ATTACHMENT GMP.COMM1.Q3.1 - GMP Response to inquiry from PUC workshop on the impact of the early return of the Accumulated Deferred Income Tax ("ADIT") funds.

The PUC requested information on the increased borrowing costs associated with GMP's ADIT return proposal, compared to returning the same amount over a longer period of time. Because GMP feels it is critical that these funds are returned to customers, the proper analysis for evaluating the relative cost of GMP's proposal is a comparison to the cost of alternative approaches to returning these funds, not to the cost of doing nothing to return the funds. Thus, we have prepared an analysis comparing the outcome for customers with the funds being returned as proposed in the FY '19 rate filing versus returning the ADIT funds over the same IRS life of 33 years used for our deferred tax component that falls under the classification of "protected" assets.

Under GMP's proposed one-time up-front return, GMP will have to initially fund the full amount of ADIT return to customers from our unsecured revolving credit facility. This return of the customers' money will reduce GMP's accumulated deferred income tax liability, thereby increasing rate base. Since we are committed to maintaining an average debt to equity ratio of 50/50, this customer refund will ultimately be funded by a combination of debt and equity. Because the purpose of these funds does not qualify as bondable collateral assets under our first mortgage bonds, the debt component will continue to be from our unsecured revolving credit facility.

As indicated in Attachment GMP.COMM1.Q3.2, The net present value ("NPV") of a one-time return of the ADIT funds to customers resulted in approximately $130,000 of greater benefit for our customers, compared to the NPV of the longer return period. These calculations used a Weighted Average Cost of Capital ("WACC") of 7.04%, as filed in the 2019 rate filing, which is based on current interest rates and current outstanding debt and assumes that the after-tax WACC does not change throughout the time period (i.e. that it is held constant). This analysis supports GMP's belief that it is taking the right approach for customers by returning all the money as soon as possible to drive down costs. It should also be noted that we think interest rates will rise over the next 33 years resulting in a higher WACC and even greater benefit to our customers.