

Information Request DPU 4-8

**Request:**

Refer to Updated Plan, prefiled joint testimony of the cost recovery panel, CRP-1, at 32-33. Please provide support for the Company's proposal to allocate the revenue requirement associated with the distribution/shared STIP capital costs using a rate base allocator. As part of this response, explain why this proposed method best satisfies cost causation principles, including the minimization of cross-subsidization among customer classes.

**Response:**

The Company has proposed the use of its Rate Base Allocator for the allocation of distribution/shared STIP capital costs due to the variety of assets represented in this category of costs. Exhibit JJN-2, the source of this category of cost, includes investment that would be recorded in a variety of plant unit codes which represent different types of assets. Therefore, a rate base allocator is the most appropriate allocator, consistent with the allocation of capital costs in the Company's Capital Investment Recovery Mechanism. In addition, since the Company does not maintain or otherwise derive rate base at a level except at the total company level, there is no subset of rate base that can be used to form the basis of a customer allocator for these capital costs. Consequently, the Company believes that the proposed Rate Base Allocator would be the most appropriate allocator to use.