

**Q. Please provide further explanation as to how the weighted splits for General System Expenses, and Administration and General Expenses in Schedule 3.2 of Exhibit LCH-2, page 24 of 40, were obtained, as they seem not to be produced according to the description of the basis for functional classification on the same page.**

**A.** The weighted splits for the General System Expenses and the Administration and General Expenses contained in Schedule 3.2 of Exhibit LCH-2, page 24 of 40, were obtained as outlined in Attachment A.

The functional classification of operating and maintenance expenses shown on page 1 of Schedule 3.2 (Exhibit LCH-2, page 23 of 40) is consistent with the notes provided on page 2 of Schedule 3.2 (Exhibit LCH-2, page 24 of 40) which describe the basis for the functional classification.

As an example, the functional classification of General System Expenses Related to Distribution shown on Line 19 of Schedule 3.2, page 1 of 2 (Exhibit LCH-2, page 23 of 40) is calculated by first of all summing the functional splits for General System Expenses shown on page 2 of 2 (Exhibit LCH-2, page 24 of 40) for Columns E through N and Column P (a total of 44.5%). Then, the functional classification of General System Expenses Related to Distribution on page 1 of 2 (\$1,128,000) is calculated as shown in Table 1 below:

<b>Table 1</b> <b>Functional Classification of General System Expenses Related to Distribution</b> <b>Schedule 3.2 of Exhibit LCH-2</b> <b>(\$000s)</b>				
Column E:	\$1,128 x (6.0%/44.5%)	=		\$153
Column F:	\$1,128 x (11.2%/44.5%)	=		\$283
Column G:	\$1,128 x (5.5%/44.5%)	=		\$140
Column H:	\$1,128 x (3.3%/44.5%)	=		\$ 83
Column I:	\$1,128 x (1.2%/44.5%)	=		\$ 31
Column J:	\$1,128 x (2.8%/44.5%)	=		\$ 71
Column K:	\$1,128 x (1.4%/44.5%)	=		\$ 35
Column L:	\$1,128 x (6.5%/44.5%)	=		\$166
Column M:	\$1,128 x (2.6%/44.5%)	=		\$ 66
Column N:	\$1,128 x (3.9%/44.5%)	=		\$100
Column P:	\$1,128 x (0.1%/44.5%)	=		\$ 1

**Detailed Calculation of Weighted Splits to be used in the Functional Allocation of General System Expenses and Administration and General Expenses**

Description	Total Amount A	Produced &	Produced &	Transmission Demand D	Distribution											Cust. Acc. & Cust. Serv. O	Specifically Assigned P
		Purchased Demand B	Purchased Energy C		Substation Demand E	Primary Demand F Customer G		Transformers Demand H Customer' I		Secondary Demand J Customer K		Services Customer L	Meters Customer M	St. Lighting Customer N			
General System Expenses																	
Split based on Subtotals For Direct O&M and Fixed Plant.																	
Weighting for Fixed Plant	34.1%																
Weighting for Direct O&M	65.9%																
Total fixed Plant (Schedule 2.1, Line 22) (000s)	946,425	56,580	65,720	128,923	71,569	208,033	102,464	52,471	19,407	52,008	25,616	65,054	20,952	39,301	37,000	1,326	
% Split	100.0%	6.0%	6.9%	13.6%	7.6%	22.0%	10.8%	5.5%	2.1%	5.5%	2.7%	6.9%	2.2%	4.2%	3.9%	0.1%	
Weighted Split for Fixed Plant	34.1%	2.0%	2.4%	4.6%	2.6%	7.5%	3.7%	1.9%	0.7%	1.9%	0.9%	2.3%	0.8%	1.4%	1.3%	0.0%	
Subtotal for Direct O&M (Schedule 3.2, Line 18) (000s)	18,912	1,210	1,517	1,238	986	1,054	519	401	148	263	130	1,206	530	723	8,973	14	
% Split	100.0%	6.4%	8.0%	6.5%	5.2%	5.6%	2.7%	2.1%	0.8%	1.4%	0.7%	6.4%	2.8%	3.8%	47.4%	0.1%	
Weighted Split for Direct O&M	65.9%	4.2%	5.3%	4.3%	3.4%	3.7%	1.8%	1.4%	0.5%	0.9%	0.5%	4.2%	1.8%	2.5%	31.3%	0.0%	
Total Weighted Split for Allocating General System Expenses	100.0%	6.3%	7.7%	9.0%	6.0%	11.2%	5.5%	3.3%	1.2%	2.8%	1.4%	6.5%	2.6%	3.9%	32.6%	0.1%	
Administration and General Expenses																	
Split based on Subtotals For Direct O&M and Fixed Plant.																	
Weighting for Fixed Plant	34.1%																
Weighting for Direct O&M	65.9%																
Total fixed Plant (Schedule 2.1, Line 22) (000s)	946,425	56,580	65,720	128,923	71,569	208,033	102,464	52,471	19,407	52,008	25,616	65,054	20,952	39,301	37,000	1,326	
% Split	100.0%	6.0%	6.9%	13.6%	7.6%	22.0%	10.8%	5.5%	2.1%	5.5%	2.7%	6.9%	2.2%	4.2%	3.9%	0.1%	
Weighted Split for Fixed Plant	34.1%	2.0%	2.4%	4.6%	2.6%	7.5%	3.7%	1.9%	0.7%	1.9%	0.9%	2.3%	0.8%	1.4%	1.3%	0.0%	
Subtotal for Direct O&M (Schedule 3.2, Line 18) (000s)	18,912	1,210	1,517	1,238	986	1,054	519	401	148	263	130	1,206	530	723	8,973	14	
Subtotal for General System Expenses (Schedule 3.2, Line 24) (000s)	11,688	882	1,078	1,860	1,013	2,018	994	578	214	505	249	1,079	420	649	136	13	
TOTAL (000s)	30,600	2,092	2,596	3,097	2,000	3,072	1,513	979	362	768	378	2,286	949	1,372	9,109	27	
% Split	100.0%	6.8%	8.5%	10.1%	6.5%	10.0%	4.9%	3.2%	1.2%	2.5%	1.2%	7.5%	3.1%	4.5%	29.8%	0.1%	
Weighted Split for O&M Expenses	65.9%	4.5%	5.6%	6.7%	4.3%	6.6%	3.3%	2.1%	0.8%	1.7%	0.8%	4.9%	2.0%	3.0%	19.6%	0.1%	
Total Weighted Split for Allocating Administration and General Expenses	100.0%	6.5%	8.0%	11.3%	6.9%	14.1%	7.0%	4.0%	1.5%	3.5%	1.7%	7.3%	2.8%	4.4%	21.0%	0.1%	