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Witness: Donald J. Scacco Jr., Digaunto Chatterjee, Douglas P. Horton, Leanne M. Landry and Jeffrey D. Turano
Request from: Office of Consumer Counsel

Question:

Exhibit CLP-ADDITIONS-12 at p. 167 identifies as the first major variance driver for 2024 vs 2025 "Decrease in overall CT capital plan due to regulatory recovery risk." Explain what the Company means by that phrase, and identify each investment deferred, reduced or cancelled in the 2025 plan for that reason, with the amount, the period of deferral, and the reliability or safety consequence assessed at the time, together with the documents recording each decision. State whether any such investment is now included in the docket no. 26-05-10 or specifically in the proposed TSP Plan in Exhibit CLP-TSP-1.

Response:

Please refer to OCC-781, Attachment 1, for a detailed description of why the 2025 CT capital plan was reduced relating to regulatory recovery risk.

Please refer to OCC-781, Attachment 2, for a list of deferred projects for the 2025 capital plan with deferred amounts greater than $500,000.

It is important to note that the budget reduction affected only the 2025 fiscal year, which was a fiscal period bookended by an increase in capital expenditures for reliability in 2023 and 2026. As a result, there is no "reliability or safety consequence" associated with such a short-term deviation in budget expenditures. The reliability impact associated with reduced capital investment is identified in OCC-781, Attachment 1, as in the range of 12-15 percent over the next five years, assuming no improvement in the reduced expenditure level. This projection flows from the fact that the electric distribution system is a dynamic operating platform constructed to have a sufficient level of flexibility to withstand the numerous intrinsic and extrinsic operating conditions that influence the system's performance in any given year, or even in any given week or day.

In that context, capital expenditures within one year are not generally viewed as having a discrete, discernible impact (positive or negative) on reliability performance. System reliability is a continually moving target that fluctuates up or down in the short term as a result of a number of factors, including randomly occurring operating conditions. In the longer term, reliability performance will trend up or down across time, on a system basis, with consistent investment (or a lack of consistent investment). For example, over five years, reliability-focused plant additions would be expected to have a positive, discernible impact, if consistently made over that five-year

period, and conversely, capital expenditures that are consistently reduced from year-to-year would be expected to have a discernible negative impact on reliability over a multi-year period.

The intrinsic and extrinsic factors that impact reliability and preclude a direct assessment of reliability benefits (or detriments) in the shorter term include the location of future events on the system, the impact of minor weather event days, aging infrastructure failures outpacing the rate of replacement, surrounding tree conditions and many other factors.

In addition, at the time that the Company identified the need for reduced capital expenditures, the Company took significant care to identify capital work that could be toggled back *without* an immediate impact to safety and reliability. For example, proactive, preventive replacement of underground, direct-buried 4kV cable was reduced following several years of *increased* investment because (1) the Company can maintain safety and reliability in the short run with repairs rather than replacement of this infrastructure; and (2) the Company's investment approach is changing now based on its experience with the proactive replacement program for 4kV.

The work deferred from the 2025 plan listed in OCC-781, Attachment 2, is planned for completion either as part of the 2026 capital plan, or as part of the Company's work plan over the next few years.