Date Filed: September 15, 2026

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

Question:

Leadership Panel Exhibit CLP-ELP-1 – Storm Cost Recovery
If adopted, the SCRAF review process will be used to recover prudently incurred, incremental catastrophic storm and pre-staging costs in excess of base rates for each calendar year (i.e., "reserve fund"). If storm costs do not exceed the amounts incorporated into base rates, the Company will not file any cost recovery via the SCRAF for that calendar year. The amount trued-up annually through the SCRAF process, will be amortized over a period of 1-5 years, subject to PURA decision based on the circumstances at the time of the SCRAF. Costs recovered through SCRAF would be subject to carrying charges equal to the Prime rate from the date of cost incurrence, applied to the net balance of the storm fund and pre-staging reserve fund for storms occurring after March, 2025.

a. Is this characterization of the Company's proposal accurate? If not, please explain any mischaracterizations of the Company's proposal.

b. Clarify the distinction, if any, between the "reserve funds" for catastrophic storms and pre-staging events and the amounts incorporated into base rates for catastrophic storms and pre-staging events.

Response:

a. Yes, the statements regarding the Company's proposal are correct. The Company's proposal regarding future catastrophic storm and pre-staging event cost recovery through the Storm Cost Recovery Adjustment Factor ("SCRAF") is two-fold. First, the Company's proposal is to submit annual prudence filings on September 1st through the SCRAF mechanism for the prior year's storms regardless of any over or under-recovery. This annual filing will include all supporting documentation for the prior year's catastrophic storm and pre-staging event costs. This approach would allow PURA and other parties to undertake and complete a more timely and administratively efficient review because the filings will be closer in time and more narrow in scope (i.e., encompassing fewer storms). This annual review is necessary for PURA to make a determination on what costs are prudently incurred and may be recovered through the SCRAF.

   For additional detail, the Company is proposing a flexible approach to potential rate changes between rate cases in order to avoid the accumulation of significant balances of

catastrophic storm and pre-staging event costs depending on the circumstances at the time of each annual filing. The Company recognizes that storm costs can fluctuate significantly from year to year and a one-size-fits-all approach may not be in the interests of customer or the Company. As noted in the Company's testimony at Exhibit CLP-ELP-1, pages 137-138, the Company has proposed that PURA "not impose a strict period over which over or under recoveries will be collected or refunded, but rather [the period] will be based on the facts and circumstances at each particular time of the proposed rate change." The Company's proposed amortization period range of one to five years is intended to allow PURA the discretion to implement rate changes that balance the interests of customers and the Company based on the facts and circumstances that exist each year.

b. The Company's use of the term "reserve funds" in Exhibit CLP-ELP-1, page 156, is intended to refer to the customer contributions to the catastrophic storm and pre-staging reserves funded through base distribution rates. As noted in Exhibit CLP-REVREQ-1, at page 104, the Company is proposing to establish a level of reserve funding for catastrophic storm costs of $60 million annually, and in Exhibit CLP-REVREQ-1, at page 108, the Company is proposing to establish a pre-staging event funding level of $4 million. Please refer to the Company's response to OCC-521[i], for a discussion on the proposed catastrophic storm and pre-staging event reserve funding levels in base distribution rates.

Prior Referenced Response:

[i] OCC-521 Question:

Leadership Panel Exhibit CLP-ELP-1 – Storm Cost Recovery
At page 134, testimony states, "The Company's current base distribution rates include $3 million annually for pre-staging events and $3 million annually for catastrophic storms." At page 135, testimony states, "the Company is proposing to include $60 million in base rates as a level of annual funding to the catastrophic storm reserve fund and $4 million as a level of annual funding for pre-staging events." If the PURA were to approve the Company's proposal to implement an annual SCRAF, explain the rationale for also increasing the base distribution rates from $3 million to $60 million for catastrophic storms and from $3 million to $4 million for pre-staging event reserve funding.

OCC-521 Response:

As a point of clarification, although this question correctly quotes the Company's Leadership Panel testimony (Exhibit CLP-ELP-1), this question ignores an important part of the testimony regarding the current level of catastrophic storm reserve funding on the same referenced page 134. The Company's Leadership Panel testimony at Exhibit CLP-ELP-1, page 134, also notes that "[i]n addition to the $3 million for catastrophic storms, the Company was authorized to utilize expired storm amortizations from Docket Nos. 17-10-46, and 17 18-11-12, to provide additional storm reserve funding in the amount of $54.516 million for a total catastrophic storm reserve funding of $57.516 million and total reserve funding including pre-staging events of $60.516 million."

As a result, the Company is proposing to *maintain* $60 million of storm funding in base rates that is already recovered currently (in the amount of $57.516 million), not as compared to the $3 million initially in base distribution rates authorized back in 2018 as contemplated by this question. In addition, it is necessary to provide this funding for storm response if carrying costs are not going to be allowed on deferred amounts. If the goal is to minimize or eliminate the need for carrying costs, then more current recovery needs to be included in rates.

The purpose of the Company's proposed Storm Cost Recovery Adjustment Factor ("SCRAF") is to annually reconcile the actual incurred level of catastrophic storm and pre-staging event costs to the amount of storm funding included in base distribution rates. Ideally, base distribution rates would be set to recover the exact amount of storm costs incurred each year, however, because the frequency of storms and magnitude of the impact is indeterminate, storm costs are not susceptible to recovery solely through base rates. This base rate funding paired with the Company's proposed SCRAF aims to mitigate customer bill impacts amid the myriad factors described in the Company's testimony and more broadly throughout the Company's application that are putting upward pressure on the cost of service and customers' electric bills.

The Company evaluated the level of base rate funding for catastrophic storm and pre-staging event costs separately. Please refer to the Company's response to OCC-055, which discusses how the Company's proposed $60 million catastrophic storm reserve funding and $4 million pre-staging event reserve funding amounts were determined. As described therein and at Exhibit REVREQ-1, pages 104 through 107, the Company's average annual catastrophic storm activity is approximately $151.5 million (see Exhibit CLP-REVREQ-2, WP C-3.26, lines 27 through 35). However, the Company proposes to maintain catastrophic storm funding at approximately the same level as is currently in base rates, recognizing that annual activity is variable and difficult to predict. This approach aims to mitigate customer bill impacts amid the myriad factors described in that testimony and more broadly throughout the filing that are putting upward pressure on the cost of service and customers' electric bills. If, as posed by the question, base rate funding were reduced to $3 million and the Company were to experience catastrophic storm costs at its average level of approximately $150 million per year, that would result in 1) customers experiencing greater bill impacts associated with storms (i.e., by having to increase rates to collect $150 million, rather than $90 million, regardless the time period of recovery) 2) customers experiencing greater carrying charges than under the Company's proposal, since maintaining a level of funding will offset the amounts necessary to be financed by the Company between incurrence and collection, and 3) mitigate intergenerational equity by having some amount in rates for storms that occur each year, rather than having nothing, only to be recovered in full at a later point in time.