

Multi-Year Regulation Plan Major Elements Summary

Category	Element	Summary
Infrastructure Costs	Capital Expenditures	<p>Detailed project by project based on known and measurable standard for RY19 in rate case; then for Plan period FY20-22, fixed amount, category by category (i.e., Gen, T&D, IT, fleet, facilities, new initiatives), with limited exceptions.</p> <p>Locked in ~\$85 million/year spending for each year of regulation plan, with limited exceptions, and total Closed to Plant during Plan term of \$256.5.</p>
	Depreciation	<p>1) Set up front, based upon forecasted cost by rate year through 2022 due to set capital spend by year.</p> <p>2) Adjusted for adoption of new depreciation study to be applied starting FY2021. Locked in \$/year, adjusted only for depreciation study in FY21 and FY22.</p>
	Property Taxes	<p>Set based upon forecasted cost by rate year through 2022, based upon set capital spend by year and inflation expectations.</p> <p>Locked in \$/year.</p>
Power Supply, Transmission, Revenue	Energy, Capacity, RECs, Ancillary Services, Transmission Generation O&M Costs & Revenue	<p>Forecasted annually through FY2022, as filed no later than 3 months prior to start of rate year (i.e., no later than July 1 for Oct. 1 start).</p> <p>Adjustors used to true up power costs and retail revenue. See below.</p>
Financing Costs	Debt	<p>Detailed known and measurable costs for RY19. Forecasted annually for each rate year 2020-22, as filed no later than 3 months prior to start of rate year.</p>
	Equity	<p>Set number based on witness testimony/evidence from 2019 rate case, adjusted by indexing annually 2020-22 and modest performance-based ROE adjustments, if achieved.</p> <p>Proposed 50/50 debt/equity ratio for life of plan, +/-1%.</p>

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Other Costs	O&M	O&M Platform adjusted for inflation through 2022, period of merger platform. Off platform O&M items subject to reforecast yearly for inflation and payroll changes, as filed no later than 3 months prior to start of rate year.
	Taxes: Federal, State, & Other non-Prop Taxes	Detailed known and measurable costs for RY19. Forecasted annually for each rate year 2020-22, as filed no later than 3 months prior to start of rate year.
	Equity in Affiliates	Detailed known and measurable costs for RY19. Investments and earnings forecasted annually for each rate year 2020-22, as filed no later than 3 months prior to start of rate year. Any investments in new affiliates subject to PUC approval.
	Other Items	Detailed known and measurable costs for RY19. Forecasted or calculated annually for each rate year 2020-22, as filed no later than 3 months prior to start of rate year.
Refresh & Adjustors	Revenue & Power Supply Adjustor (PSA)	Plan proposes a new retail revenue adjustor for decoupling and an improved power supply adjustor that better aligns GMP incentives to control power costs with customer incentives to reduce energy spending. Quarterly true-up proposed.
	Exogenous (including Storm) Adjustor	Plan proposes new ongoing \$8M/yr collection of exogenous costs booked to regulatory account to cover accumulated costs in current regulation plan and allow greater certainty and reduced volatility from Major Storm recovery. Same thresholds/storm deductible.
	Earnings Adjustor Sharing Mechanism (ESAM)	Plan proposes a new, modest ESAM with 50+/- dead band and symmetrical sharing 50/50 of over -or under-earning outside dead band through next 50 +/- bps, with 100% customer return/collection beyond sharing band. Other provisions of Plan will limit need for ESAM, but it is a backstop.

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Other	Innovative Pilot	Plan continues strong current program.
	Innovation & Performance Metrics	Plan incorporates Service Quality and Reliability Plan, proposes small ROE adjustments for superior performance on customer service stretch goals, and includes Innovation metrics for measurement.
	Cloud capital expenses New Initiatives cap ex	GMP suggests cloud-based projects should be treated as capital cost, not expense, per evolving business model as recommended by NARUC. Plan also proposes greater spending flexibility for new initiatives that are positive for customers.
	Opener for Unforeseen Strategic Cap Ex	Plan proposes provision to allow request recovery of unforeseen but important capital projects for customers (i.e., strategic hydro acquisition).
	Ability to seek rate case—exit clause	Plan allows GMP or Department to suspend plan and go to traditional case if costs become materially disconnected from what is in rates.