RRU-038 Q:

(SALVAGE VALUE) Application, Att. GenConn-11, Note; Interrog. Resp. RRU-015(b). GenConn-11 states that salvage assumptions have not been developed and that salvage is assumed to be more than offset by cost of removal, and the response to RRU-015(b)(ii) did not describe the process needed to determine salvage value. Regarding salvage value:

a. State the Company's current estimates of cost of removal and of gross salvage for each facility and produce the supporting documents.
b. Is it the Company's position that net salvage is zero or negative? If negative, state the amount, why it is not reflected in the depreciation rates, and the effect on the 2027 revenue requirement.
c. Does either facility, or any unit of property, have scrap, resale, reuse or residual market value?
d. Produce every appraisal, valuation, insurance schedule, or market analysis prepared since January 1, 2023.
e. Describe the process required to determine salvage value, as requested in RRU-015(b)(ii), state the cost of that process, and state the date by which the Company could complete the determination.

RRU-038 A:

Please refer to the Company's responses to Interrogatories RRU-031 and RRU-039.

a. The Company estimates the net salvage (cost of removal less gross salvage) for each facility to be $2.783M at the end of the 30-year useful life as presented in RRU-039 Attachment 1 related to the Asset Retirement Obligation ("ARO").

b. Please refer to the Company's response to subpart (a). Since GenConn has a contractual obligation to remove its facilities at the end of the associated land lease terms and a predictable schedule of removal cashflows, it must follow ARO accounting rather than group depreciation/cost of removal accounting. ARO accounting requires the estimated net present value of the removal cash flows to be recorded at commercial operations and accreted over the asset useful life such that they equal the required estimated cash flows at the time the removal costs are expected to be incurred. This differs from group depreciation/cost of removal accounting which includes estimated net salvage in depreciation rates over the asset useful life.

c. Please refer to the Company's response to subpart (a). The ARO includes the net cash flows (cost of removal less gross salvage) estimated at the end of the 30-year useful life.

d. The Company has not conducted an appraisal, valuation, insurance schedule, or market analysis prepared since commercial operations.

e. The Company would need to issue Requests for Proposals to potential contractors who specialize in determining salvage value and ones who can satisfy the analysis required to determine values now and into the future. The Company does not have any information related to cost and timing of such an effort. The Company notes that it is not a public service company and would not engage in salvage values studies given its operating life is defined by its contractual life and has not contemplated operating beyond that. The Company would seek the appropriate resources to remove and dispose of the assets utilizing the ARO and any net proceeds (positive or negative) of that effort would be reconciled with Connecticut ratepayers.