Date Filed: November 03, 2026

Witness: David L. Gladey, Lavelle Freeman, John P. Dipaola-Tromba, Jennifer A. Schilling and Elli Ntakou
Request from: Public Utilities Regulatory Authority

Question:

(EXPENSES) Exhibit CLP-REVREQ-2, Schedule WP C-3.16. Explain whether the Company anticipates any cost savings from the Targeted System Performance (TSP) plan, and whether these savings are reflected in the Rate Year. Provide details on how those cost savings, if any, will be realized and in what projected dollar amounts.

Response:

The Company anticipates that Targeted System Performance ("TSP") plan investments will deliver significant reliability, resiliency, and operational benefits by improving system performance, expanding capacity to support future growth, addressing aging infrastructure, and reducing the frequency and duration of customer outages. While certain investments may provide near-term operational efficiencies, the majority of the benefits associated with the TSP plan are expected to be realized over multiple years as projects are completed, system improvements are fully integrated into the electric grid, and the impact of the investments are manifested over time.

For substation-related investments, project schedules often involve extensive engineering, permitting, and long lead-time material procurement. As a result, many of the anticipated reliability and capacity benefits will not be fully realized during the Rate Year. These investments are primarily intended to support long-term system performance, reliability, and economic development needs rather than generate immediate operating expense reductions. However, planning for the orderly, economic expansion of the system potentially reduces costs that might be incurred responding to unplanned outages or emergency events due to lack of capacity.

Similarly, the primary objective of the Company's resiliency investments is to harden vulnerable portions of the system to improve performance and reduce the impacts of severe weather events. Although the Company does not anticipate material, quantifiable operating expense reductions in the Rate Year associated with these investments, its analysis indicates that the proposed resiliency plan is expected to reduce customers interrupted and customer minutes of interruption during an average of approximately 40 storm-related outage events annually. This reduction in outage exposure is estimated to lower storm response and restoration costs by approximately $450,000 per year. In addition, the Company estimates annual customer reliability benefits, measured using Value of Lost Load ("VOLL"), of approximately $37 million. These benefits represent avoided

customer interruption impacts and improved service reliability due to resiliency plan investments, rather than direct reductions in Company operating expenses.

For distribution system investments, including feeder and infrastructure replacement projects, the Company expects long-term operational benefits through improved asset condition, reduced equipment failures, and enhanced operational flexibility. As aging infrastructure is proactively replaced and system conditions improve, the Company anticipates a reduction in emergent events, unplanned corrective maintenance activities, and associated operating costs. However, the timing and magnitude of these benefits depend on several factors, including asset condition, weather impacts, and actual system performance. The full value of these investments is expected to be realized over multiple years as the cumulative effects of increased proactive infrastructure replacement and system improvements are achieved.