Request IR-1:

Reference: Exhibit N-3, Direct Evidence, pages 95-96.

(a) Please provide a detailed breakdown for the cost allocation methodology (with tab and line reference to the study) and any changes made to the rate design which is driving increases to the distribution adder charge proposed for 2026 and 2027 for Large Industrial (distribution-connected), as compared to the current 2025 charges.

(b) Please explain any methodology changes impacting the distribution adder for Large Industrial customers.

Response IR-1:

(a-b) In preparing this response the Company found an error in its Distribution Cost Adder (DCA) calculations. Instead of using the distribution system costs of $1.717 million in 2026 and $1.791 million in 2027, as apportioned to the Large Industrial (LI) Rate in the filed 2026 and 2027 COSS spreadsheets, the Company has used a dated distribution cost input of $1.932 million. The revised DCA is $2.073 per kVA in 2026, which represents a 27 percent increase over the current DCA of $1.632per kVA, and $2.244 per kVA in 2027, which represents an 8 percent increase over the 2026 DCA. Please refer to Attachment 1 for calculations of the revised 2026 and 2027 DCAs.

The primary reason for this increase is an increase of 30.4 percent in the demand-related unit costs[1] of the Distribution System from the 2023 COSS to 2026 COSS. While the demand-related Distribution System Costs increased by 43.6 percent from $112.1 million in 2023 COSS (Exh 6, cell D152) to $161.1 million in the 2026 COSS (Exh 6, cell D159) the increase in the annual non-coincident class kW peak at the distribution system, which forms the basis for allocation of these costs to rate classes, was only 10.1 percent from

[1] The demand-related distribution costs apportioned to the LI class account for 99 percent of the total distribution costs of this class whereas the customer-related costs account for only 1 percent.

2,356.715 kW in the 2023 COSS (Exh 9b, cell C22) to 2,595,216 kW in the 2026 COSS (Exh 9b, cell C22).

The Company has not changed the methodology used for the DCA calculations.

Please refer to CA IR-1 for

- the revised rates in the updated 2026-2027 GRA SR-01 Att 08 included in Attachment 4.
- the revised proof of revenue in the updated 2026-2027 GRA OR-01 Att 01 included in Attachment 5.

Subject to the Board's approval, the Company proposes to make the appropriate revision to the DCA in the Compliance Filing, consistent with the revised rate calculations included in response to CA IR-1, following the Board's Decision on the GRA.

2026-2027 GRA IG IR-1 Attachment 1 has been filed electronically.