Q.GMP.DPS.1-18: Mr. Enterline's ROE recommendations discuss his view of major areas at risk for GMP and notes that the MYRP "ensures that GMP collects its costs." For each of the identified risk areas, state whether the Department understands the MYRP to fully or only partially mitigate risk, including for example through deadbands and partial cost recovery.

A.GMP.DPS.1-18: The Department understands that the four adjustment mechanisms in the MYRP mitigate GMP's risk as follows. (Note that the following discussion focuses primarily on downside earnings exposure to shareholders, rather than elimination of all timing, operational, or reconciliation risks associated with the underlying cost categories).

- ESAM – Partially, then fully. GMP shareholders bear the first 50 basis points of under-earning below the Commission-approved ROE. GMP shareholders then bear 50% of the next 100 basis points of under-earning. Once GMP's actual ROE is more than 150 basis points below the Commission-approved ROE, the earnings risk that GMP shareholders bear is fully mitigated from an earnings perspective. The maximum shareholder risk under the ESAM is 100 basis points or 1.0%.
- Exogenous Major Storm – Partially, then fully. GMP shareholders bear a one-time annual $1.2 million deductible for qualifying major storm costs. After that annual deductible is met, the major storm risk that shareholders bear is fully mitigated.
- Power Supply – For Component A costs, fully. For Component B costs, partially. GMP shareholders bear $307,000 per adverse quarter, or $1.228 million per year if adverse variances occur in all four quarters, plus 10% of adverse Component B cost variance outside the Component B efficiency band.
- Retail Revenue – Fully. This mechanism fully mitigates retail revenue variance risk.

It is important to note that the ESAM functions as a global earnings-risk mitigation mechanism for GMP's shareholders. Because Actual Earnings include the earnings impact of adjustments under the MYRP, adverse impacts from power supply, storm costs, and other covered plan mechanisms flow into the ESAM calculation. Once GMP's actual ROE is more than 150 basis points below the Commission-approved ROE, the ESAM provides full recovery of the revenue impact from customers. As a result, the ESAM effectively caps GMP shareholder downside across the covered MYRP cost categories and adjustment mechanisms.

In dollar terms, the Department understands GMP's maximum shareholder risk to be approximately $11.1 million of equity earnings in FY27, which is about 10.1% of its (requested) equity earnings in FY27. The following table illustrates the calculation of these estimates.

Line #	Input	Value	Source
1	Total Rate Base Investment (FY27)	$2,203,349,247	'COS Filing Format FY 2027 Traditional.xlsx', COS RB Summary!M132
2	Common equity ratio	50.26%	'COS Filing Format FY 2027 Traditional.xlsx', cost of capital!F22
3	12-month cost rate % (requested ROE)	9.94%	'COS Filing Format FY 2027 Traditional.xlsx', cost of capital!G22
4	Maximum ESAM Shareholder Risk %	1.00%	'25-1955-PET - 2025.10.31 GMP MYRP Redline, Section VI.C.1. Calculation of Variance Amount

Line #	Calculation	Value	Source
5	Equity Earnings	$110,032,702	Formula: Line 1 * Line 2 * Line 3
6	Maximum ESAM Earnings Risk $	$11,074,033	Formula: Line 1 * Line 2 * Line 4
7	Maximum ESAM Earnings Risk $ as a % of Equity Earnings	10.1%	Formula: Line 6 / Line 5

Person(s) Responsible for Response: Shawn Enterline
Title of Person(s): Chief of Finance & Economics
Date: May 13, 2026