Date Filed: September 24, 2026

Witness: Brendan J. O'Brien, Garrett J. Murray, Leanne M. Landry, Warren R. Boutin, and Jeffrey D. Turano
Request from: ALLCO

Question:

With respect to each cost category included in the percentage overhead or "CIAC" rates applied to interconnection upgrade, study, and construction costs charged to distributed generation, qualifying facility, and other interconnection customers (including, without limitation, project management, engineering and supervision, administrative and general expense, employee benefits or compensation loaders, insurance, and Eversource Energy Service Company charges): (a) identify each such cost category and its share of the overhead rate in effect in each year 2018 through 2025; (b) state whether the costs in each such category were included, in whole or in part, in the test-year cost of service and revenue requirement approved in the Company's most recent prior general distribution rate proceeding, Docket No. 17-10-46, and therefore recovered from all ratepayers through base distribution rates during 2018 through the present; (c) if the answer to any part of subpart (b) is affirmative, explain why applying overhead rates that include the same cost categories to amounts charged to interconnection customers does not result in the Company recovering the same costs twice — once from ratepayers generally and again from interconnection customers; (d) quantify, for each year 2018 through 2025, the total dollar amount of overheads collected from interconnection customers in cost categories that were also reflected in base rates; and (e) state whether amounts collected from interconnection customers through overhead rates are recorded as a credit or offset to the corresponding expense or plant accounts recovered in base rates and, if not, where those amounts are recorded, consistent with the Company's description of its netting treatment of third-party attacher billings in its response to RRU-002.

Response:

CL&P objects to this request on the ground that it is an improper effort by ALLCO to use this rate case proceeding to obtain discovery for purposes of a lawsuit that it filed against the Company on August 10, 2026, in the United States District Court for the District of Connecticut (Civil Action No. 3:26-cv-1277), outside of and in contravention of the rules of procedure that govern discovery in that lawsuit.

Without waiving said objection, please note that capital expenditures (direct costs and overheads applied to those amounts) are entirely billed to the interconnection customer and reimbursed through the CIAC process; therefore, these asset additions are not included in rate base. Please refer to ALLCO-064[i] for additional discussion on the CIAC rate and ALLCO-003[ii] where the Company goes into more detail on the CIAC Tax Adder.

Prior Referenced Response:

[i] ALLCO-064 Question:

State how the Company treats, for federal income tax purposes, the amounts it collects from interconnecting customers — contributions in aid of construction ("CIAC"), interconnection study and application fees, payments for system modifications and upgrades, and every percentage overhead or loader applied to any of the foregoing — for each calendar year 2017 through 2025 and for the Test Year, and specifically:

(a) whether such amounts are included in gross income as taxable contributions in aid of construction under 26 U.S.C. § 118(b) on the consolidated federal income tax return of the affiliated group of which the Company is a member, or are excluded from gross income as nontaxable contributions to capital pursuant to the intertie safe harbor of IRS Notice 2016-36 (or its predecessors, IRS Notices 88-129, 90-60, and 2001-82), or receive some other treatment — stating the treatment applied, by category of payment and by year, and the total dollar amount in each category and year;
(b) whether the Company has charged or collected from any interconnecting customer any income tax gross-up or other tax-related component on any such payment, and if so, for each year: the total gross-up amounts collected, the gross-up rate and computation methodology (including any net-present-value-of-tax method), whether any gross-up was applied to the overhead or loader components, and whether any gross-up was charged on payments that the Company treated as nontaxable under the safe harbor;
(c) whether the Company claims federal tax depreciation on, and what tax basis it takes in, property paid for by interconnecting customers, and whether the corresponding plant is included in or excluded from rate base in this Application;
(d) how the accumulated deferred income taxes associated with the foregoing treatment are computed, in what FERC account(s) they are recorded, and where they are reflected in the revenue requirement or rate base presented in this Application;
(e) the federal income tax treatment of amounts refunded or credited to interconnecting customers — including the final accounting refunds identified in the Company's responses to Allco's Set One — stating whether such refunds are deducted from gross income and in what year; and
(f) identify, by title, date, and custodian, and produce, the tax accounting policies, workpapers, and return schedules sufficient to show each treatment described in response to subparts (a) through (e).

ALLCO-064 Response:

CL&P objects to this request on the ground that it is an improper effort by Allco to use this rate case proceeding to obtain discovery for purposes of a lawsuit that it filed against the Company on August 10, 2026, in the United States District Court for the District of Connecticut (Civil Action No. 3:26-cv-1277), outside of and in contravention of the rules of procedure that govern discovery in that lawsuit.

