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
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.

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 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[i], 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.

Prior Referenced Response:

---

[i] OCC-055 Question

(Storm Reserves) Referring to Exhibit CL&P-RevReq-2, Schedule C-3.0, lines 43-44. Provide a detailed explanation why the Company is asking for increases in the rate years for the a) storm reserve accrual and b) pre-staging reserve accrual.

OCC-055 Response

a) The Company presented its proposal for catastrophic storm reserve accrual in Exhibit CLP-REVREQ-1, pages 104 through 107. According to that testimony, 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, 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. Therefore, the Company proposes a modest increase in the level of base rate catastrophic storm funding, from $57.516 million to $60 million. The overall storm cost recovery proposal, including a new Storm Cost Recovery Adjustment Factor ("SCRAF"), is described in detail in Exhibit CLP-ELP-1.

b) The Company presented its proposal for pre-staging event reserve accrual in Exhibit CLP-REVREQ-1, pages 107 through 108. The testimony calculated an average annual prestaging event expense of $4.097 million (see Exhibit CLP-REVREQ-2, WP C-3.27, lines 27 through 35), based on actual pre-staging event costs at $4.229 million in 2021, $6.350 million in 2022, $6.183 million in 2023, $0 in 2024, and $3.723 million in 2025 (using Gross Domestic Product – Price Index ("GDP-PI") to escalate costs to the Rate Year amounts). This average annual expense of $4.097 million supports the Company's proposed adjustment, increasing annual base distribution funding for pre-staging events from $3 million to $4 million.

It is important to note that the Company's proposals are based on a catastrophic storm threshold of $5.4 million, calculated by escalating the prior authorized threshold of $4 million using the GDP-PI from 2018 through the Rate Year. If the $5.4 million threshold is modified in this proceeding, the historical level of storm activity should be re-evaluated as well to determine if a level of reserve funding in base rates different than what the company has proposed is necessary. In addition, if the $5.4 million threshold is adjusted in this proceeding, the base level of non-catastrophic expense in base rates likewise need to be adjusted.