STATE OF CONNECTICUT
PUBLIC UTILITIES REGULATORY AUTHORITY

Attachment 1

TECHNICAL MEETING DISCUSSION TOPICS:
REGULATORY FRAMEWORK FOR INCREMENTAL STORM COSTS

I. OVERVIEW

A catastrophic storm cost deferral framework may include at least four components: (1) Catastrophic storm and prestaging criteria; (2) A prudence review and a cost recovery mechanism; (3) A funding mechanism in rates to offset future storm costs; and (4) Applicable carrying charges. Below, the Authority describes the existing catastrophic storm cost deferral framework, in addition to Eversource's proposal in Docket No. 26-05-10, Application of The Connecticut Light and Power Company d/b/a Eversource Energy to Amend its Rate Schedules. For discussion purposes, the Authority also provides a potential alternative framework and other potential features of a storm cost deferral framework. Parties and Intervenors who wish to participate in the technical meeting should come prepared to discuss the potential framework features described herein.

II. EXISTING FRAMEWORK

Framework Components	Description
A. Criteria	(1) A storm qualifies as catastrophic when the incremental expense to respond to it meets or exceeds $4 million. (2) An event qualifies as a prestaging event when (1) Eversource sends a notice of prestaging to PURA for a potential catastrophic storm and (2) the storm does not materialize as expected and incremental costs do not exceed the catastrophic storm threshold. Allowable prestaging costs include costs incurred in advance of forecast catastrophic storms.
B. Prudence Review & Cost Recovery	(1) Prudence reviews conducted during rate cases or other irregular intervals. (2) Regulatory assets established in rate cases, with recovery details determined in the rate case.

Framework Components	Description
C. Funding Mechanism	(1) Annual reserve accrual in rates of $57.516 million in the catastrophic storm reserve. Current annual accrual consists of $3 million in base rates and $54.516 million of expired storm regulatory assets annually applied to the catastrophic storm reserve. Application, Ex. CLP-ELP-1, p. 134. (2) Annual prestaging reserve accrual in rates of $3 million, which lapses at the end of each calendar year; unused prestaging reserve is applied to catastrophic storm reserve, and incremental expenses exceeding $3 million are not deferable.
D. Carrying Charges	(1) Application of carrying charges prior to prudence decision is not permitted. (2) Prospective carrying charges historically permitted from the finding of prudence, at the weighted average cost of capital (WACC).

III. EVERSOURCE'S PROPOSED FRAMEWORK

Framework Components	Description
A. Criteria	(1) Retain definition of catastrophic and prestaging thresholds and establish new criteria for smaller events "without a single detrimental impact." (2) Modify catastrophic incremental cost threshold from $4 million to $5.4 million.
B. Prudence Review & Cost Recovery	(1) Implement Storm Cost Recovery Adjustment Factor (SCRAF) involving annual prudence reviews, recovery of net carrying charges, annual cost reconciliations with rate adjustments (as necessary) every September 1.
C. Funding Mechanism	(1) Increase catastrophic accrual from $57.516 million ($3 million in base rate and $54.516 million of expired storm regulatory assets annually applied to the catastrophic storm reserve) to $60 million. (2) Increase prestaging accrual from $3 million to $4 million. (3) The prestaging accrual should not act as an annual cap, but should operate like the catastrophic reserve.
D. Carrying Charges	(1) Carrying charges applied at WACC or Prime rate from the date of cost occurrence on the net balance of catastrophic storm fund and the net balance of prestaging storm fund for storms occurring after March 2025.

Application, Ex. CLP-ELP-1, pp. 121-156.

IV. POTENTIAL ALTERNATIVE FRAMEWORK

Framework Components	Description
A. Criteria	(1) To-be-determined.
B. Prudence Review & Cost Recovery	(1) Annual catastrophic storm cost prudence review and cost recovery approval based on pre-agreed process milestones and tollgates with approved costs financed with 100% non-recourse debt financing and amortized over time through a special purpose vehicle ("SPV") established by the EDC. (2) Each year, the EDC would recover the approved costs from the proceeds of newly issued debt by the SPV. 20% of each year's debt tranche associated with the previously approved catastrophic storm costs would be amortized for a five-year period with a goal of smoothing year to year volatility. The annual aggregate debt amortization payment and the cost of the unamortized debt would be recovered from ratepayers via a newly established "Storm Cost Tariff" dedicated to the repayment of debt of the SPV.
C. Funding Mechanism	(1) Each year's annual debt amortization plus the interest cost of the debt to finance the unamortized balance of debt issued by the SPV would be recovered from ratepayers via a "Storm Cost Tariff".
D. Carrying Charges	(1) The EDC would incur carrying charges annually from the time of prudence determination to the receipt of proceeds from the issuance of debt by the SPV at the WACC (e.g. estimated 3 months time).

V. MENU OF ALTERNATIVE IDEAS

The alternative ideas described below are severable from one another and may be combined with other framework components.

A. Criteria

(1) Use reliability data (such as IEEE 1366 Major Event Day) instead of incurred costs to determine catastrophic storm threshold.

B. Prudence Review & Cost Recovery

(1) Initiate a contested case to conduct prudence reviews of storm costs two years after the issuance of the most recent rate amendment, and every two years after that until a new request for a rate amendment is filed.

(2) Implement a deductible-type model where the first portion of each storm is included in O&M Expenses, and the remainder is deferred for later recovery. For example, the first $5.4 million of each storm is included in Eversource's O&M Expenses, and anything over $5.4 million can be deferred for prudence review and recovery in a subsequent rate case.

C. Funding Mechanism

(1) Prestaging costs for catastrophic and non-catastrophic storms funded as an O&M expense, with no deferral.

(2) Prestaging costs for catastrophic storms funded with a lapsing reserve (use it or lose it).

D. Carrying Charges

(1) Carrying costs begin accruing on customer contributions in the reserve upon collection; carrying costs begin accruing on incremental costs upon a finding of prudence.