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Witness: Julia Frayer
Request from: Department of Energy and Environmental Protection

Question:

(PBR) Refer to Exhibit CLP-PBR-1 p. 69. Compare and contrast the British Columbia example of a PBR framework to: a) the Company's proposal; and, b) a conventional multi-year rate plan.

Response:

a) Both the FortisBC framework and CL&P's proposed performance-based multi-year rate plan ("PBMRP") are examples of MRPs that incorporate elements of performance-based regulation. Although both frameworks apply formula-based adjustments to OM&A expenses and provide separate treatment for capital expenditures, the frameworks differ in certain design features, including the structure of the capital recovery mechanism, earnings sharing mechanism, and certain other features.

The table below compares the key features of FortisBC's approved PBR framework with CL&P's proposed framework. The comparison illustrates how different MRP structures may be designed to achieve similar regulatory objectives while reflecting jurisdiction-specific circumstances.

Feature	FortisBC Inc. (FBC) – British Columbia (Order No. G-70-25)	Connecticut Light and Power Company d/b/a Eversource Energy's (Docket No. 26-05-10) proposal
Overall structure	Indexed -based approach: Formula-based treatment applies to controllable O&M, while capital and certain other costs are treated separately.	The proposed Performance-Based Multi-Year Rate Plan (PBMRP) follows the methodology of a traditional, comprehensive PBR plan, except that the formula-based revenue adjustment applies only to OM&A costs, while capital costs are addressed separately through a capital support mechanism.

Term	2025-2027	2027-2031
O&M	Formula-based. Controllable O&M is escalated using an index-based formula incorporating inflation, productivity and customer growth. Certain costs remain outside the formula and receive forecast or flow-through treatment.	Formula-based. OM&A is adjusted annually using an inflation/productivity-based revenue-cap formula, together with a Consumer Dividend.
Capital funding	Forecast separately from the O&M formula. Growth, Sustainment and Other capital are established through approved capital forecasts and incorporated into rates. Capital forecast variances are subject to earnings sharing.	A capital support mechanism is used, which is estimated separately from the index formula that determines the approved OM&A amounts. A fixed annual capital level is established from the forecast presented in this proceeding and recovered through the F-factor. Actual plant placed in service is reconciled annually against the forecast, with recovery limited to the lower of the capital forecast presented in this proceeding or the actual plant additions in the given time period.
Efficiency incentive	The O&M formula creates an incentive to control costs because the utility's allowed O&M is determined formulaically rather than directly from its actual O&M spending.	The OM&A formula creates an efficiency incentive, supplemented by the Consumer Dividend. For capital, the forecast cap places the risk of spending above the approved amount on CL&P and therefore also provides an efficiency incentive.
Earnings sharing mechanism	Symmetrical earnings sharing. Variances from allowed earnings	Upside earnings sharing. Earnings above the authorized

	are shared between customers and the utility.	return are shared with customers; CL&P bears the downside risk.
Exogenous / uncontrollable costs	Qualifying costs outside the utility's control may receive exogenous-factor, flow-through, forecast, or deferral treatment rather than being forced into the O&M formula.	Qualifying events outside CL&P's control may be recovered or credited through a separate Z-factor.
Performance / service quality	Service-quality indicators operate alongside the rate framework to monitor utility performance.	Performance metrics and incentive mechanisms operate alongside the PBMRP to link specified outcomes to rewards or penalties.
Annual review	Annual reviews continue during the framework to implement rates and review relevant forecasts, actual results and framework components.	Annual compliance filings are used to implement the PBR adjustment and review earnings sharing, capital reconciliation, performance results and other adjustments.

b) MRPs can take various forms, including forecast-based, index-based and hybrid approaches, depending on the regulatory objectives and circumstances of the jurisdiction. There is no single, universally prescribed structure that constitutes a "conventional MRP." Accordingly, the Company is unsure of what this question may be asking when asking for a comparison with a generic "conventional MRP".