STATE OF CONNECTICUT
DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION
BEFORE THE
PUBLIC UTILITIES REGULATORY AUTHORITY

APPLICATION OF GB II NEW HAVEN LLC FOR ESTABLISHMENT OF 2027 REVENUE REQUIREMENTS	Docket No. 26-06-03

DIRECT TESTIMONY AND SUPPORTING EXHIBITS OF MICHAEL BRUNEAU ON BEHALF OF GB II NEW HAVEN LLC

June 30, 2026

I. INTRODUCTION

Q. Please state your name and address for the record.

A. My name is Michael Bruneau, and I am located at 300 Atlantic Street, 5th Floor, Stamford, CT 06901.

Q. In what capacity are you employed?

A. I am currently the Executive Vice President of Corporate Development & Strategy of GB II New Haven, LLC (the "Company"). I have prepared this testimony on behalf of the Company.

Q. Please describe your employment experience and educational background.

A. I have been employed by the Company and its predecessors—Eastern Generation and US Power Generating Company—since 2007, where I have developed experience in corporate strategy, financing, financial analysis, budgeting, forecasting, asset management, market analytics, project development, and M&A in the power sector. Before my current role, I served as Chief Financial Officer, Senior Vice President, Strategy & Corporate Development, Vice President, Strategy & Corporate Development, Vice President, Development, Director, Strategy & Corporate Development and Associate, Strategy & Corporate Development. Prior to joining US Power Generating Company, I worked as an Analyst in the Corporate & Investment Bank at Citigroup, covering various clients across the power sector. I hold a dual bachelor's degree in Quantitative Economics and Spanish from Tufts University.

II EXECUTIVE SUMMARY

Q. Please summarize the Company's request.

A. The Company respectfully requests that PURA:

- Establish the Annual Fixed Revenue Requirement ("AFRR") for the New Haven peaking facility (the "Facility") at $16.381 million for the period commencing January 1, 2027 through December 31, 2027;
- Approve a refund of $0.056 million over the period commencing January 1, 2027 through December 31, 2027 associated with true-ups for the following actual cost and expense items:
  - Spare parts inventory for 2025;
  - Interconnection expenses for 2025;
  - Letter of Credit fees for 2025;
  - Regulatory Operating Compliance Expenses for 2025;
  - Property Tax Expense for 2026.

Q. What is the purpose of the testimony provided by the Company?

A. The purpose of my testimony is to support the Company's request to establish revenue requirements for calendar year 2027 to recover the costs associated with its investment in the Facility. I also describe how the Company prepared its calculation of revenue requirements. The calculation incorporates information provided by Company witness Robert Reynolds. Mr. Reynolds testifies to the fuel inventory levels. My testimony also supports the Company's estimated 2027 operating costs, which are described in Exhibit GB II-2, Schedule C-2.0. I specifically describe Operating and Maintenance ("O&M") and Administrative and General ("A&G") expense items for which the Company is seeking recovery and provide the basis for the requested 2027 AFRR associated with these items. Additionally, we provide 2027

projections for spare parts inventory and variable operation and maintenance ("VOM") expenses.

Certain items impacting revenue requirement are subject to true-up. My testimony describes the calculation of the true-ups and their impacts on revenue requirements.

III. THE HISTORY OF THE APPROVAL OF THE FACILITY

Q. Please describe the history of the events leading up to this filing.

A. On June 4, 2007, the State of Connecticut enacted Section 50 of Public Act 07-242, now codified at Section 16-243u of the Connecticut General Statutes (the "Act"). The Act sought proposals for development of peaking generation in Connecticut, subject to Authority approval on cost of service principles. In response to the Act, the Authority issued a decision dated December 14, 2007 in Docket No. 07-08-24, *DPUC Investigation of the Process and Criteria for Use in Implementing Section 50 of Public Act 07-242-Peaking Generation* (the "Criteria Decision"), which made determinations that created the framework for the contracts to be awarded, and the calculation and approval of the annual revenue requirements, for selected peaking projects. Subsequently, the Authority, through its June 25, 2008 decision in Docket No. 08-01-01, *DPUC Review of Peaking Generation Projects* (the "Award Decision"), found that it was in the best interest of ratepayers to approve the Company's construction of the Facility.[1] The Authority subsequently approved the Peaking Generation Cost of Service Contract for Differences ("CfD") between the Company and

[1] Previously known as PSEG New Haven LLC, the Company was renamed recently following an upstream change of control transaction. *See* Docket No. 08-01-01RE06 and correspondence confirming closing of transaction filed with PURA on March 14, 2022.

