent; property loss – inflation; privacy protection – 4.4 percent; D&O – inflation; fiduciary – inflation percent; and crime – no change.

19. Legal

Q. What costs are included in the Legal expense?

A. As shown on Schedule C-3.20 (Legal) the Company incurred test year expenses of $5,185,000. The test year expenses reflect Claims and Litigation expenses of $1,753,000, Corporate expenses of $124,000, Employment expenses of $40,000, Federal Regulatory expenses of $303,000, and State Regulatory expenses of $2,965,000. These test year amounts were identified based primarily on cost element, AWO descriptions and a review of vendor names.

Q. What does the Legal expense adjustment reflect?

A. As shown on Schedule C-3.20 (Legal), the Company is proposing adjustments to the test year of $204,000. These adjustments relate to a downward pro forma adjustment to the test year of ($123,000) and a rate year adjustment of $327,000. The downward pro forma adjustment was to remove legal expenses not related to CL&P that are not recoverable from CL&P customers and non-recurring legal expenses. The rate year adjustment of $327,000 results from applying inflation factors based on GDP-PI for the Interim Period (4.73%) and the Rate Year (1.64%).

Q. What is the Company's proposed Rate Year level of Legal expense?

A. As discussed above, the Company's Test Year was $5,185,000 and the proposed adjustment is $204,000, resulting in a proposed Rate Year level of expense of $5,389,000.

20. Materials & Supplies

Q. What costs are included in the Materials & Supplies expense?

A. As shown on Schedule C-3.21 (Materials & Supplies), the Company incurred test year expenses of $1,892,000. This test year expense amount was identified by querying the specific cost elements in the accounting cost repository related to Materials & Supplies operations and maintenance expense.

Q. What does the Materials & Supplies expense adjustment reflect?

A. As shown on Schedule C-3.21 (Materials & Supplies), the Company is proposing adjustments to the test year of $122,000. The adjustment is a rate year adjustment. The rate year adjustment results from applying inflation factors based on GDP-PI for the Interim Period (4.73%) and the Rate Year (1.64%).

Q. What is the Company's proposed Rate Year level of Materials & Supplies expense?

A. As discussed above, the Company's Test Year was $1,892,000 and the proposed adjustment is $122,000, resulting in a proposed Rate Year level of expense of $2,014,000.

21. Mutual Aid Dues

Q. What costs are included in the Mutual Aid Dues expense?

A. As shown on Schedule C-3.22 (Mutual Aid Dues), the Company incurred test year expenses of $466,000. The test year expenses reflect Edison Electric Institute dues expense of $242,000, Electric Utility Industry Sustainable Supply Chain Alliance dues expense of $6,000, Association of Edison Illuminating Companies dues expense of $8,000, Metro Hartford Regional Economic Alliance dues expense of $42,000, various Connecticut Chambers of Commerce dues expenses of $54,000, dues expense of $40,000 for the Connecticut Business and Industry Association, and other allocated memberships dues expenses of $74,000. These test year amounts were identified by querying the accounting cost repository using the appropriate cost element for Dues and Fees (cost element F12). Where applicable, appropriate ESC allocations were applied based on the allocation codes contained in the AWO for specific dues expenses.

Q. What does the Mutual Aid Dues expense adjustment reflect?

A. As shown on Schedule C-3.22 (Mutual Aid Dues), the downward pro forma adjustment to the test year of ($210,000) consists of the removal of all non-industry related dues

expenses in accordance with the passage of Senate Bill No. 7. The Company is proposing mutual aid dues for Edison Electric Institute, Electric Utility Inustry Sustainable Supply Chain Alliance, and Association of Edison Illuminating Companies in the Rate Year. No escalation of this expense was made through the Rate Year.

Q. What is the Company's proposed Rate Year level of Mutual Aid Dues expense?

A. As discussed above, the Company's Test Year was $466,000 and the proposed adjustment is ($210,000), resulting in a proposed Rate Year level of expense of $256,000.

22. Postage Expense

Q. What costs are included in the Postage Expense?

A. As shown on Schedule C-3.23 (Postage Expense), the Company incurred test year expenses of $5,649,000. The test year expenses reflect the costs incurred by the Company for postage and delivery services for items such as monthly bills, customer notices, safety messages and more.

Q. What does the Postage Expense adjustment reflect?

A. As shown on Schedule C-3.23 (Postage Expense), the Company is proposing adjustments to the rate year of $127,000. The adjustment reflects the projected increases in USPS postage rates net of projected savings from increased paperless billing elections. More specifically, the Company reviewed the historical USPS rates (the 5-Digit First Class Commercial Letter rate) dating back to January 2023. The

USPS rates typically change every six months. Over the period January 2023 through January 2026 the USPS increased, on average, 3.97% every six months. The Company utilized this actual historical average increase and applied it to the actual test year costs to escalate those costs through the rate year. This resulted in an expected increase of $922,000 relating to the USPS postage rates. The Company then projected the additional customer adoption of paperless billing and applied the projected USPS postage rate to the additional paperless bills to project a level of savings the Company will recognize in the rate year. Slightly offsetting these savings are the additional costs related to e-mailing the bills (versus paper billing). The Company projected approximately $795,000 in savings for the Rate Year. The total projected additional costs less projected savings is a net increase of $127,000 ($922,000 - $795,000 = $127,000).

Q. What is the Company's proposed Rate Year level of Postage Expense?

A. As discussed above, the Company's Test Year was $5,649,000 and the proposed adjustment is $127,000 resulting in a proposed Rate Year level of expense of $5,776,000.

23. Regulatory Assessments

Q. What costs are included in the Regulatory Assessments expense?

A. As shown on Schedule C-3.24 (Regulatory Assessments), the Company incurred test year expenses of $10,139,000. The test year expenses reflect Regulatory Assessments expense billed to the Company by the DEEP for PURA. The test year amount was

identified based on the transaction data included in FERC account 928, combined with a review of the appropriate cost elements to include as Regulatory Assessments expense.

Q. What does the Regulatory Assessments expense adjustment reflect?

A. As shown on Schedule C-3.24 (Regulatory Assessments), the Company is proposing adjustments to the test year of $1,517,000. These adjustments relate to a pro forma adjustment to the test year of $811,000 and a rate year adjustment of $706,000. The pro forma adjustment of $811,000 normalizes the regulatory assessments to reflect the most recent four quarterly assessments received in the test year totaling approximately $10,950,000 compared to the actual test year expense of $10,139,000 which included regulatory assessments from 2024 amortized in January – March 2025. See the table below for the actual assessments received in 2025.

Table 9
2025 Regulatory Assessments

Assessment	Bill ID	Amount	CL&P D (%)	CL&P D ($)
March 2025	DEP429012	$3,635,538	71.36%	$2,594,320
June 2025	DEP433162	$3,724,980	71.36%	$2,658,146
September 2025	DEP439587	$3,991,707	71.36%	$2,848,482
December 2025	DEP444180	$3,991,707	71.36%	$2,848,482
Total				$10,949,430

The rate year adjustment of $706,000 reflects escalation to the rate year using the GDP-PI for the interim period (4.73%) and the Rate Year (1.64%) resulting in the Rate Year amount of $11,656,000 for Regulatory Assessments expense.

Q. What is the Company's proposed Rate Year level of Regulatory Assessments expense?

A. As discussed above, the Company's test year was $10,139,000 and the proposed adjustment is $1,517,000 resulting in a proposed Rate Year level of expense of $11,656,000.

24. Rent Expense

Q. What costs are included in the Rent Expense?

A. As shown on Schedule C-3.25 (Rent Expense), the Company incurred test year expenses of $5,209,000. The test year expenses reflect Internal Rent Expense of $5,541,000, External Rent Revenue and Expense of $723,000, and Capitalized Rent of ($1,055,000). These test year amounts were identified using a query of the accounting cost repository utilizing the appropriate cost elements for Rents and Leases expenses.

Q. What does the Rent Expense adjustment reflect?

A. As shown on Schedule C-3.25 (Rent Expense), the Company is proposing adjustments to the test year of $605,000. These adjustments relate to a pro forma adjustment to the test year of $528,000 and a rate year adjustment of $77,000. With respect to the pro forma adjustment of $528,000, $183,000 of this adjustment was for the removal of non-recurring rental income that was an offset to External Rent Expense, thereby increasing Test Year expense and $345,000 was a true up to the capital rate. The non-recurring rental income removal was due to tenant lease terminations. The rate year adjustment to Internal Rent Expense of $77,000 results predominantly from changes to amounts

being charged to CL&P for the Rate Year as compared to the Test Year level of rent expense associated with the 173 Mechanic St., Danielson, CT property. This amount increased as a result of higher facilities net book value and operating costs.

