

Reserve Surplus Amortization Mechanism

1. The Reserve Amount requested in this petition is \$25 million.
2. The Reserve Amount is reflective of depreciation reserve surplus shown on Exhibit LF-5(B) sponsored by FCG witness Fuentes. The Reserve Amount shown in Exhibit LF-5(B) reflects approximately \$52 million, however the Company is requesting \$25 million of the Reserve Amount be available under an RSAM.
3. During February 1, 2023 to December 31, 2026, (“Term”), FCG may amortize any of the Reserve Amount, at its sole discretion, subject to the following:
 - a. For any ESR submitted by FCG during the Term for which its Return on Equity on an FPSC Adjusted Basis (“Regulatory ROE”) would otherwise fall below 9.75 percent, FCG must amortize at least the amount of the Reserve Amount, if available, required to achieve a Regulatory ROE of 9.75 percent.
 - b. FCG may not amortize any Reserve Amount during any twelve-month period that would cause its Regulatory ROE in an ESR to exceed 11.75 percent.
 - c. FCG must debit depreciation expense and credit the depreciation reserve¹ in an amount to cause FCG not to exceed a Regulatory ROE of 11.75 percent in any ESR unless such credit to the depreciation reserve would result in FCG exceeding the Reserve Amount of \$25 million.
 - d. FCG may record credits to depreciation expense and debits to depreciation reserve, or debits to depreciation expense and credits to depreciation reserve in any period at its sole discretion subject to the conditions set forth in 3(a), 3(b), and 3(c).
4. FCG cannot petition for a general increase to base rates during the Term unless the Regulatory ROE falls below 9.75 percent and the Company has recorded a cumulative amount of credits to amortization expense equaling the Reserve Amount.
5. The RSAM will remain available for use by the Company until the effective date of new base rates established in a general base rate proceeding.

¹ For purposes of the RSAM, the Reserve Amount would be adjusted through the cost of removal component of the depreciation reserve.