Connecticut Light & Power d/b/a Eversource ("Eversource"), effective August 8, 2008. The CfD's pricing mechanism (also known as Attachment 2) has been amended a number of times as a result of market rule changes in the ISO-New England markets, and each of those amendments were approved by the Authority in various past proceedings that reopened Docket No. 08-01-01.

Consistent with the Act, the Criteria Decision, the Award Decision and subsequent Authority decisions, the Authority requires that each peaking generation project file to reset its AFRR annually, providing all information necessary and appropriate for the Authority to review and make determinations regarding cost-of-service compensation as defined in the Criteria Decision and subsequent AFRR Decisions.

The 2026 Decision approved an AFRR of $16.998 million for the period January 1, 2026 through December 31, 2026, reflecting an allowed cost of capital of 7.398% (based on an allowed capital structure of 50% equity at 10.525% and 50% debt at 4.27%).

In addition, the 2026 Decision authorized a collection of $0.259 million from ratepayers in 2026 reflecting the following true-ups:

- 2024 spare parts inventory;
- 2024 interconnection expenses;
- 2024 letter of credit fees;
- 2024 regulatory operating compliance fees; and
- 2025 property taxes.

IV. EXHIBITS PROVIDED

Q. Please list the exhibits provided in this proceeding.

A. My testimony is supported by the following exhibits:

- Exhibit GB II-1: GB II New Haven Pro Forma Financial Statements for the calendar years from 2027 through 2031, including:
  - Rate Base;
  - Income Statement;
  - Cash Flows;
  - Balance Sheet; and
  - Income Tax Calculations.
- Exhibit GB II-2, Schedules A-1.0 through D-2.0:
  - Detailed schedules in Standard Filing Requirements ("SFR") format that support the various components of rate base and operating expenses;
  - Schedule C-2.0 provides the fixed O&M incurred for the 12-month period ending December 31, 2025 and then escalated to 2027 in Attachment 6 format, as prescribed in the Authority's 2013 Decision.[2]
- Exhibit MB-1: 2025 Declaration of Personal Property and July 1, 2026 Personal Property Tax Bill.
- Exhibit MB-2: Real Property Assessment Notice of Change Tax Appeal Judgment.
- Exhibits MB-3 through 8:

[2] Docket No. 12-07-17, *Application of PSEG New Haven LLC for Establishment of 2013 Revenue Requirements*, Decision dated January 8, 2013 (the "2013 Decision").

- Detailed schedules that support the derivation of true-ups for actual data and the resulting impacts on revenue.
- Exhibit GB II-3: Variable O&M Expense
- Exhibit GB II-4: Annual Maintenance Outage Schedule (*Confidential*)
- Exhibit GB II-5: CfD Invoices (*Confidential*)

V. DETERMINATION OF REVENUE REQUIREMENT

Q. What is the pro forma revenue requirement for the Facility?

A. The pro forma AFRR for 2027 is $16.381 million (Exhibit GB II-2, Schedule A-1.0). The Company's true-up for actual costs reflects an over-collection of required revenue for 2025. Truing-up for the actuals results in an amount to be refunded from ratepayers of $0.026 million in calendar year 2027. Therefore, the total 2027 revenue requirement should be $16.355 million.

Q. How is the pro forma revenue requirement determined?

A. The Authority established the framework for determining the revenue requirement for the Facility in the Criteria Decision and subsequent decisions. The Company is permitted to recover prudently incurred costs, consistent with the Criteria Decision and the costs presented and the Authority approved, in the Award Decision, including: (1) Capital Expenditures; (2) Depreciation; and (3) Operating Costs (fuel costs, O&M, Administrative & General ("A&G"),

and taxes). The Company also incorporated into the pro forma revenue requirement PURA's findings in the Company's prior AFRR Decisions[3].

The 2027 AFRR was determined in accordance with the guidance on cost recovery defined in the Criteria Decision, and clarified in subsequent AFRR Decisions. The AFRR requested reflects the Authority-approved capital expenditures, capital structure, and return on equity calculation prescribed in the 2026 Decision. Exhibit GB II-2 (with accompanying schedules and workpapers) shows the calculation of the revenue requirements and provides supporting calculations of capital costs and expense items.

