Date Filed: October 27, 2026

Witness: Douglas P. Horton
Request from: Department of Energy and Environmental Protection

Question:

(PBR) What are the estimated total potential impacts on net income profit margin or realized return on equity under the proposed 0.5% penalty threshold / 0.25% incentive threshold for total distribution revenues?

Response:

Based on the Company's proposed Rate Year distribution revenues of $1.92 billion, the maximum annual PIM penalty and incentive would be $9.61 million and $4.80 million, respectively. The testimony presents these amounts on a rounded basis as approximately $10 million and $5 million. (Exhibit CLP-REVREQ-2, Schedule C-1.0, line 19; Exhibit CLP-ELP-1, pp. 115–116.)

Applying the Company's filed gross revenue conversion factor of 1.3796, the estimated after-tax net-income impacts would be approximately negative $6.97 million and positive $3.48 million, respectively. (Exhibit CLP-REVREQ-2, Schedule A-2.0, line 27.) Based on the projected Rate Year rate base and proposed common-equity percentage of capitalization, these amounts would reduce realized ROE by approximately 19 basis points or increase realized ROE by approximately 9 basis points, respectively. (Exhibit CLP-REVREQ-2, Schedule A-1.0, line 16, and Schedule D-1.0; Exhibit CLP-ROE-1, p. 60.)