RRU-022 Q:

(O&M) Application, GenConn-02 (Settlement), Tabs: Ex. 7-Devon and Ex. 7- Middletown.

a. For each peaking facility and for each specific line where the "Variance to 2% Threshold" (Column J) is greater than zero, describe the costs that are contained in that specific line number.
b. For each item provided in subpart a. above, describe the costs that were contained and approved in the specific award decision for that plant.
c. For each line item included in subpart a. above, provide the "Actuals (Test Year Basis)" amount (Col F in the current Application) contained in the AFRR filings from 2020 through 2025, in an unlocked Excel spreadsheet with formulas intact.

RRU-022 A:

The Company notes that this interrogatory cites to GenConn-02 (Settlement). For clarity, the Company's proposed revenue requirement in this case is contained in Attachment GenConn-02. In contrast, GenConn-02 (Settlement) was provided for illustrative purposes only (Attachment GenConn-01, at iii n. 5, 5, 9-10, 19, n. 11).

a. The variances exceeding the two percent threshold are attributable, in part, to differences between the cost allocation assumptions used in the original 2008 forecast supporting the Company's approved AFRR and the manner in which costs are recorded based on actual operating experience. When the original forecast was developed, the GenConn facilities had not yet commenced operations. As a result, forecasted costs, including employee labor, contract labor, engineering support, and outside services, were developed using anticipated staffing levels, expected vendor support, and estimated maintenance requirements. These costs were budgeted using broad functional allocations and, in many cases, were not assigned to the specific operating or maintenance functions ultimately reflected in GenConn's accounting records.

   As the facilities transitioned from forecasted operations to actual operations, GenConn implemented accounting practices that record costs directly to the FERC account associated with the underlying activity performed. Consequently, costs that were initially forecast within broader operating, administrative, or supervisory categories are now charged directly to the specific maintenance and operating functions that receive the benefit of the service. This is particularly evident in FERC Account 553, Maintenance of Generating and Electric Plant, which includes maintenance activities associated with gas turbines, electrical systems, auxiliary equipment, balance of plant equipment, emissions monitoring and testing, pollution control equipment, laboratory services, transmission-related assets, consumables, chemicals, and related maintenance services.

Accordingly, the variances reflected in the AFRR filing are attributable, in part, to the evolution from forecast-based cost allocations to actual functional cost assignment. The original 2008 forecast contemplated that certain labor, engineering, contract labor, and outside service costs would be incurred as fixed operating costs but did not assume that those costs could be consistently assigned to discrete operating functions. Through actual operating experience, GenConn has been able to identify and record these costs directly to the activities giving rise to the expense. As a result, c*ertain FERC accounts reflect increases while corresponding accounts reflect decreases*, producing a shift among accounts without a corresponding increase in the overall level of fixed operation and maintenance expenses. Therefore, *the variances above the two percent threshold do not necessarily reflect changes in the nature of the costs incurred, but rather more precise assignment of costs to the functions performed.*

The FERC accounts above the two percent threshold reflect the following costs in 2025:

FERC Account 552 – Maintenance of Structures

Commercial Operations & Maintenance contracted costs, expenses for fire protection system repairs, servers for Mark IV screen repairs, and the cost of labor, materials used, and expenses incurred in maintenance of facilities used in other power generation.

FERC Account 553 – Maintenance of Generating and Electric Plant (Comm Ops Invoice)

The Company identified an error within Exhibit 7 presentation for the Commercial Operations & Maintenance contracted costs in 553 as listed. The *total* for the combined FERC 553 costs are accurate as filed however, the Commercial Operations portion is overstated by $26,367 (Consolidated) and the Gas Turbines portion is understated by the same $26,367. The Company will provide a final updated revenue requirement inclusive of all corrections and anticipates doing so as part of LFE-001. Importantly, this correction has no effect on revenue requirements.

FERC Account 557 – Other Expenses

Commercial Operations & Maintenance contracted costs, loss on retirement of assets, and other expenses not specifically provided for in other production expense accounts.

FERC Account 920 – Administrative and General Expense

Compensation of officers, executives, and other employees supporting GenConn within the UI Administrative Agreement and external financial audit costs.

FERC Account 923 – Outside Services Employed

Commercial Operations & Maintenance contracted costs and external legal contractors.

FERC Account 924 – Property Insurance

Cost of insurance expense including Commercial Property, General & Excess Liability Coverage, and Flood Insurance.

b. The costs approved in Docket No. 08-01-01 were based on the operating cost categories and descriptions contained in the original Operating Cost Summary Sheet supporting Option 2. The approved costs included the following cost components:

FERC Account 546 – Operating Supervision and Engineering

Included labor costs for operating supervision and engineering personnel, including regular and overtime labor.

FERC Account 550 – Rents

Included plant equipment expense and related rental costs.

FERC Account 551 – Maintenance Supervision and Engineering

Included maintenance supervision and engineering labor, including regular and overtime labor.

FERC Account 552 – Maintenance of Structures

Included normal building maintenance, HVAC maintenance and refrigerant recharging, control system repairs, fire protection system testing, and heat and smoke detector testing.

FERC Account 553 – Maintenance of Generating and Electric Plant

Included maintenance associated with electrical systems, auxiliary systems, balance-of-plant equipment, gas turbines, continuous emissions monitoring system correlation testing, pollution control equipment, tools, laboratory equipment and services, transmission assets, consumables, and chemicals.

FERC Account 555 – Purchased Power

Included water and sewer utility costs and plant electric costs.

FERC Account 556 – System Control and Load Dispatching

Included commercial operations labor and information technology expenses.

FERC Account 557 – Other Expenses

Included environmental permits, hazardous material disposal and storage, employee safety and protection costs, and other miscellaneous operating expenses.

FERC Account 920 – Administrative and General Expense

Included corporate allocations and administrative support costs.

FERC Account 923 – Outside Services Employed

Included contract labor and external legal support.

FERC Account 924 – Property Insurance

Included operational insurance costs.

FERC Account 926 – Employee Pensions and Benefits

Included pension, healthcare, and other employee benefit costs.

FERC Account 931 – Rents

Included site lease costs and shared facility costs.

Property Taxes, Payroll Taxes, and Sales and Use Taxes

Included ad valorem property taxes, employer payroll taxes, and sales and use taxes applicable to plant operations.

Because the original 2008 forecast was developed before the facilities commenced operations, costs were budgeted using anticipated staffing models, estimated maintenance requirements, and expected service arrangements. Actual operating experience has enabled GenConn to identify and track costs at a significantly more detailed level and to record expenses directly to the FERC account associated with the activity performed. Consequently, the costs reflected in the current AFRR filing remain consistent with the types of costs contemplated and approved in Docket No. 08-01-01, while certain variances above the two percent threshold reflect the movement from forecast-based allocations to actual functional cost assignment rather than the addition of new categories of cost.

c. Please refer to RRU-022 Attachment 1 for actual costs from the AFRR filings for 2020-2025 as requested. Please also refer to the Company's response to Interrogatory RRU-001 and RRU-001 Attachment 1 for 2021-2025 and associated variance explanations.