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Request from: Public Utilities Regulatory Authority

Question:

(RATES) Application, Ex. CLP-Rates- 2.1., p.1. Define the term Allocation to Average in Column G and explain why the values in that column are hard-coded. Explain and provide the Average percentage and its calculation. Also, define the terms LT Average and Residual.

Response:

The term "Allocation to Average" refers to the proposed distribution revenue increase for each rate class relative to the overall average proposed rate increase shown in line 30. For example, in Column G, line 47 it is proposed that Rates 1 and 7 receive an Allocation to Average of 102%. Therefore, they will receive 2% greater than the overall average of 50.61% (line 30). This value comes to 51.62%, as shown in Column M, line 47. The values in this column are hard-coded because they are inputs for the calculation in Column H.

As stated above, the average percentage is 50.61% and can be found on line 30. This is determined, as shown in Exhibit CLP-RATES-2.1 page 1, by dividing the Rate Year proposed revenues without GET by the Rate Year distribution revenue at current rates without GET.

The rate classes with a "LT Average" designation in column G received a rate increase that was less than ("LT") the total average increase of 50.61%. This is due to the fact that these rate classes were earning above the current average rate of return based on current rate revenue.

The "Residual" is the distribution revenue increase dollars remaining once all rate classes receiving more than the total average increase have been determined. The remaining rate classes are then designed to collect the "Residual" revenue increase. More detail can be found in the workpapers to Exhibit CLP-RATES-2.1. These were provided in OCC-365, Attachment 1. Please refer to pages 31 and 32.