Date Filed: September 18, 2026

Witness: Douglas P. Horton and Jared A. Lawrence
Request from: Public Utilities Regulatory Authority

Question:

(AMI) Application, Lawerence and Horton PFT, p. 15. The Company states that the full benefits of AMI will only be realized after nearly all customer meters are replaced. Explain how the proposed annual cost recovery mechanism protects customers from paying for a system that is not fully yet functional or delivering its promised benefits during the early years of the rollout.

Response:

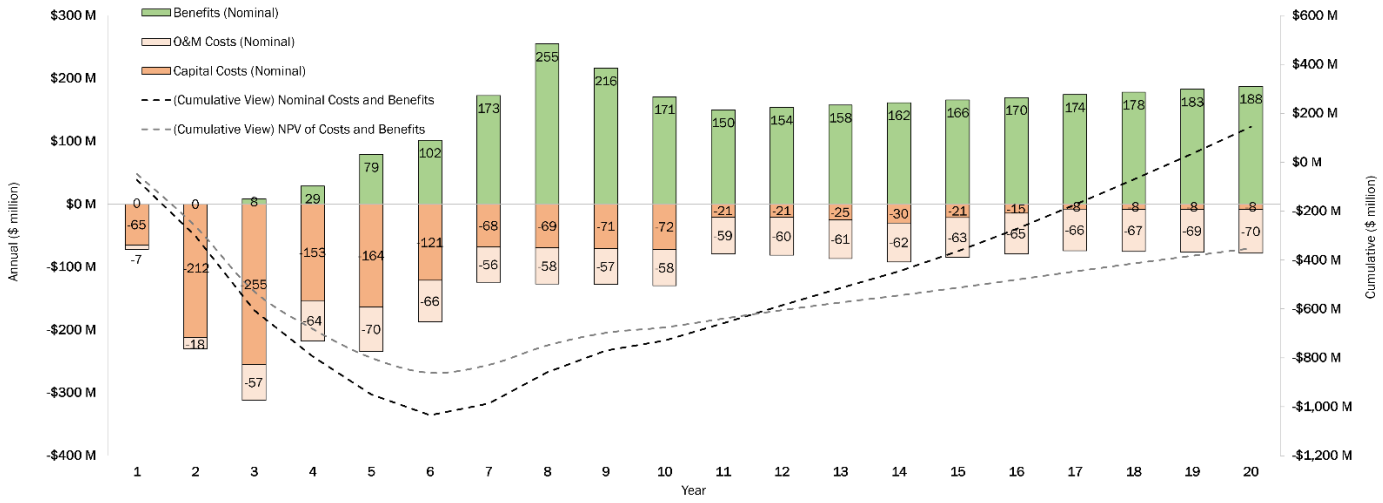
While it is true that realizing the full AMI program benefits requires full AMI Plan execution, benefits to customers begin early in the program with the completion of the foundational technology systems and then continue to grow during the subsequent progress of AMI implementation. As described in RSR-001[i] part (b), the new CIS and MDMS systems offer benefits immediately upon replacement of their legacy predecessors in the areas of more efficient cybersecurity updates, more cost-effective platform support, and quicker and more cost-efficient deployment of enhancements. Upon individual installation, each AMI meter provides that customer with access to usage insights and alerts and the benefits of proactive outage detection, as well as performing its core function of metering electricity usage for billing purposes. Operational savings related to reduced meter reading costs and other truck rolls also begin with the first meter installations and grow as the deployment advances. Additionally, capabilities such as transformer load management and EV/solar awareness provide benefits once AMI meters are installed in a particular circuit (i.e. they do not require full AMI implementation). The chart below (Figure 8 – Detailed 20-Year Financial Summary by Cost and Benefit, Exhibit CLP-AMI-3 Page 19 of 206) illustrates how benefits begin to accumulate during AMI Plan implementation.

