Date Filed: October 28, 2026

Witness: Brendan J. O'Brien, Garrett J. Murray, and Ann Bulkley
Request from: Public Utilities Regulatory Authority

Question:

(EQUITY RATIO) Application, Ex. CLP-ROE-1 (Bulkley Pre-Filed Test.), pp. 68–71. Provide the revenue requirement change with a reduction of one, two, and three basis points in the equity component of the capital structure (and a corresponding increase to the long-term debt component).

Response:

As an initial matter, this question raises concerns with both Ms. Bulkley and the Company because there is no evidentiary basis for an arbitrary modification to the actual capital structure, nor is such an adjustment appropriate. The Company's actual capital structure is the computation of the capitalization recorded on the Company's books and is the actual "cost of capital" supporting rate base. In addition, arbitrarily ratcheting down the actual capital structure is the type of regulatory change that is closely monitored by credit rating agencies and investors alike and bears negatively in their perspective.

To be responsive, the Company is providing the revenue requirement change for a one-, two-and three-percentage point reduction to the Company's equity ratio, with a corresponding increase to the long-term debt ratio. Please refer to RRU-091, Attachment 1, for the calculations starting from the Company's proposed 53.86% equity ratio to a 50.86% equity ratio.