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

Question:

(PBMRP- Z factor) Refer to Exhibit CLP-ELP-1 p. 99. Define (1) State Initiated Cost Change; (2) Federally Initiated Cost Change; (3) Regulatory Cost Reassignment; and (4) Externally Imposed Accounting Rule Change as it pertains to Exogenous Events in the Company's proposal. For each category, provide specific examples of potential events the Company expects would and would not qualify for recovery as an Exogenous Event.

Response:

Below, the Company has provided illustrative examples of the types of events or changes that could qualify for exogenous factor consideration, subject to satisfaction of the applicable Z-Factor criteria:

1. State Initiated Cost Change

- A new Connecticut statutory mandate requiring a distribution-system capital investment program or activity that was not contemplated in the revenue requirement used to establish the PBMRP.

- A new or materially changed PURA or other Connecticut agency requirement imposing material incremental compliance, operational, or infrastructure requirements on electric distribution companies.

- A change in Connecticut tax law that imposes a new or materially different tax obligation specific to utilities or electric distribution operations.

2. Federally Initiated Cost Change

- A new or materially revised federal reliability or cybersecurity requirement that requires incremental distribution-system investment or operating expenditures.

- A new federal environmental requirement requiring remediation, equipment modifications, monitoring, or other incremental expenditures associated with distribution assets or operations.

- A new or materially revised federal safety or physical-security standard requiring changes to distribution facilities, equipment, systems, or operating practices.

3. Regulatory Cost Reassignment

- A change in jurisdictional cost responsibility between federal and state regulation that causes a category of costs to become, or cease to be, the responsibility of distribution customers.

- A regulatory determination that moves responsibility for a material cost into or out of distribution rates when that cost had previously been recovered through another regulatory mechanism.

4. Externally Imposed Accounting Rule Change

- A new or amended FASB accounting standard that requires a material change in the recognition or measurement of distribution-related costs.

- A mandatory regulatory-accounting change that requires costs previously capitalized to be expensed, or costs previously expensed to be capitalized.

- A mandatory accounting change that creates, eliminates, or materially changes the accounting treatment of a regulatory asset or regulatory liability.