Q. What is the Company's proposed Rate Year level of Rent Expense?

A. As discussed above, the Company's Test Year was $5,209,000 and the proposed adjustment is $605,000, resulting in a proposed Rate Year level of expense of $5,814,000.

25. Catastrophic Storm Reserve Accrual

Q. What costs are included in the Catastrophic Storm Reserve Accrual?

A. As shown in Schedule C-3.26 (Catastrophic Storm Reserve Accrual), the Company collected $49,682,000 through base rates in customer contributions to the catastrophic storm reserve during the test year.

Q. What does the Catastrophic Storm Reserve Accrual adjustment reflect?

A. As shown in Schedule C-3.26 (Catastrophic Storm Reserve Accrual), the Company is proposing an adjustment to the test year of $10,318,000 in order to establish a level of reserve funding for catastrophic storm costs of $60 million annually from the date of new rates in this proceeding. Catastrophic storms are currently defined as those weather events whose costs for response and restoration exceed $4 million. The Company is also proposing in this proceeding to revise the threshold for a catastrophic storm to $5.4 million beginning in the Rate Year. This threshold was calculated by inflating the current catastrophic storm threshold of $4 million using the GDP-PI

(Gross Domestic Product Price Index) from 2018 through the Rate Year (see table below). It is important to note that adjusting this threshold up or down will necessarily have impacts on the Company's revenue requirement and required revenue increase. Specifically, the Company does not include the costs associated with catastrophic storms in base rates, as those storm costs were deferred during the rate year and are therefore not included in the Company's test year expense activity. In this way, only the costs of storms that fall below the threshold are included in the Company's base rates, and are subject to ebb and flow in the same way as nearly every other base rate expense item. If the threshold is increased, the Company will need to adjust base rates to capture the costs of storms that fall below the new, higher, threshold, so that rates are adequately designed to recover a representative level of costs in a given year. The Company proposes to establish the storm threshold at $5.4 million going forward coming out of this proceeding and does not advise PURA to further adjust the threshold.

Table 10
Catastrophic Storm Threshold Escalation Calculation

	Docket No. 17-10-46	2018 – 2028 GDP-PI Inflation	Docket No. 26-05-10
Catastrophic Storm Threshold	$4 million	34.2%	$5.4 million

Q. What is the Company's proposed Rate Year level of Catastrophic Storm Reserve Accrual?

A. As discussed above, the Company's test year amount was $49,682,000 and the proposed adjustment is $10,318,000 resulting in a proposed Rate Year level of $60,000,000.

Q. Why is the Company proposing to implement a Rate Year level of Catastrophic Storm Reserve Accrual of $60 million?

A. The Company's current base distribution rates include catastrophic storm reserve funding of $54.516 million annually related to prior storm amortizations that were previously authorized by PURA and have since been fully recovered, plus $3 million annually related to base reserve funding approved in Docket No. 17-10-46 for a total catastrophic storm reserve funding of $57.516 million. This is in addition to $3 million base rate reserve funding related to pre-staging costs discussed below. During the first half of 2025 the Company was collecting approximately $2.8 million per month ($34.012[9] million per year). In June, 2025, a prior amortization 'rolled off', such that the monthly base rate contribution for catastrophic storms increased to $4.8 million per month ($57.516 million per year). The Company's average annual catastrophic storm activity is approximately $151.5 million per year (see Schedule C-3.26, WP C-3.26, lines 27 through 35). However, the Company is proposing to maintain approximately the same level of funding for catastrophic storm reserve funding as exists today, recognizing that the annual level of activity is variable and difficult to predict. In addition, the Company's proposal in this regard is an attempt to mitigate customer bill

[9] Note that the catastrophic storm reserve funding amounts described in this testimony do not include the $100 million of reserve funding authorized for recovery through the CTA as part of this year's RAM proceeding, which has been directed by PURA to offset the balance of 2018-2023 storm costs under review in Docket No. 25-12-13. The Company's expectation is that PURA's approval of this amount is temporary, such that PURA may reduce the CTA by $100 million in next year's RAM. To the extent PURA decides to do so, and does so at the same time base rates change as part of this rate proceeding, that reduction would serve to mitigate the rate increase to customers that results from this rate case (i.e., an increase to base rates would be offset by a reduction to the CTA, all else equal). The Company expects to submit a proposal for PURA's consideration as part of the 2027 RAM ratemaking process, including a proposal for how any resulting over or under recovery of the $100 million should be handled.

impacts in light of the myriad factors described in this testimony and more broadly in the Company's filing which are causing upward pressure on our cost of service and on our customer's electric bills. As such, the Company is proposing a modest increase in the level of base rate catastrophic storm funding from $57.516 million to $60 million. Due to the fact that the test year activity did not include a full year of recovery at the current level of roughly $4.8 million per month, the post-test year adjustment of $10.318 million is necessary in order to result in prospective recovery in the rate year and onward of $60 million annually.

26. Pre-Staging Reserve Accrual

Q. What costs are included in the Pre-Staging Reserve Accrual?

A. As shown in Schedule C-3.27 (Pre-Staging Reserve Accrual) the Company collected $3,000,000 through base rates in customer contributions to the pre-staging reserve during the test year. The test year amount reflects the level of reserve accruals recorded in 2025.

Q. What does the Pre-Staging Reserve Accrual adjustment reflect?

A. As shown in Schedule C-3.27 (Pre-Staging Reserve Accrual), the Company is proposing adjustments to the test year of $1,000,000. This reflects the average pre-staging storm expense, with pre-staging storm costs at $4,229,000 in 2021, $6,350,000 in 2022, $6,183,000 in 2023, $0 in 2024, and $3,783,000 in 2025 when using GDP-PI to inflate through the end of the Rate Year. This new amount was calculated using

GDP-PI to inflate the current threshold through the end of the Rate Year (see the table above).

Q. What is the Company's proposed Rate Year level of Pre-Staging Storm Accrual?

A. As discussed above, the Company's Test Year was $3,000,000 and the proposed adjustment is $1,000,000 resulting in a proposed Rate Year level of $4,000,000. This adjustment reflects the average level of actual pre-staging storm expense when inflated through the end of the Rate Year using GDP-PI.

27. Non-Catastrophic/Pre-Staging Incremental Storm Expenses

Q. What costs are included in the Non-Catastrophic/Pre-Staging Incremental Storm Expenses?

A. As shown in C-3.28 (Non-Catastrophic/Pre-Staging Incremental Storm Expenses), the Company incurred test year expenses of $30,288,000. The test year expenses reflect the level of actual incremental storm expense from qualifying storms recorded in FERC account 593 (Maintenance of Overhead Lines) and 926 (Employee Pensions and Benefits).

Q. What does the Non-Catastrophic/Pre-Staging Incremental Storm Expenses adjustment reflect?

A. As shown in Schedule C-3.28 (Non-Catastrophic/Pre-Staging Incremental Storm Expenses), the Company is proposing a rate year adjustment of $7,712,000. This adjustment reflects the average level of actual incremental storm expense between the years of 2021 to 2025 when inflated through the end of the Rate Year using factors

based on GDP-PI (Gross Domestic Product Price Index) for the Interim Period (4.73%) and the Rate Year (1.64%) and the proposed revision of the catastrophic storm threshold (see table above for the calculation of the proposed $5.4 million catastrophic storm threshold).

Q. What is the Company's proposed Rate Year level of Non-Catastrophic/Pre-Staging Incremental Storm Expenses?

A. As discussed above, the Company's Test Year was $30,288,000 and the proposed adjustment is $7,712,000, resulting in a proposed Rate Year level of expense of $38,000,000 (see the table below for the calculation of the $38 million rate year level of expense).

Table 11
Non-Catastrophic Storm Calculation

Year	Nominal Amount	GDP-PI Inflation	2028 Dollars
2021	$39.693 million	30.81%	$51.921 million
2022	$24.114 million	25.12%	$30.173 million
2023	$31.419 million	16.80%	$36.698 million
2024	$30.361 million	12.65%	$34.200 million
2025	$33.696 million	9.92%	$37.038 million
Average			$38.006 million

Q. Is the level of non-catastrophic storm costs included in base distribution rates directly impacted by the catastrophic storm threshold?

A. Yes. As noted above, the Company has proposed a catastrophic storm threshold of $5.4 million dollars, meaning any storm that has a total cost in excess of $5.4 million is eligible for deferral treatment subject to a future prudence review and cost recovery. For those storms that incur costs less than $5.4 million (and did not file with PURA a

notice of pre-staging) the Company has included a projected level of total costs for the expected level of non-catastrophic storms to be incurred in a year based on historical actual activity of the split between catastrophic and non-catastrophic at the $5.4 million threshold. To the extent the $5.4 million threshold is changed, the Company would have to reevaluate the historical actual activity to determine a new split between catastrophic and non-catastrophic and either include more non-catastrophic storm costs in base distribution rates if the threshold is increased, or include less non-catastrophic storm costs in base distribution rates if the threshold is decreased.