The cost recovery framework proposed by the Company ensures that customers do not begin incurring costs associated with capital investments until they are placed in-service and used and useful. Recovery is only applicable once plant is placed in-service and is used and useful, following the traditional "used and useful" standard applicable to recovery for all plant additions. This is an important and foundational ratemaking standard because it ensures that, on the one hand, customers do not pay for plant additions that are not providing them utility service, and that on the other hand, utilities have a reasonable opportunity to be compensated by customers for the cost of investments made to serve those customers. In addition, the Company's proposal is to defer incremental O&M costs that are incurred by the Company for future securitization and therefore

these costs will not be paid for by ratepayers prior to the majority of AMI investments going into service.

The proposed cost recovery framework incorporates the transparency of annual reviews for prudence of capital expenditures, and utilizes securitization of the unrecovered AMR net book value and O&M costs during the implementation period in order to mitigate the bill impact for customers. Moreover, by allowing the Company to defer incremental O&M costs during the deployment phase so that they can accumulate and later be securitized will also serve to more closely align the customer rate impact of securitization with the benefits realized.

The chart below was provided within OCC-397, Attachment 1, on Tab 2.6 titled "Cash Flows" and page 19 within Exhibit CLP-AMI-3.



Prior Referenced Response:

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[i] RSR-001 Question:

(AMI) Application, Lawrence and Horton PFT, pp. 15-16. The Company states that it will spend the first three years of the program building back-office IT platforms and communications networks before beginning physical meter deployment.

a. By what date does the Company expect these foundational computer systems and networks to be actively serving customers?
b. If applicable, please explain why it would be appropriate to recover capital costs for these IT systems from customers before AMI meters are actively transmitting data over the new network.

RSR-001 Response:

a. The critical back office IT platforms and communications networks to be deployed in preparation for AMI meter installation, and projected in-service dates (subject to further program schedule refinement) are as follows:

- Communications network devices: in-service dates range from 18 months to 36 months from date of AMI Plan approval
    - The AMI communications network is comprised of thousands of devices providing coverage across the service territory to collect and send data between meters and back-office systems via the headend system (HES). The network does not have a single "in-service" date; rather, network access points and relays are deployed and integrated with back-office systems via cellular technology neighborhood by neighborhood. Once a network device is installed and communicating with back-office systems, it is available for network testing and to initiate communications with any AMI meters within each of the radio signals. This allows the communications network to support AMI meter and grid-sensing device testing prior to mass market deployment, and it also allows the Company to begin AMI meter installations before the communications network is complete across the system. Therefore, upon activation, each communications network device provides a local foundation for testing activities and further AMI technology deployment.
- Customer Information System (CIS): in service 30 months from date of AMI Plan approval
- Meter Data Management System (MDMS): in service 30 months from date of AMI Plan approval

It is necessary for the new CIS and MDMS to be in service prior to the rollout of AMI meters so that there will be a seamless transition for customers to the AMI-based meter-to-cash processes and other AMI features. However, while the modern CIS and MDMS systems are necessary for AMI, their benefits extend beyond AMI enablement, and customers will enjoy those benefits upon launch of those systems even prior to receiving their AMI meters. The current CIS and MDMS are aging legacy systems that require the Company to retain access to support resources with increasingly specialized expertise and experience. Those legacy systems are typically costly and time-consuming to update with new functionality (such as new discount rate structures and financial protections), and they require increasing levels of investment by the Company to ensure they have updated cybersecurity protections. The modern CIS and MDMS will be provided by well-established software providers that consistently monitor the cybersecurity features of their platforms and provide regular upgrades and security updates. Those upgrades also ensure that the features and performance continue to evolve to meet the advancing needs of clients and their customers. Additionally, it will be more cost-effective for the Company to retain access to support resources for these modern and widely available platforms.

b. As explained above, the benefits of the foundational technology investments begin to accrue to customers well before AMI meters are installed. The AMI network devices allow the Company to test functionality and performance prior to mass deployment of AMI meters to ensure a more efficient and stable rollout. And customers will not need to have an AMI meter to begin benefiting from the enhanced security, efficiency and agility of the modern CSI and MDMS.

The costs for implementing back-office IT platforms and communications networks are appropriate for recovery from customers as these systems will be in-service, being used, and useful, even prior to full meter deployment. As discussed in Exhibit CLP-AMI-1 at 15, the communication infrastructure and supporting back-office systems must be in service in advance of meter deployment and to ensure an efficient transition from AMR to AMI.