Date Filed: October 21, 2026

Witness: Douglas P. Horton, Brendan J. O' Brien and Garrett J. Murray
Request from: Public Utilities Regulatory Authority

Question:

(REVENUE CAP FORMULA) Exhibit CLP-ELP-1, p. 95. "Core Operating Expense" includes "O&M costs recovered through the existing capital recovery mechanism." Identify the O&M costs referenced by this statement, including the applicable FERC accounts or subaccounts, and identify the capital recovery mechanism through which each such expense is recovered. Explain how these O&M costs are treated in calculating the O&M Revenue Requirement subject to the I-X-Consumer Dividend Formula.

Response:

The Company's cost of service filed in this proceeding for the rate year July 1, 2027 through June 30, 2028 reflects the discontinuation of the existing Electric System Improvements ("ESI") recovery mechanism. Costs previously recovered through the ESI recovery mechanism, including costs associated with ESI-related capital investments, have been incorporated into the Company's proposed base distribution revenue requirement.

The only O&M expense associated with the ESI recovery mechanism was uncollectible expense recorded in FERC Account 904000 (Uncollectible Accounts) related to the ESI revenue requirement. Historically, this expense was recovered through the ESI recovery mechanism.

With the discontinuation of the ESI mechanism, these O&M costs are reflected in the Company's filed cost of service and recovered through base distribution rates. Accordingly, the associated uncollectible expense in FERC Account 904 is included in the Company's O&M Revenue Requirement and is treated no differently than any other uncollectible expense reflected in the filed cost of service.