28. Telecommunications

Q. What costs are included in the Telecommunications expense?

A. As shown on Schedule C-3.29 (Telecommunications), the Company incurred test year expenses of $982,000. The test year expenses mainly reflect the costs associated with application support, contract agreements, governance IT, infrastructure, IT application support, IT governance, and IT infrastructure.

Q. What does the Telecommunications expense adjustment reflect?

A. As shown on Schedule C-3.29 (Telecommunications), the Company is proposing adjustments to the test year of $63,000. This adjustment utilizes GDP-PI to inflate the costs through the end of the Rate Year. As discussed previously the GDP-PI measures changes in the prices of goods and services produced in the United States, including those exported to other countries. Therefore, this is an appropriate inflation factor to

apply to the outside services and other costs the Company incurs relating to telecommunications.

Q. What is the Company's proposed Rate Year level of Telecommunications expense?

A. As discussed above, the Company's Test Year was $982,000 and the proposed adjustment is $63,000, resulting in a proposed Rate Year level of expense of $1,045,000.

29. Uncollectible Expense

Q. What costs are included in the Uncollectible Expense?

A. As shown on Schedule C-3.30 (Uncollectible Expense), the Company incurred test year expenses of $17,185,000. The test year expenses reflect the level of actual uncollectible expense recorded to FERC account 904 (Uncollectible Accounts) and cost element A86 (Bad Debt – Uncollectible) and cost element A40 (Late Payment Write Offs) for lines of business 11100 (Non-Tracked Distribution).

Q. What does the Uncollectible Expense adjustment reflect?

A. As shown on Schedule C-3.30 (Uncollectible Expense), the Company is proposing adjustments to the test year of $89,000. To calculate the rate year adjustment of $89,000, the Company used a historical 5-year average calculation of the uncollectible expense percentage for the most recent calendar years of 2021, 2022, 2023, 2024, and 2025. The 5-year average uncollectible expense percentage calculated using these years was 0.5868%. The Company used a historical average because it is a more

accurate representation than using a single year's data. The 5-year average uncollectible expense percentage was then applied to the projected total Distribution, Transmission Adjustment Clause (TAC), Conservation Adjustment Mechanism (CAM), Competitive Transition Assessment (CTA), Systems Benefit Charge (SBC), Renewable Energy, and the Non-Bypassable Federally Mandated Congestion Charges (NBFMCC) rate year revenues of $2,943,648,000 to arrive at total uncollectible expense for the rate year of $17,274,000 ($2,943,648,000 x 0.5868%% = $17,274,000). The difference between this rate year level of uncollectible expense and the test year level of uncollectible expense is the rate year adjustment of $89,000($17,274,000 - $17,185,000 = $89,000).

Q. Is the Company proposing uncollectible expense for the ESI and RDM RAM components?

A. No. Company's ESI has uncollectible expense built into it in accordance with the settlement agreement in Docket No. 17-10-46. As described later in this testimony, the ESI will be eliminated after a final transition period. The RDM does not have uncollectible expense associated with it because the uncollectible expense is already built into the base distribution rate decoupling target.

Q. Should incremental uncollectible expense be allowed in future RAM components?

A. Yes, as discussed with incremental capital later in this testimony, incremental uncollectible expense related to capital projects that are not recovered through base distribution rates should be recoverable through the RAM components. This is

consistent with the current treatment of uncollectible expense on incremental capital projects recovered through the NBFMCC and SBC RAM components.

Q. What is the Company's proposed Rate Year level of Uncollectible Expense?

A. As discussed above, the Company's Test Year was $17,185,000 and the proposed adjustment is $89,000, resulting in a proposed Rate Year level of expense of $17,274,000.

30. Vegetation Management

Q. What costs are included in the Vegetation Management expense?

A. As outlined in the Vegetation Management Testimony of witnesses, John P. DiPaola-Tromba, Sean D. Redding, and Jenna Turner (see Exhibit CLP-VMP-1), our vegetation management program ("VMP") is a critical component to providing safe, reliable and resilient service to our customers each and every day. The Company's distribution system is in heavily forested areas across the state and vegetation is the leading cause of customer interruptions on blue-sky and gray-sky days. The VMP is designed to clear vegetation and remove hazard and at-risk trees away from the distribution system and critical infrastructure on a consistent, systemic and cost-effective basis.

As shown on Schedule C-3.31 (Vegetation Management), the Company incurred test year expenses of $25,309,000. The Test Year expenses reflect costs associated with the management of vegetation growth throughout the Company's service territory, which is recorded in FERC account 593 (Maintenance of Overhead Lines). These programs include Roadside Scheduled Maintenance of $27,565,000; Distribution

Rights-of-Way of $71,000; Emergency Restoration of $1,466,000; Vines of $145,000; Other of $166,000; and the Frontier Reimbursement of ($4,365,000).

Q. What does the Vegetation Management adjustment reflect?

A. As shown on Schedule C-3.31 (Vegetation Management), the test year expense was $25,309,000 and the Company is proposing a Rate Year expense of $76,139,000, which represents an increase of $50,830,000. Historically the VMP has included both capital and O&M (in 2025 total VMP spend was approx. $65 million - approx. $35 million in capital and $30 million in O&M (prior to Frontier reimbursements)). In this proceeding the Company is proposing key adjustments to the VMP which include: (1) transitioning to a four-year Scheduled Maintenance Trimming ("SMT") cycle, (2) establishing a resiliency tree work ("RTW") and resiliency tree removal ("RTR") program, (3) renewing the mid-cycle and right of way ("ROW") program and (4) utilizing remote sensing "light detection and ranging" technology, or "LIDAR" program to drive priority optimization and cost controls.

These key changes to the VMP result in the transition from capitalized work to expense work, which is contributing to approximately $34 million of the $50.8 million adjustment. Additionally, the remaining $17 million is primarily driven by the movement to a full four-year SMT cycle offset by additional Frontier reimbursements under the Joint Settlement Agreement. The Vegetation Management testimony included within Exhibit CLP-VMP-1 provides additional detail and justification for the total vegetation management expenses and related adjustments.

Q. What is the Company's proposed Rate Year level of Vegetation Management expense?

A. As discussed above, the Company's Test Year was $25,309,000 and the proposed adjustment is $50,830,000, resulting in a proposed Rate Year level of expense of $76,139,000.

31. Vehicle Expenses

Q. What costs are included in the Vehicle Expense?

A. As shown on Schedule C-3.32 (Vehicle Expenses), the Company incurred test year expenses of $14,288,000. The Test Year expenses reflect the costs associated with CL&P's transportation fleet. These costs include depreciation, vehicle fuel, property taxes, labor and related costs, parts and materials, insurance, and other vehicle-related costs.

Q. What does the Vehicle Expense adjustment reflect?

A. As shown on Schedule C-3.32 (Vehicle Expenses), the Company is proposing adjustments to the test year of $1,472,000. The Test Year amount excludes all labor and employee-related costs from Vehicle Expense as these costs are calculated and captured in other schedules (see Schedule C-3.5 and Schedule C-3.12). In addition, certain transactions related to prior period adjustments were removed to normalize the Test Year costs and ensure the Test Year reflects only activity that occurred during 2025. The Rate Year expense reflects Rate Year results and changes in depreciation expense by utilizing Company witness Ned Allis' depreciation study as it relates to

Group Asset or Utility Plant Account 392 (Transportation Equipment). In addition, the Rate Year expense was further adjusted to reflect a GDP-PI inflation adjustment through the Rate Year for certain Vehicle Expenses. As discussed previously, the GDP-PI measures changes in the prices of goods and services produced in the United States and is an appropriate inflation factor to apply to vehicle fuel, corporate charges, property taxes, facilities, and other costs. Certain costs, such as garage, vehicle registration costs, and other services, remained unadjusted with no adjustment to the level of Test Year expense. Vehicle insurance was adjusted to reflect an annual ten percent renewal premium cost increase in accordance with information provided by the Company's insurance brokers and their expectations based on (1) current market conditions and (2) the increased value of CL&P's total transportation fleet in the Rate Year.

Q. What is the Company's proposed Rate Year level of Vehicle Expense?

A. As discussed above, the Company's Test Year was $14,288,000 and the proposed adjustment is $1,472,000, resulting in a proposed Rate Year level of expense of $15,760,000.