Q. Please describe how you arrived at the values for the components outlined above.

[3] Docket No. 11-12-02, *Application of PSEG New Haven LLC for Establishment of 2012 Revenue Requirements*, Decision dated June 6, 2012 (the "2012 Decision").
Docket No. 13-07-08, *Application of PSEG New Haven LLC for Establishment of 2014 Revenue Requirements*, Decision dated December 11, 2013 (the "2014 Decision").
Docket No. 14-06-02, *Application of PSEG New Haven, LLC for Establishment of 2015 Revenue Requirements*, Decision dated October 15, 2014 (the "2015 Decision").
Docket No. 15-07-04, *Application of PSEG New Haven, LLC for Establishment of 2016 Revenue Requirements*, Decision dated November 18, 2015 (the "2016 Decision").
Docket No. 16-06-02, *Application of PSEG New Haven, LLC for Establishment of 2017 Revenue Requirements*, Decision dated December 21, 2016 (the "2017 Decision").
Docket No. 17-06-29, *Application of PSEG New Haven, LLC for Establishment of 2018 Revenue Requirements*, Decision dated December 7, 2017 (the "2018 Decision").
Docket No. 18-06-36, *Application of PSEG New Haven, LLC for Establishment of 2019 Revenue Requirements*, Decision dated December 12, 2018 (the "2019 Decision").
Docket No. 19-06-41, *Application of PSEG New Haven, LLC for Establishment of 2020 Revenue Requirements*, Decision dated February 5, 2019 (the "2020 Decision").
Docket No. 20-06-30, *Application of PSEG New Haven, LLC for Establishment of 2021 Revenue Requirements*, Decision dated December 9, 2020 (the "2021 Decision").
Docket No. 21-06-40, *Application of PSEG New Haven, LLC for Establishment of 2022 Revenue Requirements*, Decision dated December 9, 2021 (the "2022 Decision").
Docket No. 22-06-03, *Application of GB II New Haven, LLC for Establishment of 2023 Revenue Requirements*, Decision dated November 9, 2022 (the "2023 Decision").
Docket No. 23-06-03, *Application of GB II New Haven, LLC for Establishment of 2024 Revenue Requirements*, Decision dated December 6, 2023 (the "2024 Decision").
Docket No. 24-06-03, *Application of GB II New Haven, LLC for Establishment of 2025 Revenue Requirements*, Decision dated December 18, 2024 (the "2025 Decision").
Docket No. 25-06-03, Application of GB II New Haven, LLC for Establishment of 2026 Revenue Requirements, Decision dated December 17, 2025 (the "2026 Decision").

A. The Company made an investment in the Facility of $164.487 million (WP B-2.1), which includes $6.831 million of interconnection project costs and the asset retirement obligation of $0.446 million, net of salvage of $1.410 million. To date the Company also invested $2.768 million on specific projects for the Facility since it was placed in service. The table below summarizes the investment in the New Haven Facility as well as the in-service date, book life and tax life.

Table 1

New Haven Facility Asset Summary

Projects	Investment ($000)	In-Service Date	Book Life	Tax Life	Bonus Depreciation Rate
UPIS (Including SCR)	157,656	Jun-12	30 yr	15 yr MACRS	100%
Transmission/Interconnection	6,831	Jun-12	30 yr	20 yr SL	N/A**
NERC Mandated DME	295	Oct-15	10 yr	7 yr MACRS	50%
LM6000 Simulator	226	Dec-15	7 yr	7 yr MACRS	50%
PI Historian - Hardware	18	May-16	7 yr	5 yr MACRS	50%
PI Historian - Software	252	May-16	313 months*	3 yr SL	N/A**
S7 - Hardware	162	Sep-17	7 yr	5 yr MACRS	50%
S7 - Software	370	Sep-17	10 yr	3 yr SL	N/A**
CIP V5	602	Dec-17	294 months*	15 yr MACRS	100%
Turbine Control Upgrade	843	Apr-24	7 yr	5 yr MACRS	80%

* Remaining life of the Facility (In-Service date through May 2042)

** Intangible Assets are not eligible for federal bonus depreciation

These figures were used to derive the rate base upon which the Company is seeking the Authority's approval to earn its return (see Exhibit GB II-2 - Schedules B-1.0 and B-2.0, along with their supporting schedules and workpapers). The plant investment reflected in rate base is adjusted to account for accumulated depreciation (see Exhibit GB II-2 - Schedule B-3.0) and associated deferred taxes (see Exhibit GB II-2 - Schedule WP C-2.5p1 – WP C-2.5p3, representing the deferred taxes on each of the separate capital projects which comprise the rate base) based upon the prudent capital expenditures for the Facility accumulated from the date

of commercial operation (June 1, 2012) through the rate year (2025). Rate base also includes an allowance for working capital (see Exhibit GB II-2 - Schedule B-4.0) and a reduction for the ARO balance.

