RRU-042 Q:

(PLANT IN SERVICE – PROJECTED ADDITIONS) Application, Att. GenConn-02 (Settlement), Tab: Ex. 4 – B-2.1 c, line 15 (Excel row 29); Tab: Ex. 1, Pages 1-6, Page 1 of 8, line 10, and Page 5 of 8, line 44; Att. GenConn-01, pp. 32-44; Interrog. Resp. RSR-008, n.1. GenConn reports additions and retirements of $0 in 2026 and 2027 and seeks approval of four capital projects. Book Depreciation in the deferred tax calculation is $15,250,301 in both 2026 and 2027, while Total Depreciation Expense is $15,239,985 and $15,240,878. Regarding plant in service:

a. Provide an exhibit showing the projected capital additions and retirements for 2026 and 2027 by project, facility, FERC account, in-service date, and amount and reconciled to the four capital projects. Also, state the effect of their omission from Schedule B-2.1 on the 2027 revenue requirement.
b. State the useful life and resulting depreciation rate that would be assigned to each of the four projects if placed in service in 2027, 2028 and 2029.
c. Provide an unlocked Excel worksheet with formulas intact showing actual additions and retirements for each facility for 2021 through 2025 and for 2026 to date.
d. Reconcile the 2027 Book Depreciation of $15,250,301 to the 2027 Total Depreciation Expense of $15,240,878 and state which figure is recorded in the Company's books.
e. State whether the $14,066 Middletown Chiller Heater addition includes the $839 of sales tax that RSR-008 states will be removed from the true-up in LFE-001, and if so, state the corrected addition.

RRU-042 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. PURA's directives in Docket 24-06-02, at page 7:

> Projects that will be completed and in-service within one year and do not require substantial capital outlays on the order of the initial capital investment will generally not be considered major capital additions. Projects that are not major capital additions do not require preapproval from the Authority prior to being implemented by GenConn. Upon completion of non-major capital projects, the Company is, in accordance with established cost-of-service principles, entitled to seek recovery of prudently incurred costs in the next annual proceeding.

Based on the above guidance, GenConn does not project capital additions and retirements and as such none are included in 2026 and 2027. This requirement defines plant additions and retirements be included in future revenue requirements after they have been actually added into service and/or retired. There is no effect on Schedule B-2.1 for the 2027 Revenue Requirement as they are not included.

Additionally, PURA's directives in Docket 24-06-02, at page 6 states:

> For "major capital additions," the Company must submit project estimates and obtain the advance approval of the Authority during an AFRR proceeding. Criteria Decision, p. 29. The term "major capital additions" is not defined in the Criteria Decision; however, the Authority stated that major capital additions "will be subject to the same considerations as described for the initial capital expenditures." Id. Consequently, "major capital additions" were considered to be similar in nature to the "initial capital investments" for peaking plants (i.e., multi-year investments requiring significant capital outlays on the order and duration of the initial capital investment). The investments must reflect "prudent and efficient management" of the facility and "provide appropriate protection to the relevant public interests." General Statutes § 16-19(a).
>
> The Company requests that the Authority further clarify the term "major capital additions" as used in the Criteria Decision or, in the alternative, clarify that "GenConn shall be entitled to seek recovery of prudently incurred capital costs in the next AFFR proceeding for those 'major capital additions' that could not be pre-approved by PURA because the project needed to be completed immediately to maximize availability and reliability." GenConn Exceptions, pp. 20-22. Importantly, the Criteria Decision states "Major capital additions arising from unforeseen new legal requirements, market rule changes, or force majeure will be allowable, if prudently incurred." Criteria Decision, p. 29. This language, particularly the "force majeure" language, appears to address the Company's concern by affirming that prudently incurred costs for major capital additions are recoverable. In light of this language, there is nothing in the Criteria Decision or elsewhere that would indicate that prudently incurred capital costs could be denied on the basis that the Company was unable to obtain pre-approval from the Authority.
>
> Projects that will be completed and in-service within one year and do not require substantial capital outlays on the order of the initial capital investment will generally not be considered major capital additions. Projects that are not major capital additions do not require preapproval from the Authority prior to being implemented by GenConn. Upon completion of non-major capital projects, the

Company is, in accordance with established cost-of-service principles, entitled to seek recovery of prudently incurred costs in the next annual proceeding.

In the instant proceeding, GenConn has requested pre-approval of Capital projects that are contemplated to be in service in the 2027/2028/2029 timeframe. While the Company has provided preliminary estimates there are no projections included in 2027 AFRR calculation.

b. The useful life assigned would be consistent and the same as has been implemented previously by aligning to the balance of the 30-year life and consistent with economic life defined by the CfD term.

c. Please refer to RRU-031 Attachment 1, provided as an unlocked Excel worksheet with formulas intact, for actual additions and retirements by facility for 2021 through 2025 and through June 2026.

Actual capital additions through December 2025 were used in both forecasts. The 2026 additions and retirements were not included in the forecasts and will be reflected in the Company's next rate case filing.

d. Actual capital additions through December 2025 were used in both forecasts. The June 2026 additions and retirements were not included in the forecasts and will be reflected in the Company's next rate case filing. The Company does not currently have any depreciation expense recorded on its books for 2027, because 2027 is a forecast year. For reference, depreciation expense recorded on the Company's books for 2025 was $15,232,276.

The originally reported 2027 Book Depreciation amount of $15,250,301 has been revised to $15,238,719 due to a formula error.

The difference between the revised 2027 Book Depreciation amount of $15,238,719 and the 2027 Total Depreciation Expense amount of $15,240,878 arises because the figures were developed using separate forecasting models for different purposes.

The $15,238,719 amount reflects the depreciation expense forecast developed in RRU-042 Attachment 1 by extrapolating actual depreciation expense through April 2026 and projecting the remainder of the forecast period.

The $15,240,878 amount was developed as part of the ADIT calculation contained in RRU-046 Attachment 1. GenConn is not a tax-paying entity, and the tax model estimates taxes on behalf of the entities that pay tax. The tax model applies actual capital additions through

December 2025 and utilizes a simplified half-year convention for forecasted depreciation calculations. The model is maintained on an annual basis rather than by month. Because the two models use different in-service dates, the resulting depreciation amounts are not expected to be identical.

Neither amount is recorded in the Company's books because 2027 is a forecast year. Actual capital additions through December 2025 were used in both forecasts. Any 2026 capital additions and retirements will be reflected in the Company's next rate case filing.

e. The $14,066 Chiller Heater addition appropriately includes $839.89 of sales tax as part of the capitalized asset cost. As reflected in the Company’s response to Interrogatory RSR-008, the correction was to remove this amount from the sales and use tax regulatory asset requested for recovery, as it had been inadvertently included in the true-up of sales tax costs.