Without waiving said objection, Eversource responds:

(a) Taxable contributions in aid of construction (CIAC) are included in revenue in the period received and taxed as income on the Company's federal income tax return. Interconnection study and application fees, payments for system modification and upgrades are not included in revenues and therefore are excluded from taxable income.

Specific to generator interconnections, where generator entities are building units of generation which they plan to interconnect with the Company's transmission system, there is a specific IRS Notice (Notice 2016-

36) which applies whereby if the generator entity meets specific requirements, it will be treated as a non-taxable transaction. Generally, the safe harbor applies to transmission system interconnections. The Company generally deems distribution system interconnection payments to be taxable income and are therefore charged a tax adder/gross up.

Please refer to the Company's ALLCO-064, Attachment 1, pages one through nine, for the annual schedules, which show the monthly taxable income from CIAC and the related tax adder/gross up for each of the years requested.

(b) The Company does charge a CIAC Tax Adder (the income tax gross-up) to the interconnecting customer at the time the CIAC payments are charged, as the CIAC estimate includes a calculated CIAC tax adder. The total CIAC Tax Adder amount is included in ALLCO-064, Attachment 1. The CIAC Tax Adder gross-up rate and computation methodology (including any net present value-of-tax method) is provided in the Company's response to ALLCO-003i. As described in (a), the Company's distribution system interconnection payments are taxable; therefore, all CIAC Tax Adders charged on CIAC payments were treated as taxable CIAC (there were none under the safe harbor). The CIAC Tax Adder was calculated based on the full cost estimate of the project, including the Company's construction overhead costs and loaders.

(c) The Company claims federal tax depreciation only on interconnection assets that are included in taxable income. For book purposes, there is no basis in the plant accounting records as these capital expenditures are entirely billed to the interconnection customer and reimbursed through the CIAC process; therefore, these asset additions are not included in rate base.

(d) ADIT related to CIAC and CIAC income tax gross-up is calculated at the combined statutory rate on the temporary difference. ADIT related to both taxable CIAC, and the CIAC income tax gross-up, is recorded in FERC Account 282, as disclosed in the Company's SFR Schedule B-6.1.

(e) Refunds to interconnection customers are deducted from taxable income in the year paid. These are typically small amounts and are used to adjust tax basis of assets for the current period.

(f) Please see below for the Company's departments that have the oversight responsibilities for the Distributed Generation Interconnection work:

Department	**Responsibility**
DER Customer	Manage the applications that are received by the Company's customers
Engineering	Prepares the full CIAC estimate, including the CIAC Tax Adder
Tax Dept	Calculates the annual CIAC rate
DER Customer	Prepares and issues the total CIAC bill to interconnection customer
Engineering	Prepares work orders in the Work Management System, which provides the FERC Accounting treatment
Operations	Work Performed and charged to work orders

DER Customer	Final true-ups on costs are calculated for final billed/refunded amounts to interconnection customers after permission to operate (PTO) is completed

[ii] ALLCO-003 Question:

Describe the methodology by which the Company sets the percentage "CIAC" or "overhead" rate applied to interconnection upgrade costs (including rates of 9.97%, 10.19%, 11.00%, 12.00%, and 13.00% applied to projects between 2018 and 2024), produce the workpapers deriving each such percentage, and state the actual project management and administration cost component, as a percentage of construction cost, realized on distributed generation interconnection projects completed in each year 2020 through 2025.

ALLCO-003 Response:

CL&P objects to this request on the ground that it is an improper effort by ALLCO to use this rate case proceeding to obtain discovery for purposes of a lawsuit that it filed against the Company on August 10, 2026, in the United States District Court for the District of Connecticut (Civil Action No. 3:26-cv-1277), outside of and in contravention of the rules of procedure that govern discovery in that lawsuit.

Without waiving said objection, the Company uses a “gross up” method when calculating the CIAC “tax adder” percentage. For an interconnection project, the Company requires each developer to advance adequate funds for the Company to maintain the full amount of funds, after paying the applicable State and Federal Income Tax, necessary to complete the construction. Furthermore, a discount rate is applied for the present value of the tax benefits associated with future tax depreciation. The Company applies the current prime rate as the discount rate pursuant to Order No. 2 of PURA’s January 20, 1987, Decision in Docket No. 86-11-07. Below are the assumptions that the Company uses in the calculation:

Tax Rate	
Federal Tax Rate	0.21
State Tax Rate	0.0825
Prime Rate (Varies by year)	0.07
Tax Life	20 Years
Tax Depreciation Method	150% DB