32. <u>O&M Residual</u>

Q. What costs are included in the O&M Residual expense?

A. The test year residual O&M expenses reflects the costs incurred by the Company which are not squarely categorized into one of the other O&M categories listed in Table 7,

above. As shown on Schedule C-3.33 (O&M Residual), the Company incurred test year residual O&M expenses of $3,726,000.

Q. What does the O&M Residual expense adjustment reflect?

A. As shown on Schedule C-3.33 (O&M Residual), the Company is proposing pro forma adjustments to the test year of ($2,107,000) primarily related to non-recurring costs or costs that are outside of the test year. The Rate Year is calculated by escalating the test year pro forma amount for inflation and results in a $65,000 adjustment. This adjustment utilizes GDP-PI to inflate the costs through the end of the Rate Year.

Q. What is the Company's proposed Rate Year level of O&M Residual expense?

A. As discussed above, the Company's test year was $3,726,000 and the proposed adjustment is ($2,042,000) ($2,042,000 = ($2,107,000) pro-forma adjustment, plus $65,000 inflation adjustment), resulting in a proposed Rate Year level of expense of $1,684,000.

V. CHANGES TO OTHER OPERATING EXPENSES

A. Adjustments to Other Operating Expenses

Q. Please describe the Post-Test Year other operating expense adjustments.

A. The table provided below outlines the more notable other operating expense adjustments from Test Year levels to the Rate Year. A complete listing of all other operating expense adjustments is provided on Schedule C-3.0 of the SFRs.

Table 12
Summary of Other Operating Expenses Post-Test Year Adjustments
$ (000)

(A) Description	(B) Test Year Ending 12/31/2025	(C) Pro Forma Adjustments	(D) = (B) + (C) Pro Forma Test Year	(E) Rate Year Adjustments	(F) = (D) + (E) Rate Year Ending 06/30/2028	(G) Schedule Reference
CL&P Depreciation Expense	$ 239,529	$ -	$ 239,529	$ 126,388	$ 365,917	Schedule C-3.34
EESCO Depreciation / Amortization	40,467	2,913	43,380	579	43,959	Schedule C-3.35
Amortization of Deferred Assets	37,847	(37,676)	171	2,819	2,990	Schedule C-3.36
Total Depreciation & Amortization	317,843	(34,763)	283,080	129,786	412,866	
Property Tax Expense	134,983	2,672	137,655	20,906	158,561	Schedule C-3.37
Payroll Taxes	12,449	(2)	12,447	516	12,963	Schedule C-3.38
Gross Earnings Tax	102,226	172	102,398	1,464	103,862	Schedule C-3.39
Total Taxes Other Than Income	249,658	2,842	252,500	22,886	275,386	
Total Other Operating Expenses	$ 567,501	$ (31,921)	$ 535,580	$ 152,672	$ 688,252	

1. Depreciation Expense (CL&P)

Q. What costs are included in depreciation expense for CL&P?

A. As shown on Schedule C-3.34 (Depreciation Expense: CL&P), the Company incurred test year expenses of $239.529 million. The Test Year amount reflects the actual depreciation expense recorded to FERC Account Nos. 403000 (depreciation expense) and 404000 (amortization expense of other electric plant, land and land rights).

Q. What does the depreciation expense adjustment reflect?

A. As shown on Schedule C-3.34 (Depreciation Expense: CLP), the Company is proposing adjustments to the depreciation expense of approximately $126.388 million. The Company calculates the rate year depreciation expense by utilizing the projected plant balances by plant account and multiplying those balances by each plant account's depreciation accrual rate as proposed by Company witness Ned Allis. The increased depreciation expense can be attributed to two items: (1) an increase in utility plant placed in service between the Test Year and the Rate Year; and (2) adjusted

depreciation accrual rates. The testimony of Ned W. Allis, in Exhibit CLP-DEPRECIATION-1, provides the detailed analysis supporting the need for the adjusted depreciation accrual rates.

Q. What is the Company's proposed Rate Year level of depreciation expense?

A. As discussed above, the Company's test year was $239.529 million and the proposed adjustment is $126.388, resulting in a proposed Rate Year level of expense of $365.917 million.

2. Depreciation Expense (ESC)

Q. What costs are included in depreciation expense for ESC?

A. As shown on Schedule C-3.35 (Depreciation Expense: ESC), the Company incurred Test Year expenses of $40.467 million associated with ESC depreciation expense allocated to CL&P. Please refer to Section IV.10., "ESC Capital Funding," for additional discussion on the underlying ESC capital investments. The Test Year amount reflects the actual depreciation expense recorded to FERC Account Nos. 403200 and 403800, which are the sub-accounts the Company utilizes to record Service Company Depreciation expense.

Q. What does the ESC depreciation expense adjustment reflect?

A. As shown on Schedule C-3.35 (Depreciation Expense: ESC), the Company is proposing adjustments to the depreciation expense of approximately $3.492 million. The ESC depreciation expense for the Rate Year was calculated using the asset groups in the Test Year, based on their remaining depreciable lives. The Company removed

from the Rate Year any depreciation expense associated with assets that will become fully depreciated prior to July 1, 2027, the start of the Rate Year. In addition, any ESC assets that will be fully depreciated during the Rate Year were reflected in the Rate Year to only include the depreciation expense up and until the date the ESC asset would reach the end of its depreciable life. The asset groups were further evaluated for any planned plant additions projected to be placed in service since the Test Year and through June 30, 2028, with the known and measurable annual depreciation expense added to the Rate Year. Final Rate Year depreciation expense was then allocated to CL&P using the most recently available allocation tables for calendar year 2026.

Q. How were the ESC planned plant additions projected for the period from January 1, 2026 through June 30, 2028?

A. The Company did include the forecasted ESC capital additions placed in service through the end of the Rate Year in its proposed revenue requirement to take effect on July 1, 2027 in this proceeding. The Company utilized the forecasted ESC capital additions on standard information technology and infrastructure enterprise networking investments, which were disaggregated based on the forecasted in-service date for each of the months from January 2026 through June 2028. These in-service investments were evaluated to determine if the Company, and ultimately CL&P's customers, were a benefactor of their functionality. If so, the most recently available allocation tables for calendar year 2026, and the appropriate allocation methodology, were used to calculate how much depreciation expense of these forecasted capital additions would be ascribed to CL&P in the Rate Year. For any forecasted capital additions placed in

service during the Rate Year, the Company included only the number of months from the in-service date through June 30, 2028 to calculate the allocated depreciation expense. Please see the joint direct testimony of Company witnesses David L. Gladey, John P. Dipaola-Tromba, Leanne M. Landry, and Jeffrey D. Turano, in Exhibit CLP-ADDITIONS-1, for a detailed discussion regarding the Company's proposal for producing capital project documentation during the course of this proceeding in support of this request.

Q. What is the Company's proposed Rate Year level of ESC depreciation expense?

A. As discussed above, the Company's Test Year was $40.467 million and the proposed adjustment is $3.492 million, resulting in a proposed Rate Year level of ESC depreciation expense of $43.959 million.

3. Amortization of Deferred Assets/Liabilities

Q. What costs are included in the amortization of deferred assets/liabilities?

A. As shown on Schedule C-3.36 (Amortization of Deferred Assets), the Company incurred test year expenses of $37.847 million. The Test Year amount reflects the actual amortization expense recorded to FERC Account No. 407.

Q. What does the amortization of deferred asset/liability adjustment reflect?

A. As shown on Schedule C-3.36 (Amortization of Deferred Assets) the Company is proposing adjustments to the amortization expense of approximately ($34.857) million. The decreased in amortization of deferred assets is mostly attributable to deferrals

expected to be fully recovered or refunded through each respective reconciliation mechanism by June 30, 2027. Each of the deferred assets are described in greater detail in Section III.G of this testimony.

Q. What is the Company's proposed amortization period for each of the deferred assets?

A. The Company is proposing to amortize the deferred balances as of July 1, 2027 over a 4-year period, which aligns with the statutory requirement to have a rate review every 4 years.

Q. What is the Company's proposed Rate Year level of amortization of deferred assets?

A. As discussed above, the Company's Test Year was $37.847 million and the proposed adjustment is ($34.857) million resulting in a proposed Rate Year level of expense of $2.990 million.

4. Property Tax Expense

Q. What costs are included in the property tax expense?

A. As shown on Schedule C-3.37 (Property Tax Expense), the Company incurred test year expenses of $134.983 million. The Test Year amount reflects the actual property tax expense recorded to FERC Account No. 408110.

