Date Filed: November 23, 2026

Witness: Brendan J. O'Brien, Garrett J. Murray and Timothy J. Griffin
Request from: Public Utilities Regulatory Authority

Question:

(DEFERRED INCOME TAXES) Application, Sch. A-1.0, Sch. C-1.0, and Sch. WP C-3.41, pp. 1-3. Regarding the deferred income taxes of $17,595,000 proposed for the Rate Year:

a. Provide an unlocked Excel worksheet, with formulas intact, itemizing components and detailing the calculation of the following timing differences proposed for the Rate Year:
   i. Deferred GET liability of $(8,279,000);
   ii. Tax depreciation of $75,873,474;
   iii. Section 263A costs of $25,823,000;
   iv. Repairs tax deduction of $18,062,400;
   v. CIAC taxable income of $(10,550,000);
   vi. Prepaid pension of $13,656,000; and
   vii. Deferred pole make-ready cost of $5,895,000.
b. Provide an unlocked Excel worksheet, with formulas intact, that shows the detailed calculation of the Federal tax rate change amortization of $6,835,000 proposed for the Rate Year;
c. Provide an exhibit that summarizes the annual CIAC taxable income from 2017 to date; and
d. Explain how the deferred income tax of $21,178,000 affects the Test Year's rate base and how $17,595,000 impacts the Rate Year's proposed rate base.

Response:

a. Please refer to RRU-206, Attachment 1, that provides an unlocked excel worksheet with support for the proposed Rate Year timing difference for the following: Deferred GET liability of $(8,279,000), Tax depreciation of $75,873,474, Section 263A costs of $25,823,000, Repairs tax deduction of $18,062,400, CIAC taxable income of $(10,550,000), Prepaid pension of $13,656,000 and Deferred pole make-ready cost of $5,895,000.

b. Please refer to RRU-206, Attachment 1, that provides an unlocked excel worksheet detailing the Federal Tax Rate Change Amortization of $6,835,000.

c. Please refer to RRU-206, Attachment 2, that provides the annual CIAC taxable income for CL&P Distribution from years 2017 through 2025.

d. Deferred income tax expense/(benefit) either increases or decreases ADIT included in rate base, with the exception of the prepaid pension deferred tax amount since the prepaid pension balance is not included in rate base. The amounts on WP C-3.41 page 3 of 3, Column (G) [rate year] agree/reconcile to the amounts of increase/decrease in ADIT between the interim balance on 06/30/2027 and the rate year balance on 06/30/2028 on schedules B-6.2, B-8.0 B-7.0 and B-6.1. The deferred tax expense of $17,595,000 increases the net ADIT liability balance and therefore reduces rate base for amounts where ADIT liabilities are an offset (reduction) to rate base. The amount of deferred tax expense in the test year of $21,178,000 is the amount of increase in the net ADIT liability during 2025 and is reflected in the balances on schedules B-6.2, B-8.0 B-7.0 and B-6.1 for amounts included in rate base. Please refer to RRU-206, Attachment 3. As noted earlier, the $3,578,000 (rate year) and $3,663,000 (test year) of deferred tax expense associated with prepaid pension do not impact rate base. The Federal Rate Change Amortization is the amount of EDIT to be returned to customers during the rate year and reduces the regulatory liability account 254TXA and increases rate base for the amount of deferred tax impact.