Capital Investments reflect actual capital expenditures necessary to satisfy the as-built requirement. The plant achieved COD on June 1, 2012. The actual or estimated in-service dates for all capital projects since COD are summarized in Table 1 above.

Accumulated Depreciation reduces the rate base for setting rates. Per the Criteria Decision (p. 29), depreciation expense associated with the capital expenditures required to bring the Facility to commercial operation was determined on a straight-line ("SL") basis over 30 years, commencing with the COD. The depreciation expense for all post-COD projects are summarized in Table 1 above.

Accumulated Deferred Income Taxes ("ADIT") are also recorded as a rate base item– a reduction to rate base. The calculation of ADIT is shown in Exhibit GB-2 – Schedule B-5.0, and WP C-2.5p1 through WP C-2.5p3. Deferred Taxes for the Facility reflect 15-Years Modified Accelerated Cost Recovery System ("MACRS") for the plant investment and 20-Years Straight Line tax depreciation for the interconnection costs. The tax depreciation/amortization rates for the post-COD projects are summarized in Table 1 above. The calculation of deferred taxes also reflects the 100% bonus depreciation for the Facility's plant investments as of COD, as appropriate. Expenditures for interconnection costs are considered intangible and were not eligible for bonus depreciation. For the bonus depreciation rate (if eligible) for the post-COD projects, see Table 1 above.

Allowance for Working Capital consists of three components: (1) cash working capital; (2) inventory for spare parts; and (3) fuel inventory. Cash working capital reflects a 45-day allowance – one-eighth of O&M expenses, excluding property tax expense as reflected in the Authority's 2013 Decision and all subsequent AFRR decisions. Projected spare parts inventory for 2027 is provided in Exhibit GB II-2 – Schedule WP B-4.1. Estimated working capital impact related to fuel inventory for 2027 is based on the average actual inventory for the 13 months ended April 30, 2026 and is supported by Mr. Reynolds's testimony (see Exhibit GB II-2 - Schedule WP B-4.2).

Asset Retirement Obligation ("ARO") impacts are also reflected in the computation of revenue requirements. The ARO balance will accrete to $0.895 million by the end of 2027.

The return on the above items that comprise the rate base for determining the revenue requirement is calculated by applying the cost of capital to a 13-month average of the rate base.

Q. Please describe the level of expense items used in the determination of the revenue requirement.

A. The Criteria Decision classified operating costs into four categories: (1) Fuel; (2) O&M; (3) A&G; and (4) Taxes (p. 29). Exhibit GB II-2 – Schedule C-1.0 summarizes the expense items for the revenue requirement requested in this filing. Exhibit GB II-2 – Schedule C-2.0 provides the expense items in the format of Attachment 6 to the Criteria Decision. The fixed O&M expense on Exhibit GB II-2 – Schedule C-2.0 was derived in a manner generally consistent with the 2026 Decision and reflected in the 2026 AFRR.

Q. How is fuel expense reflected in the derivation of the AFRR?

A. No fuel expense for commercial operations is reflected in the expenses used to determine revenue requirements, since fuel used in the operation of the Facility is recovered as provided for in the CfD. Neither the operational fuel expense nor the market revenue is reflected in the AFRR calculation.

Q. What are the O&M and A&G expenses established for this filing?

A. The Company is seeking annual revenue sufficient to recover $3.014 million of O&M and A&G expenses as well as $0.000 million of interconnection operating expenses and $0.020 million in NERC-mandated Regulatory Operating Compliance Expenses to be incurred in 2026.[4]

Q. What tax expenses are included in the Company's calculation of the revenue requirement?

A. The Company is seeking recovery of property taxes, payroll taxes, and income taxes.

Q. Please explain the basis for your 2027 property tax estimates.

A. The Company estimates the property tax expense associated with the Facility for the rate year 2027 to be $0.988 million. The property tax estimate is based on a projection of personal and real property tax. The basis for an estimate of personal and real property taxes is included in Exhibit GB II-2 – Schedule WP C-2.3. The estimate of personal property tax includes a calculation for the first six months that comes from the City of New Haven's assessment of GB II New Haven's personal property, based on its October 1, 2025 declaration,

[4] NERC is the North American Electric Reliability Organization, the FERC-authorized electric reliability organization that imposes critical infrastructure protection standards and other requirements on wholesale power generators.

which the City of New Haven accepted and is provided here as Exhibit MB-1. This assessment, combined with New Haven's mill rate of 39.96 for Fiscal Year 2026-2027, results in annual personal property taxes of $0.812 million, of which $0.406 million is due and payable in January 2027. A further calculation is made for the remainder of the taxes due in 2027. This calculation is based on three components. The first is the personal property declared in October 2025, adjusted for an additional year of depreciation. The second is based on an increase in the spare parts inventory level for purposes of determining the associated property tax. The third part is Incremental Investment after October 2026. For all of these components, we assume the mill rate established for Fiscal Year 2026-2027. In total, the personal property tax projection for 2027 is $0.811 million. The estimation of property taxes is included in Exhibit GB II - 2 – Schedule WP C-2.3.