Q. What does the property tax adjustment reflect?

A. As shown on Schedule C-3.37 (Property Tax Expense), the Company is proposing adjustments to the property tax expense of approximately $23.578 million. The

Company's calculation of property tax expense for the Rate Year was based on three components: (1) base historical actual property taxes; (2) additional property taxes on new capital additions; and (3) a reduction for property taxes on retired assets. The base historical amounts were the property taxes from the latest actual list years of 2023 and 2024, which were billed between July 1, 2024 and June 30, 2025, and between July 1, 2025 and June 30, 2026 for each list year, respectively. These base property taxes are actuals and were held constant through the Rate Year. In addition to the base taxes, the Company calculated property taxes on planned capital additions. The Company used the latest actual weighted average mill rate and applied it to the net assessment[10]. Lastly, the Company reduced property taxes for those amounts that will no longer be incurred due to retirements. Supporting information is provided in Schedule C-3.37 and the associated workpapers. The Company intends to update the property tax expense throughout the proceeding in order to align with the capital project cost updates, and potentially to reflect more recent municipal billing information as applicable depending on timing of receipt of new property tax bills over the course of the proceeding.

[10] The net assessment is based on 70 percent of the assessed value less depreciation of 5 percent in year one and 10 percent in year two which is consistent with Conn. Gen. Stat. §12-62 and 63.

Q. What is the Company's proposed Rate Year level of property tax expense?

A. As discussed above, the Company's Test Year was $134.983 million and the proposed adjustment is $23.578 million, resulting in a proposed Rate Year level of expense of $158.561 million.

5. Payroll Taxes

Q. What costs are included in the payroll tax expense?

A. As shown on Schedule C-3.38 (Payroll Tax), the Company incurred test year expenses of $12.449 million. The Test Year amount reflects the actual payroll tax expense recorded to miscellaneous FERC Account No. 408. More specifically, the payroll taxes include taxes related to the Federal Insurance Contributions Act ("FICA"), Medicare and Federal and State Unemployment taxes.

Q. What does the payroll tax adjustment reflect?

A. As shown on Schedule C-3.38 (Payroll Tax), the Company is proposing adjustments to the payroll tax expense of approximately $0.514 million. The Company's payroll tax expense for the Rate Year was calculated based on each tax category: (1) FICA – the Company utilized the test year pro-forma payroll expense and applied the FICA rate of 6.2%. The Company also adjusted the FICA tax to reflect the adjustments made to both the employee and officer incentive adjustments in Schedules C-3.6 and C-3.7, respectively; (2) Medicare – the Company utilized the test year pro-forma payroll expense and applied the Medicare rate of 1.45%. The Company also adjusted the Medicare tax to reflect the adjustments made to both the employee and officer incentive

adjustments in Schedules C-3.6 and C-3.7, respectively; (3) Federal Unemployment – the Company did not adjust the Federal Unemployment because this tax is 0.6% on the first $7,000 of earnings and it's assumed that the Test Year Federal Unemployment is already applied to each employee on the full capped amount of $7,000; and (4) State Unemployment – the Company did not adjust the State Unemployment because this tax is 1.5% on the first $15,000 of earnings and it's assumed that the Test Year State Unemployment is already applied to each employee on the full capped amount of $15,000.

Q. What is the Company's proposed Rate Year level of payroll tax expense?

A. As discussed above, the Company's Test Year was $12.449 million and the proposed adjustment is $0.514 million, resulting in a proposed Rate Year level of expense of $12.963 million.

6. Gross Earnings Tax

Q. What costs are included in the gross earnings tax expense?

A. As shown on Schedule C-3.39 (Gross Earnings Tax), the Company incurred test year Gross Earnings Tax ("GET") expenses of $102.226 million. The test year expenses reflect the level of actual gross earning tax recorded to FERC account 408620 (Gross

Earnings Tax) and include Lines of Business 111000 Distribution, 11400 Decoupling (RDM), 13750 Electric System Improvement (ESI).

Q. What does the gross earnings tax adjustment reflect?

A. As shown on Schedule C-3.39 (Gross Earnings Tax), the Company is proposing adjustments to the test year of $1.637 million. These adjustments relate to a pro forma adjustment to the test year of $0.173 million and a rate year adjustment of $1.464 million. The pro forma adjustment to the test year is to remove out-of-period credits related to two State of Connecticut tax refund adjustments for the months of September 2022 ($0.092 million) and September 2023 ($0.080 million). This adjustment resulted in a Test Year Pro-Forma expense of $102.399 million (test year expense of $102.226 million + $0.173 million = $102.399 million).

To calculate the rate year adjustment of $1.464 million, the Company took the Total Test Year Pro Forma Gross Earnings Tax of $102.399 million calculated above and divided it by the Test Year Revenues Subject to Gross Earnings Tax amount of $1.452 billion to arrive at an Effective Gross Earnings Tax Rate of 7.052% ($102.399 million / $1.452 billion = 7.052%).

This Effective Gross Earnings Tax Rate is then applied to Calendar Year Revenues Subject to Gross Earnings Tax of $1.473 billion from Schedule WP C-3.1 (calculated as Total Distribution Revenues of $1.442 billion + Renewable Energy of $20.486 million + Other Revenues of $10.159 million = $1.473 billion) to arrive at a Gross

Earnings Tax on Calendar Year Revenues of $103.863 million ($1.473 billion x 7.052% = $103.863 million).

Q. What is the Company's proposed Rate Year level of gross earnings tax expense?

A. As discussed above, the Company's Test Year was $102.226 million and the proposed adjustment is $1.637 million resulting in a proposed Rate Year level of expense of $103.863 million.

VI. LEAD LAG STUDY

Q. You mentioned earlier in your testimony that you prepared a lead lag study. Is that correct?

A. Yes. We prepared a lead lag study (the "Lead Lag Study") to update and establish the net lag days to be used for certain operating expenses' cash working capital requirements that will be included in base rates. The Lead Lag Study is summarized and included in the revenue requirement analysis as Schedule H-1.4.

Q. What is cash working capital?

A. Cash working capital ("CWC") is the amount of cash needed by CL&P to fund its day-to-day operations in the time period between when expenses are incurred to provide service to customers, and when the associated cash payment is actually received from customers for those services. The time period is measured based on a lead lag study that provides the difference between revenue lag days and expense lead days to determine the CWC requirement. The CWC is a component of rate base.

Q. What is a lead lag study?

A. A lead lag study is an acceptable method for developing the CWC component of rate base in connection with the determination of revenue requirements in public utility rate case proceedings. The objective of a lead lag study is to measure, (1) the number of days between the point in time customers receive service from CL&P and the point in time customers' cash payments are received by CL&P ("revenue lag days"), and (2) the number of days between the point in time CL&P receives goods or services and the point in time CL&P pays for those goods or services ("expense lead days"). The difference between the revenue lag days and the expense lead days results in a net lag/lead day by cost category, which the Company then multiplies by the average daily expense in the Rate Year for that category. The sum of these results equals the Company's required CWC, which is included as a component of rate base.

Q. Please define the terms "revenue lag days" and "expense lead days."

A. Revenue lag is the time, measured in days, between delivery of a service to CL&P customers and the receipt of cash from those customers for the payment of such service (cash inflows). Because CL&P's customers receive services prior to CL&P's receipt of cash for those services, CL&P experiences a revenue lag in its daily operating costs. The longer the revenue lag (i.e., the amount of time it takes for CL&P to receive cash payments from customers), the more cash the Company needs to fund its day-to-day operations. Similarly, expense lead is the time, again measured in days, between the performance of a service or receipt of goods, and the cash payments made by CL&P

for such goods or services (cash outflows). The longer the expense lead, the less cash the Company needs to fund its day-to-day operations. Both revenues and expenses are assumed to be served evenly; thus, where monthly or annual data is presented, it is assumed that the revenue or expense was incurred at the midpoint of the month or year. Because base rates are based on revenue and expenses recognized on the accrual basis of accounting (book basis), the revenue lag results in a need for capital, while the expense lead offsets this need to the extent the Company is typically not required to reimburse its vendors until after a service is provided or a good is delivered (cash basis).

Q. Please describe the Lead Lag Study (Schedule H-1.4) and its findings.

A. The Lead Lag Study results are contained in Schedule H-1.4. The Company presents a total CWC amount for the Rate Year of $50,839,000 (Schedule H-1.4, page 2 of 2, line 38). The Lead Lag Study involves a great deal of effort and analysis of most major cost sources, including labor, general O&M expenses, and taxes. The process involves analyzing payroll data and reviewing invoices in order to determine the exact date or midpoint of the period during which the goods or services were provided. Each transaction analyzed is then traced to the actual cash disbursement date, when CL&P made the payment, to determine the number of days from receipt of the goods or services to the cash outflow related to them. Please refer to "A. Revenue Lag Days" and "B. Expense Lead Days" below for a detailed description of each major component of the Lead Lag Study.

