LFE-004 Q:

Provide an estimate of what the cost of an ARO study would be and timeframe for procurement process. (Requested of GenConn)

LFE-004 A:

The $124,062 incremental adjustment reflected in the ARO schedule resulted from updating the estimated asset removal cost from $1.50 million to $1.57 million. When the revised removal estimate was escalated over the asset's remaining 30-year life using the existing ARO assumptions, the resulting increase in the retirement obligation was $124,062, which is reflected in the Incremental Adjustment column. The adjustment reflects an update to the removal cost estimate and does not represent a change in methodology or asset life assumptions. Please refer to RRU-039 Attachment 1.

For a facility like GenConn, the cost of an ARO study varies significantly depending on what the specific objective of the study would be. Examples of ARO studies include, but are not limited to the following:

1. Accounting compliance (ASC 410 ARO valuation)
   - ASC 410 is the U.S. GAAP accounting standard that governs Asset Retirement Obligations (AROs). Specifically, ASC 410-20 requires companies to recognize the future cost of legally required asset retirement, removal, closure, dismantlement, or site restoration activities associated with long-lived assets.

2. Engineering decommissioning cost estimate

3. Net salvage study

4. Full retirement and environmental closure assessment

For GenConn, the scope of such a study could be comprised of five progressively more detailed levels. The costs below assume the study covers both GenConn facilities as a portfolio.

Level 1: Desktop ARO Screening - Estimated Cost: $10,000-$25,000
Scope includes:

- Review permits, leases, and regulatory approvals.
- Identify legally enforceable retirement obligations.
- Review existing ARO accounting.
- Update inflation and discount rate assumptions.

- High-level estimate of retirement costs.

Level 2: Accounting ARO Valuation - Estimated Cost: $25,000-$50,000
Scope includes everything in Level 1 plus:

- Site-specific retirement cost estimates.
- Present value calculations.
- Probability weighting of alternative scenarios.
- Detailed ASC 410 documentation.
- Auditor-ready workpapers.

Level 3: Engineering Decommissioning Study - Estimated Cost: $50,000-$100,000
Scope includes detailed engineering review including:

- LM6000 turbine removal.
- Generator removal.
- Transformer disposal.
- Fuel oil tank closure.
- Piping removal.
- Electrical equipment demolition.
- Foundation treatment.
- Site restoration.

Level 4: Net Salvage Study - Estimated Cost: $75,000-$150,000
Scope Includes:

- Salvage value assessment.
- Dismantlement cost estimate.
- Net salvage estimate.
- ARO review.

Level 5: Full Retirement and Environmental Closure Study - Estimated Cost: $150,000-$300,000+
Scope includes everything above plus:

- Phase I Environmental Site Assessment.
- Potential contamination review.
- Soil and groundwater assessment.
- Closure permit evaluation.
- Remediation planning.
- Detailed demolition sequencing.

Recommendation for GenConn today:

As discussed at the evidentiary hearing, there is value in updating the ARO study to ensure that the ARO is aligned with the cost of retirement under the CfD, and to provide sufficient time to smooth any impacts to the ARO resulting from the study. As such, if ordered by PURA, the Company could provide a table-top update of the ARO in the 2028 AFRR filing, subject to cost recovery of those prudent expenditures.

On a more long-term basis, with the plants roughly halfway through the 30-year terms of the CfD, and with decision on extending the terms of the CfD pending at this time, the Company recommends developing a combined Level 3 + Level 4 study for filing in approximately five years. This recommendation would place filing of the Level 3 and Level 4 analysis in the final third of the term of the CfD, when a decision on extension may become more applicable. Such a future analysis would include:

1. Net Salvage Analysis
2. ARO Assessment
3. High-Level Decommissioning Estimate

The Company estimates that the cost of such an analysis would range from $75,000-$150,000 and take approximately 3 to 6 months, including procurement processes, to complete. Given the cost and current status of the CfDs as approximately halfway through their terms, providing this update to PURA in approximately 5 years would strike an appropriate balance to provide PURA with information to potentially inform an extension decision at a more appropriate point in the term of the CfDs. Please also refer to the Company's response to LFE-003.