OCC-003

GenConn Energy LLC **Witness: Devang Patel**
Jacob Hurwitz

Docket No. 26-06-02 **Page 1 of 2**

Date Submitted: July 30, 2026

OCC-003 Q:

Why does the Company believe Eversource's and UI's ROEs at time of contract execution should continue to be used if GenConn wants to change the capital structure to 50% Debt and 50% Equity?

OCC-003 A:

The Company is not proposing to utilize the authorized Return on Equity ("ROE") as of the date of contract execution for either Eversource or UI to establish the Company's ROE in the instant proceeding. As outlined in Attachment GenConn-01, the Company is proposing an ROE of 10.025 percent based on an average of UI's current approved ROE of 9.45 percent, Eversource's current approved ROE of 9.25 percent, plus the PURA approved adder of 0.675 percent (GenConn-01 at 15, n.10).

The formula presented in Footnote 10 referencing the UI and Eversource ROEs as of contract execution simply provided the illustrative ROE discussion from the Criteria Decision. PURA has utilized the index formula applied by the Company in this application since GenConn's inception, updating for changes in the authorized ROEs for Eversource and UI, as appropriate. For example, in Docket No. 09-12-02, at 14-15, PURA found:

> The Department further found that the ROE for projects submitted under Docket No. 07-08-24 would consist of an "index plus adder". The index was defined as the then-current average of CL&P's and UI's Department-approved ROEs. The "adder" was the amount, which could be either positive or negative, that would be the difference between the sponsor's proposed initial ROE and the actual average of the EDCs' ROEs upon execution of the contract or issuance of the Final Order, and would be fixed going forward. Criteria Decision, pp. 33-34. GenConn provided a calculation of its "adder" in its PFT at page 10. GenConn has stated that, at the time of the contract execution, its proposed ROE was 10.25%, CL&P's ROE was 9.4%, and UI's ROE was 9.75%. The Company then calculated their "adder" as 0.675%.

May 26, 2010 Decision, Docket No. 09-12-02, at 14-15, citing, Decision dated January 28, 2008, Docket No. 07-07-01, Application of the Connecticut Light and Power Company to Amend Rate Schedules, p. 108 (setting an authorized ROE of 9.4 percent); Decision dated February 4, 2009, Docket No. 08-07-04, Application of the United Illuminating Company to Increase Its Rates and Charges, p. 102 (setting an authorized ROE of 9.75 percent).

Accordingly, the Company's formula-based ROE in this case is 10.025 percent and is correctly based on the currently effective authorized ROE of Eversource and UI.

The Company's capital structure for ratemaking purposes is separate and apart from the calculation of ROE. In this case, the Company has requested to return to the practice of using its actual capital structure of 50 percent equity and 50 percent debt to set the capital structure for ratemaking purposes, which is fully in keeping with law and sound ratemaking principles. As defined in the Criteria Decision, at page 33, PURA discussed capital structure as follows:

> Although several Participants are proponents of the Department imputing a capital structure of 50% debt, 50% equity to standardize proposals and ease the evaluation process, the Department finds that a project proposal's capital structure is an integral element of competition between the project proposals. Accordingly, the Department will not impute a standard debt/equity ratio for this solicitation, but establishes a bandwidth for actual debt/equity ratios ranging from 60% to 40% debt to equity or equity to debt. Within this tolerance band, Suppliers may define whatever capital structure they choose. In reviewing what costs are reasonable for purposes of setting the cost of service from time to time, the Department will use the project's actual debt/equity levels when determining returns and revenue requirements.
>
> Within this tolerance band, Suppliers may define whatever capital structure they choose. ***In reviewing what costs are reasonable for purposes of setting the cost of service from time to time, the Department will use the project's actual debt/equity levels when determining returns and revenue requirements.***

(emphasis added).

In response to the request for proposals for construction of peaking facilities, and subject to the determinations in the Criteria Decision, the Company constructed peaking generation facilities (i.e., GenConn Devon and GenConn Middletown) with a capital structure comprised of 50% debt and 50% equity (Criteria Decision, at page 7). The Company's "actual debt/equity levels" continue to be 50% debt and 50% equity, as documented in Attachment GenConn-02, Exhibit 1, Pages 1-6. Additionally, the Company's actual capital structure complies with PURA's prior directive that the Company "maintain its 50% debt and 50% equity capitalization ratio" (Docket No. 12-06-19, at 8).