Q. Did the Company include non-cash items?

A. No. As reflected in Schedule H-1.4, page 2 of 2, the Company's CWC calculation excludes certain items, such as uncollectible expense, depreciation, amortization, deferred taxes, interest, dividends, and retained earnings. This approach has been adopted by PURA in recent base distribution rate case proceedings.

A. Revenue Lag Days

Q. How is the revenue lag computed?

A. The revenue lag results are contained in Schedule H-1.4a. The revenue lag consists of a "meter reading (or service) lag," "billing lag" and "collection lag." The sum of the days associated with these three lag components is the total revenue lag experienced by CL&P during the test year.

Q. What lag does the Lead Lag Study reveal for the component "meter reading (or service) lag?"

A. The first component of the revenue lag is the meter reading or service lag. When a service is provided to customers (or to CL&P as it relates to costs) over a steady period of time, the service is deemed to have been provided (or received) evenly over the midpoint of the service period, unless specific information regarding the provision (or receipt) of that service indicates otherwise. This is commonly referred to as the 'midpoint method' in a lead lag study. Applying the midpoint method means that the service received by CL&P customers has been equally and evenly provided over the entire monthly period – the halfway point between the beginning of the service period and the end of the service period. The midpoint of a service period can be calculated

using the following formula, where the number of days in a year equals "A" and the number of periods in a year equals "B":

$$\text{Midpoint Method} = \frac{A / B}{2}$$

Under the midpoint method, the Lead Lag Study reveals 15.21 days (365 days / 12 months / 2) as the midpoint of CL&P's service period (see Schedule H-1.4a, page 1 of 10, line 18).

Q. How did you arrive at the 1.51 day "billing lag"?

A. Most of the Company's customers are billed the next business day after the meters are read. In addition, the Company's meter reading schedule does not allow meter readings on weekends and holidays. The Company's calendar year 2025 meter reading schedule was used to calculate the total billing lag, which was 1.51 days. In addition, we have not made an exception for large customers, which would require additional time to process and likely increase the 1.51 day billing lag. We have chosen to avoid this level of complexity with the understanding that our simplifying assumption of ignoring the large customer billing lag, which will understate CWC and will not disadvantage the Company's customers. Therefore, the Company arrived at a final 1.51 day "billing lag" from the Lead Lag Study. See Schedule H-1.4a, page 1 of 13, line 20.

Q. How was the "collection lag" calculated and what was the result?

A. The "collection lag" for utility service totaled 26.66 days. See Schedule H-1.4a, page 1 of 13, line 16. This lag reflects the time delay between the mailing of customer bills

and the cash received from customers. The 26.66 days lag was derived using the 'accounts receivable turnover method,' which involved an examination of utility service customer accounts receivable balances for all accounts. Schedule H-1.4a, page 2 of 13, details month-end customer accounts receivable balances as provided in general ledger extracts and calculates the annual average accounts receivable balance for the Test Year (lines 18 – 32). Because the customer accounts receivable balances are recorded to the Company's general ledger as of a point in time (end of the month), the calculation uses the average balance over a 13-month period (instead of 12 months) to capture all activity during the Test Year (from the first day of the year until the last day of the year).

In addition, this same page summarizes the month-end reserve balances for uncollectible accounts. Schedule H-1.4a, page 2 of 13, details month-end balances as provided in the general ledger extracts and calculates the annual average reserve balance for the Test Year (lines 37 – 50). The same concept applies to the customer accounts receivable reserve balances as described above, whereby the Company's general ledger month-end balances were captured in the calculation using a 13-month period to capture all activity during the Test Year.

The sum of these two data points was then used to determine the "Net Average Receivable Balance" (line 52). The final data point in the calculation is using the Company's total billed revenue for the Test Year (there are no unbilled revenues) found on line 60, "Total Sales." In determining the receivable turnover ratio, which is a

measure to quantify how efficiently CL&P is in receiving cash payments from customers (i.e., the number of times that accounts receivables are converted to cash during the Test Year), the calculation takes the Total Sales and divides it by the Net Average Receivable Balance. The Receivables Turnover ratio totaled 13.69 times (line 62). In order to determine how long it takes to collect the cash from customers from the time the bill is generated and mailed to customers, the total number of days in the year is divided by the Receivables Turnover ratio (365 days/13.69 times = 26.66 days "collection lag").

Q. Is the total revenue lag computed from these separate lag calculations?

A. Yes. The total revenue lag of 43.38 days is computed by adding the number of days associated with each of the three revenue lag components (15.21 days + 1.51 days + 26.66 days = 43.38 days). See Schedule H-1.4a, page 1 of 13, line 22. This total number of lag days represents the time between when a customer receives service from CL&P and when CL&P receives cash from that customer for payment of that service (cash inflows).

B. Expense Lead

Q. Please explain the determination of the expense lead portion of the CWC.

A. CL&P pays to underwrite the activities conducted in service to customers before it receives payment from customers for those services. The CWC requirement is comprised of expenses associated with labor, general O&M expenses, purchased power, and taxes. These are types of expenses that are appropriate for the Company to

recover carrying costs for the service provided as a component of cash working capital in rate base.

Q. How did your Lead Lag Study calculate the number of days for each line item in the Test Year?

A. The methodology differed per line item and summarized in Col. (2) on page 2 of Schedule H-1.4, referencing the work paper for each item. As previously described, the process involves analyzing data and reviewing invoices in order to determine the exact date or midpoint of the period during which the goods or services were provided. Each transaction analyzed is then traced to the actual cash disbursement date when CL&P made the payment to determine the number of lead days from receipt of the goods or services to CL&P's cash outflow for those goods or services.

Expenses incurred by CL&P but paid by ESC were assumed to be incurred at the midpoint of the month, with the payment date by CL&P the following month pulled from the Company's intercompany billing system, which provided the actual cash settlement dates. Where applicable, for expenses with both costs directly paid by CL&P and costs paid by ESC, the direct and allocated days were dollar weighted and combined to arrive at a total number of days based on the Test Year. Items covered by this explanation include Payroll (Schedule H-1.4b), Property Tax (Schedule H-1.4e), Federal Unemployment (Schedule H-1.4f), CT Unemployment (Schedule H-1.4g), FICA (Schedule H-1.4h), and Medicare (Schedule H-1.4i).

Q. Which expense line items' days are not calculated based on Test Year data, but assigned based on previous PURA mandates or decisions?

A. Line items for the following were assigned days consistent with the treatment as ordered in the respective referenced dockets:

Line Item	Days	Docket Reference	Schedule Reference
Variable Compensation	270	Docket No. 07-07-01	-

Q. How were lead days calculated for each category of O&M and what were the results?

A. The payroll lead is shown in Schedule H-1.4b. Gross payroll data is obtained from the Company's payroll system and serves as the basis for the payroll lead calculation. Although employees are paid every other Thursday for the previous two weeks' work (based on a work week of Sunday-Saturday), CL&P wires the cash payment for all payroll transactions to ADP, Eversource's payroll services agent, on Tuesday evening. This results in a weighted lead of 10.00 days. See Schedule H-1.4b, page 2, line 46. ESC employees who provide service to CL&P will result in a longer payroll lead time due to the intercompany billing and payment process described earlier. Using the approach described above, the ESC employee payroll weighted lead was 36.77 days. See Schedule H-1.4b, page 3, line 36. The payroll expenses paid by CL&P and ESC were dollar weighted and combined to arrive at a total number of days based on the Test Year. The result was a total payroll expense weighted lead of 16.55 days. See Schedule H-1.4b, page 1, line 28.

Variable Compensation payments are made in February or March and are associated with employee service in the prior calendar year, resulting in the standard assigned days consistent with the treatment ordered in prior PURA dockets, an overall weighted lead of 270.00 days. See Schedule H-1.4, page 1, line 21.

Gross data for employee benefits are also obtained through the payroll system and are paid out on the same schedule as payroll, as previously described for both CL&P employees and ESC employees providing a service to CL&P. This results in a weighted lead day for each schedule as follows: Federal Unemployment weighted lead days of 16.15 days (Schedule H-1.4f, page 1, line 31), CT Unemployment weighted lead days of 15.19 days (Schedule H-1.4g, page 1, line 29), FICA weighted lead days of 17.84 days (Schedule H-1.4h, page 1, line 26), and Medicare weighted lead days of 17.81 days (Schedule H-1.4i, page 1).

