Date Filed: September 28, 2026

Witness: Amparo Nieto
Request from: Office of Consumer Counsel

Question:

(ACOSS) Refer to Exh. CLP-ACOS-1 regarding the minimum distribution study. Refer also to PURA's October 28, 2025, Decision in Docket No. 24-10-04, pages 198-199, which states in part that "the minimum system's load-carrying capacity should be considered when allocating residual demand-related costs."

a. Please explain whether the Company considered the minimum system's load carrying capacity when allocating demand-related costs. If yes, please provide the workpapers, including assumptions, used for this calculation.
b. Please provide the Rate Year load-carrying capacity adjustments in a similar format to Table 81 on page 199 of the Decision in Docket No. 24-10-04.

Response:

a. The Company did not adjust the Minimum System calculations to revise the demand classification percentage based on the minimum system carrying capability. The ACOS study relies on the traditionally applied MDS approach as applied in prior rate cases and as per the NARUC Manual. The minimum cost is treated as purely customer-related, expressed as a percentage of total asset costs and allocated to all customer classes in the ACOSS on the basis of total customer numbers in the class.

   While the Company recognizes that each minimum sized asset has some level of load carrying capacity, the adjustment of demand allocations based on unrealized demand would effectively skew the allocation results towards the commercial and industrial classes. These classes use transformers with larger economies of scale and therefore have a lower per kVA cost relative to the smaller transformers. The load carrying capacity method, as ordered in the UI rate case decision, essentially is prone to shift costs to customer classes with lower customer numbers but also with a lower per-kW of transformer capacity because it assumes that the same per-kVA cost applies to every kW of NCP across the board.

   If the objective of the proposed refinement to the MDS is to more precisely allocate the cost of FERC accounts 365-368 local facilities by customer class, to take into account specific tradeoffs between the cost drivers of investment for each customer classes, a superior approach would be to rely on the results of the marginal cost study as per the class

local facilities per-kW marginal cost differentials, which is also stated in today's dollars, and applying those class weighting factors to the embedded plant cost allocation.

The MDS method is meant to apportion a connection cost that does not change with customer's demand, and any variants of this method intended to reduce any implied misallocation may create other unintended misallocations. The net impact is highly specific to the minimum system study inputs and Company's configuration used by each utility. The impact for the Residential class is likely to be small on a per customer basis but could potentially be material on the commercial and industrial customers who have a higher demand per customer and may already have been allocated a demand-share of the total FERC account in excess of the underlying per cost contribution on a per customer basis.

b. The Company has not performed such analysis and calculations.