GenConn Energy LLC

Witness: Devang Patel
April Theberge
Legal Response

Docket No. 26-06-02

Date Submitted: October 1, 2026

RRU-039 Q:

(ARO AND THE SALVAGE OFFSET) Application, Att. GenConn-02 (Settlement), Tab: Ex. 4, Sch WP C-3.1 c, line 10 (Excel row 17); Tab: Ex. 4, Sch. B-1.0 c, lines 7 and 27 (Excel rows 15 and 35); Interrog. Resp. RRU-015(b). The 2027 revenue requirement includes Amortization of Asset Retirement Obligation (ARO) of $169,292 ($88,034 Devon, $81,257 Middletown) which equals the ARO liability increase from $1,824,171.89 to $1,993,463.48. Gross plant includes a capitalized asset retirement cost of $490,864 and the ARO is deducted from rate base at a thirteen-month average of $1,908,817. Regarding the ARO:

a. Is the amount recovered as Amortization of Asset Retirement Obligation the accretion of the liability, depreciation of the capitalized asset retirement cost, or both?
b. What is the accretion rate? Explain why accretion on a liability is recovered as amortization, and provide the computation in an unlocked Excel worksheet with formulas intact.
c. Provide the ARO roll-forward from initial recognition through December 31, 2027 (initial measurement, revisions, accretion, settlements), the discount rate, the estimated settlement date, the undiscounted settlement amount, and the cumulative ARO-related amount included in revenue requirements since commercial operation.
d. Is the cost of removal relied on to offset salvage value in Attachment GenConn-11 the cost of removal measured by the ARO? Additionally, reconcile the Company's statement that disposal assumptions are not developed with the measurement of the ARO, and explain why the same cost is not recovered once through ARO amortization and again by reducing salvage to zero.
e. Regarding the reconciliation against salvage proceeds described in RRU-015(b), who receives the salvage proceeds? Do Connecticut ratepayers receive any portion?
f. Provide the contractual or regulatory provision governing the disposition of the salvage proceeds.

RRU-039 A:

The Company objects to this interrogatory to the extent it requests a legal opinion and legal analysis of the Contract for Differences and is not a factual inquiry concerning the Company's annual fixed revenue requirement application. Notwithstanding this objection, the Company provides the following response:

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 amount recovered of the Amortization of Asset Retirement Obligation ("ARO") is the accretion of the liability. Please refer to RRU-039 Attachment 1 and the Company's response to Interrogatory RRU-043. Please note that the minor correction to the ARO liability as identified in the Company's response to Interrogatory RRU-043 will be included in the Company's next revenue requirements update provided in this case, which the Company expects will be provided as LFE-001.

b. Please refer to RRU-039 Attachment 1. Accretion is 8.34 percent. The line item labeled "Amortization of ARO" in Attachment GenConn-02 represents the accretion of the ARO liability, which will be revised in the Company's next revenue requirement update to be labeled as "accretion". The ARO is initially recorded at the present value of estimated future retirement cash flows. As the settlement date approaches, the liability is increased through accretion expense to recognize the time value of money, resulting in the liability growing from its discounted present value to its expected settlement amount. Therefore, this expense reflects the periodic increase in the ARO liability.

c. Please refer to RRU-039 Attachment 1.

d. The ARO basis as presented in RRU-039 Attachment 1 is an estimation of total cash flows (costs to remove the plant assets less salvage income) at the end of the 30-year economic life of the units. As outlined in the Company's response to Interrogatory RRU-031, the Company has operated and accounted for the facilities from the date of commercial operations under the assumption that the facilities will cease operation and be dismantled at the end of the 30-year term of the CfD consistent with GenConn's legal rights to operate the facilities and its obligations under the associated land leases.

e. Any net proceeds (positive or negative) resulting from a difference between actual removal costs less salvage and the ARO would be reconciled with Connecticut ratepayers as indicated in the Company's response to Interrogatory RRU-15(b).

f. Subject to the Company's objection above, please refer to RRU-034 Attachments 1 and 2, which provide copies of the Contract for Differences ("CfD") for GenConn Devon and GenConn Middletown, respectively.