Other O&M expense lead of 50.31 days is shown in Schedule H-1.4d, page 1, line 19. Other O&M Expenses include costs paid to outside third-party contractors and consultants for products and services, facility maintenance and repairs, operational costs, office expenses and hired staff, as well as other miscellaneous costs. To calculate the expense lead for Other O&M expense, the Company evaluated the detailed transactions in several O&M FERC Accounts that made up Other O&M expense. To ensure the Company had a representative sample of the total population of Other O&M expense, the invoices selected were charged to multiple functional areas. These invoices are provided in Schedule H-1.4d, page 2 through 35. The invoices were

reviewed and the lead days were calculated by subtracting the payment date from the midpoint of the service period. In cases where the midpoint of the service period, or the date the good was received, could not be determined from the available information, the Company added an average lead day from the midpoint of the service period to the invoice date, using the population from which the information was obtained. Once the lead days were determined, they were dollar weighted to arrive at the Other O&M expense lead days.

Connecticut Local Property Tax lag of (83.13) days is shown in Schedule H-1.4e. The property tax expense components consist of three primary drivers: personal property/real estate taxes, municipality/fire district property taxes, and ESC property taxes allocated to CL&P. The personal property and real estate taxes paid to Connecticut towns and municipalities were evaluated on a town-by-town basis. The Company reviewed the total property tax payments made in 2025 to determine the days lag. The amounts paid in Test Year 2025 include payments associated with a portion of the municipals' fiscal years ended June 30, 2025 and June 30, 2026. Because Connecticut towns and municipalities bill in advance of the Fiscal Year ending, each had a net lag-day result. The ESC property taxes allocated to CL&P were billed monthly, with the midpoint of the month used as the service date for comparison with the payment date. Once the lead/lag days were determined across all property taxes, they were dollar weighted to arrive at the property tax lag days.

Connecticut Gross Earnings Tax ("GET") lead of 75.86 days is shown in Schedule H-1.4j, line 34. The GET includes the monthly payments made on the due dates required by the state of Connecticut. The payment date is then compared to the midpoint of the month associated with the earned CL&P revenues. Once the monthly lead days were determined, they were dollar weighted to arrive at the total GET expense lead days.

Federal Income Tax expense lead of 30.07 days is shown in Schedule H-1.4k, line 35. The expense lead was calculated based on quarterly tax payment dates of March 15th, June 15th, September 15th, and December 15th for calendar year federal income taxes. The lead days were calculated on a monthly basis by applying those payment dates to the midpoint date of each month. Once the monthly lead days were determined, they were dollar weighted to arrive at the total Federal Income Tax expense lead days. Connecticut Corporate Business Tax expense lead of 29.42 days is shown in Schedule H-1.4l, line 34 and was calculated using the same methodology as Federal Income Tax expense lead days.

C. Cash Working Capital

Q. Would you summarize the Company's proposal regarding CWC?

A. Yes. Based on the results of the Company's Lead Lag Study of CWC, the Company identified an O&M working capital component of $50,839,000 as detailed in Schedule H-1.4.

VII. ELECTRIC SYSTEM IMPROVEMENTS CHARGE

Q. What is the Electric System Improvements ("ESI") Charge?

A. PURA approved the ESI as part of the Settlement Agreement in Docket No. 17-10-46. The ESI is designed to recover system resiliency investments for 2018 through 2020, core capital investments that exceed $270 million for each year of 2018 through 2020, and core capital plant additions up to $300 million for each year after 2020 until the Company's next base distribution rate case. System resiliency investments consist of the Company's capital additions designed to "harden" the electric distribution system or make the system more resilient to storms or other conditions that could negatively impact the system. The core capital plant additions include all other capital investments and are intended to improve the reliability of the electric distribution system.

Q. Is the Company proposing changes to the ESI charge?

A. Yes. The Company is proposing to eliminate the existing ESI in accordance with legislation enacted in 2023, pursuant to Section 5 of Public Act 23-102 (also referred to as SB7). However, the ESI tracker will need to remain in place for a period of time after the implementation of new base rates on July 1, 2027, to complete recovery of the revenue requirement collected through the ESI up through the effective date of new base rates as described below.

Q. Will there be a transition period in filing a final ESI Tracker after the proposed Rate Year effective date?

A. Yes. The Company expects that the revenue requirement for in-service capital plant additions up through June 30, 2028, as filed in its application will be approved for

recovery in new base distribution rates beginning July 1, 2027. This means that the prospective revenue requirement on in-service capital plant additions through June 30, 2027, and also in-service capital plant additions from July 1, 2027, through June 30, 2028 (the Rate Year), will begin to be recovered through base distributions rates that go into effect on July 1, 2027. Base rates will be designed to recover the costs incurred after July 1, 2027 associated with all plant additions that PURA authorizes for recovery in rates at that time, as part of this proceeding (i.e., if the Company's proposal is accepted as filed, rates effective July 1, 2027, will be designed to recover the revenue requirement on plant additions placed in service up to and including the rate year as of July 1, 2027, and forward).

The ESI provides for recovery of capital additions up to $300 million and will need to continue to collect the revenue requirement incurred prior to July 1, 2027 (the date of new base rates in this proceeding) for all ESI-eligible capital additions. This will mean the ESI will continue through at least April 30, 2029 for the recovery of the following amounts. Item (1): a true-up of the revenue requirement on all ESI in-service capital additions for years 2017 through 2025 for which a 2026 revenue requirement is currently being recovered as a known and measurable adjustment in rates from May 1, 2026 through April 30, 2027. Recovery of Item 1 will occur as part of the normal RAM process as part of the ESI rate that will go into effect May 1, 2027 through April 30, 2028. Item (2): in addition to the true-up noted above, because these capital additions will not be reflected in base rates until July 1, 2027, the revenue requirement on these

2017 through 2025 in-service capital additions for the period January 1, 2027 through June 30, 2027 will also still need to be recovered. Recovery of Item 2 will occur as a known and measurable adjustment as part of the normal RAM process for the ESI rate, which will go into effect from May 1, 2027 through April 30, 2028. Item (3): because PURA does not allow contemporaneous recovery of current year in-service plant additions as a known and measurable adjustment, the 2026 revenue requirement on 2026 in-service plant additions will still need to be recovered as part of the normal RAM process. As such, Item (3) will be included in rates for the first time as part of the December 31, 2026, under recovery that will be included in the ESI rate, which will go into effect May 1, 2027 through April 30, 2028. Item (4): in addition to the recovery of the 2026 revenue requirement on 2026 in-service plant additions, because these plant additions will not be reflected in base rates until July 1, 2027, the revenue requirement on these 2026 in-service capital additions for the period January 1, 2027 through June 30, 2027 will also still need to be recovered.

Recovery of Item (4) will occur through the normal RAM process as a known and measurable adjustment that will be included in the ESI rate that will go into effect May 1, 2027 through April 30, 2028. Item (5): because PURA does not allow contemporaneous recovery of current year in-service plant additions as a known and measurable adjustment, the January 1 - June 30, 2027 revenue requirement on 2027 in-service plant additions through June 30, 2027 will still need to be recovered as part of the normal RAM process, when this revenue requirement will be included in the base

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

Q. Are there any opportunities that would allow for the ESI rate to be retired earlier than May 1, 2029?

A. Yes. The Company has consistently included in its RAM filings a known and measurable adjustment for the contemporaneous recovery of the revenue requirement associated with plant additions that will be placed in-service during the current year, because those plant additions can be projected by the Company with a high degree of accuracy. PURA has disagreed that these projections meet the definition of a known and measurable adjustment. If PURA were to allow a known and measurable adjustment for Item (5) discussed above (the January 1 - June 30, 2027 revenue requirement on 2027 in-service plant additions through June 30, 2027) in the 2027 RAM for rates effective May 1, 2027 through April 30, 2028, the revenue requirement for these in-service plant additions through June 30, 2027 (the start of new base rates) would be recovered and an ESI rate for the period May 1, 2028, through April 30, 2029, would no longer be necessary to complete recovery of the revenue requirement for these capital additions through June 30, 2027.

VIII. RAM COSTS ROLLED INTO BASE DISTRIBUTION RATES

Q. Is the Company making a proposal regarding the recovery of certain capital project and internal O&M costs currently recovered through the Company's RAM?

