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Witness: Douglas P. Horton, Brendan J. O' Brien and Garrett J. Murray
Request from: Office of Consumer Counsel

Question:

Non-Catastrophic Storm Calculation. Refer to Exhibit CLP-REVREQ-1 page 109.

a. Explain the basis for inflating the historical years dollars to 2028 dollars.
b. State whether this approach was used by the Company in its previous rate case for non-catastrophic storm expense.
c. Identify all other expenses in the revenue requirement that the company inflated the historical dollars for utilizing an average in deriving the rate year amount.

Response:

a. When the Company developed its cost of service for the Rate Year, the Company utilized the actual Test Year costs for the majority of the expense items and adjusted those costs for known and measurable changes through the Rate Year. Most expenses did not contemplate a historical average since the level of activity for many expenses remain relatively stable. However, the costs for that same level of activity are subject to inflationary pressures and expenses incurred five years ago may not be indicative of the cost of the same activity in the Rate Year due to those inflationary pressures.

   For the level of non-catastrophic storms expense included in the cost of service, the Company has proposed a treatment that acknowledges that storm activity can vary significantly year over year in ways other expenses do not. In order to account for this variability in a cost component that will be fixed in the Company's base distribution rates, the Company utilized a five-year average of non-catastrophic storm expenses as the baseline. It would not be appropriate to simply take the historical actuals and average them because as indicated previously the expenses incurred five years ago may not be indicative of the cost of the same activity in the Rate Year due to inflationary pressures. Therefore, the Company has inflated the historical dollars using the Gross Domestic Product – Price Index ("GDP-PI") prior to averaging to ensure the average non-catastrophic storm expenses reflect what the Company would expect to incur in terms of Rate Year dollars.

b. The Company is continuously updating and evaluating its approach to all cost categories within the cost of service. The Company's proposed treatment to calculate the representative level of non-catastrophic storm expenses included in its cost of service is an enhancement to the approach previously utilized.

c. The Company utilized the same approach of inflating historical dollars through the Rate Year for the Pre-Staging Accrual in Schedule C-3.27 for the same reasons noted in part (a) of this response.