Date Filed: September 03, 2026

Witness: Douglas P. Horton
Request from: Office of Consumer Counsel

Question:

Exhibit CLP-ELP-1 Please explain why the Company has not proposed specific off-ramp provisions as part of its PBMRP. Please identify any provisions of the proposed PBMRP that the Company believes provide protections analogous to an off-ramp and explain how each provision would protect customers from financial or other adverse consequences arising from circumstances in which continuation of the PBMRP would no longer produce just and reasonable rates.

Response:

The Company did not propose any specific off-ramp provisions because the Company's proposal already includes "guardrail" provisions intended to either provide relief in the form of the Consumer Dividend or the cap on the inflation-driven ("I" factor) component of PBR rate adjustments, or more comprehensively in the form of the earnings-sharing mechanism (ESM). The Company's earned return on equity (ROE) is the ultimate barometer of the collective impact of revenues relative to the actual cost of service. In the unlikely event revenue increases so greatly outpace the increase in the cost of service, inclusive of the ongoing capital invested in the system, the Company's ROE would increase, theoretically exceeding the authorized ROE established in this proceeding. The Company's proposed ESM would immediately share earnings in excess of the authorized ROE on a 50/50 basis between the Company and customers.

Conversely, to the extent the ROE declines over the PBMRP term, there is no off-ramp for the Company unless the downward pressure is the result of a qualifying exogenous cost change.