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

Q. What capital is the Company proposing to roll into base distribution rates?

A. The Company is proposing to roll into base distribution rates the following:

1. All capital currently being recovered through the Company's ESI, which includes (but is not limited to) the following categories:
    a. System Resiliency (exclusive of enhanced tree trimming O&M), which represents the cost of CL&P's system resiliency plan as defined in Docket No. 17-10-46;
    b. 2017 Over-Estimate of Plant Additions (credit), which represents the difference between what was included in base distribution rates for calendar year 2017 and the actual capital placed in service;
    c. Capital additions over $270 million for the years 2018 – 2020; and

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

2. All capital currently being recovered through the Company's NBFMCC, which includes (but is not limited to) the following categories:
   a. DER Map – Represents the IT capital costs associated with CL&P's DER Map, which was approved by PURA on October 4, 2017 in Docket No. 17-06-02;
   b. CT Solar Tariff – Represents the IT capital costs resulting from the implementation CL&P's residential and non-residential solar tariffs approved in Docket No. 20-07-01;
   c. Shared Clean Energy Facilities ("SCEF") – Represents the IT capital cost resulting from the implementation of the SCEF program approved in Docket No. 19-07-01; and
   d. Bill Redesign – Represents the IT capital cost resulting from the customer bill redesign work approved in Docket No. 14-07-19RE06.
3. All capital currently being recovered through the Company's SBC, which includes (but is not limited to) the following categories:
   a. Low-Income Discount Rate ("LIDR") – Represents the IT capital cost resulting from the implementation of LIDR approved in Docket No. 17-12-03RE11;
   b. Rolling Hardship – Represents the IT capital cost resulting from the rolling hardship verification process approved in Docket No. 23-05-01;

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

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

Q. Will there be a transition period between recovery through the ESI, NBFMCC and SBC and base distribution rates for the identified capital costs?

A. Yes, please see the ESI discussion in Section XII above, which explains the required transition period to ensure complete recovery of the revenue requirement on the ESI capital being transitioned into base distribution rates. The same transition and timing will be required for the capital being moved from the NBFMCC and SBC RAM components into base distribution rates.

Q. What FTE costs is the Company proposing to roll into base distribution rates?

A. The Company is proposing to roll the incremental costs associated with FTEs currently recovered through the NBFMCC into base distribution rates. These FTEs were either hired after the Company's last base distribution rate case into newly established roles or were transferred into newly established roles, which were created after the last rate case. These FTEs were hired to support various initiatives such as energy storage solutions, innovative energy solutions, electric vehicle programs, shared clean energy

facility initiatives, low/zero emission renewable energy certificates and residential/non-residential solar programs[11].

Q. Will there be a transition period between recovery through the NBFMCC and base distribution rates for the identified FTE costs?

A. Yes, in accordance with the current RAM process, the Company includes estimates for the current year costs which are then trued up in the next year's RAM process. Consistent with this requirement, the Company will include an estimate of the January 1 – June 30, 2027 FTE costs in RAM rates effective May 1, 2027 through April 30, 2028. The Company will then true up the actual FTE costs for the period January 1 – June 30, 2027 in rates effective May 1, 2028 through April 30, 2029 which will be the final true-up for these specific FTEs.

Q. Does the Company view the interim recovery of incremental FTEs through the RAM as a best practice going forward?

A. Yes, there have been numerous instances where, in order for PURA initiatives to move forward, the Company has had to hire incremental resources and has incurred incremental costs. The costs of implementing and administering these programs cannot be included in base distribution rates if such programs do not exist at the time of the base distribution rate case. As described elsewhere in this filing, the Company is proposing to implement a PBMRP as part of this proceeding, inclusive of an exogenous

[11] See the Company's interrogatory response to CAE-036, Attachment 1 in Docket No. 26-01-03 which identifies the FTEs as of 12/31/2025 that were incremental to base distribution rates and recorded part or all of their time to the programs identified. Note that the Company is not proposing to roll Energy Efficiency employees into base distribution rates in this proceeding. Costs associated with the administration of the Energy Efficiency programs, including FTEs supporting such programs, will continue to be collected through the System Benefits Charge ("SBC").

factor to allow for rate adjustments up or down for exogenous events that impose costs (or reduce them) to a level of significance warranting a rate change. The Company has proposed the exogenous cost threshold will be set at 0.5 percent of distribution revenues. Therefore, if PURA adopts the Company's proposed PBMRP, additional FTE costs to support RAM programs would be eligible for recovery upon a showing that they have exceeded the exogenous cost threshold.

IX. IMPACTS OF PUBLIC ACT 23-102

Q. Did the Company review the changes in cost recovery addressed in Public Act No. 23-102 (also referred to as SB7)?

A. Yes, the Company has reviewed the changes in cost recovery for certain items addressed in SB7. Specifically, Section 2 of SB7 repealed subsection (b) of section 16-243p of the general statutes and replaced it with the following:

> (b) No [electric distribution company shall recover its] public service company with more than seventy-five thousand customers shall recover through rates its direct or indirect costs associated with its attendance [or participation in any rate-making hearing before] in, participation in, preparation for, or appeal of any rate proceeding conducted before the authority. Such costs shall include, but need not be limited to, attorneys' fees, fees to engage expert witnesses or consultants, the portion of employee salaries associated with such attendance, participation, preparation or appeal of a rate proceeding and related costs identified by the authority.

In addition, Section 3 of SB7 created new language in the statutes listed below:

> (a) No public service company shall recover through rates any direct or indirect cost associated with membership, dues, sponsorships or contributions to a business or industry trade association, group or related entity incorporated under Section 501

of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as amended from time to time.

(b) No public service company shall recover through rates any direct or indirect cost associated with lobbying or legislative action, as such terms are defined in section 1-91 of the general statutes.

(c) No public service company shall recover through rates any direct or indirect cost associated with advertising, marketing, communications that seek to influence public opinion or any other related costs identified by the authority, unless such marketing, advertising, communications or related costs are specifically approved or ordered by the authority or the Department of Energy and Environmental Protection.

(d) No public service company shall recover through rates any direct or indirect cost associated with (1) travel, lodging or food and beverage expenses for such company's board of directors and officers or the board of directors and officers of such company's parent company; (2) entertainment or gifts; (3) any owned, leased or chartered aircraft for such company's board of directors and officers or the board of directors and officers of such company's parent company; or (4) investor relations.

Lastly, Section 5 of SB7 established new language in the statute as follows:

In an proceeding to amend rates under section 16-19 of the general statutes, as amended by this act, for customers of an electric distribution company that has a service area of eighteen or more cities and towns, that is initiated on or after July 1, 2023, or in a pending proceeding to amend rates under section 16-19 of the general statutes, as amended by this act, for customers of an electric distribution company that has a service area of eighteen or more cities and towns, for which a final decision has not been issued prior to July 1, 2023, the Public Utilities Regulatory Authority shall not reauthorize the on-bill reconciling mechanism for new electric plant additions that was first authorized in 2018.

Q. How has the Company accounted for these cost categories in its revenue deficiency?

A. The costs identified in section 2 of SB7 (i.e., rate case expense costs) are a necessary cost of a regulated utility to ensure that its rates are set at a just and reasonable level to ensure the ongoing investments into the system to maintain a safe and reliable system and to allow the Company a reasonable opportunity, but not a guarantee, to earn its authorized return on equity. As such, and as described above, these costs are appropriately recovered from customers and are therefore included in the Company's proposed revenue deficiency.

The Company has removed nearly half of its memberships, dues, sponsorships, and contributions to a business or industry trade association, group, or related entity in accordance with section 3(a) of SB7. The exceptions are those that are for industry-related dues expense that allow the Company to participate in mutual aid services provided by other Association members. It is critical that the Company maintain its access to mutual aid services, and therefore the costs associated with this access are properly paid for by customers.

The Company has removed all direct and indirect costs associated with lobbying and legislative action, as such terms are defined in section 1-91 of the General Statutes in compliance with section 3(b) of SB7. The Company also notes that these costs have been paid for by shareholders in the past as they have been booked to an account below

operating income and therefore are not and have not historically been a part of the Company's cost of service.

The Company has removed all direct and indirect cost associated with advertising, marketing, communications that seek to influence public opinion, or any other related costs identified by PURA, unless such marketing, advertising, communications or related costs were specifically approved or ordered by PURA or the DEEP in compliance with section 3(c) of SB7. The costs that the Company has included in its deficiency request are generally related to mandated bill inserts and safety messaging. The Company notes that any advertising, marketing or communications that seek to influence public opinion have been paid for by shareholders in the past.

The Company has removed all direct and indirect cost associated with (1) travel, lodging, or food and beverage expenses for such company's board of directors and officers or the board of directors and officers of such company's parent company; and (2) entertainment or gifts. The Company did not incur any costs associated with any owned, leased, or chartered aircraft for the Company's board of directors and officers or the board of directors and officers of the Company's parent company and therefore no such costs are included in compliance with section 3(d) of SB7. The Company has included its costs associated with performing investor-relations–related activities in its deficiency. Regulated utilities are extremely capital-intensive companies and, as such, need to have access to the lowest cost of capital in order to maintain affordable rates for customers. This access is required for both debt and equity investors. By having

access to low-cost debt and equity, the Company is able to maintain the safety and reliability of its system while providing that safe, reliable service at the lowest possible cost to customers. The costs associated with the Company's investor-relations–related activities is a necessary cost and one that is appropriately paid for by customers.

X. CONCLUSION

Q. Does this conclude your testimony?

A. Yes, it does.