Q. What is the status between the Company and the City of New Haven on a property tax stabilization agreement?

A. A challenge of the real property assessment of the entire New Haven Harbor site was filed with the New Haven Board of Assessment Appeals on February 14, 2022. After the New Haven Board of Assessment Appeals denied the appeal on March 1, 2022, an appeal of that denial was filed in the New Haven Superior Court on April 29, 2022. On March 14, 2025, the Company and the City of New Haven settled the litigation regarding the assessment of the Facility ("Tax Settlement"). The Tax Settlement assigns a market value of $56,067,334.00, which results in an assessed value of $39,247,134 for 600 Connecticut Avenue retroactively starting in tax year 2021 and continues until a new City-wide revaluation. The Tax Settlement resulted in a six percent reduction. In accordance with the judgment, the City of New Haven

issued a credit on the subsequent tax bill equal to the total overpayments made over the last three tax years. Because the assessment applies to the entire 600 Connecticut Avenue parcel, which includes the adjacent Unit 1 New Haven Harbor steam turbine generating facility, the property tax allocated to the Facility is ultimately less than the full tax assessment issued by the City of New Haven. The total credit applicable to the Facility is $27,127.23 for the last three years of overpayments. This credit has been applied to the true-up calculation of the 2026 Property Taxes (see Exhibit MB-8). At the current mill rate, the Facility's share of real estate taxes payable during 2027 are $0.178 million. See Exhibit MB-2 for the Tax Settlement. Therefore, the total 2027 amount of personal property and real property taxes is $0.988 million.

Q. How is payroll tax incorporated in the calculation of the AFRR in this filing?

A. Payroll tax is in the billing rate for every worker whose labor is charged to the Company. Fixed O&M in this filing begins with actual O&M: therefore, payroll taxes are included in multiple accounts to which labor is charged.

Q. How are income taxes reflected in the determination of revenue requirements?

A. Income taxes are calculated using deferred tax accounting and accelerated tax depreciation. Tax depreciation for the original construction cost of the Facility reflects the 100% bonus depreciation for the investment in the plant. 15-year MACRs is reflected after any bonus depreciation has been applied. Note that in the computation of state income tax, bonus depreciation is not recognized. Pursuant to the Company's tax analysis, the plant investment to achieve commercial operation in 2012 (excluding that associated with intangible property) qualified for 100% bonus depreciation under transition rules and filed its 2012 income tax

accordingly. The Company further determined that the investment for all post 2012 capital expenditure projects (excluding that associated with intangible assets) qualifies for bonus depreciation, and has taken that position in its applicable annual income tax filings. For the tax depreciation rates, see Table 1 above. The tax computation reflects the statutory tax rates of 8.25% for state tax and the 21% federal tax calculations. Those rates are utilized in the preparation of Exhibit GB II-2 – 1 Schedule WP C-2.2 (Income Tax Expense – Rate Year 2024) and Exhibit GB II-2 – Schedule A-2.0 (Computation of Gross Revenue Conversion Factor – Rate Year 2026).

Q. How is the recovery of the plant investment reflected in the determination of revenue requirements?

A. The revenue required to recover the investment in the plant is reflected in the depreciation expense. Per the Criteria Decision (p. 29), depreciation expense associated with the capital expenditures required to bring the Facility to commercial operation was determined on a straight-line basis over 30 years, commencing with the COD. The book life used to determine the depreciation expense for the Facility and all subsequent investments is shown in Table 1 above. (See also Exhibit GB II-2 – Schedule WP B-3.0 and Exhibit GB II-2 –Schedule WP C-2.1)

VII. FINANCING COSTS

Q. How did the Company finance its investment?

A. As discussed at length in the 2012 Decision, the Company utilized balance sheet financing for the initial construction of the Facility. The Company's upstream parent, Generation Bridge II Holdings New Haven, LLC ("GenBridge"), holds a combination of debt and equity.

Q. What capital structure is used in the determination of revenue requirement?

A. As established by the Authority in the 2012 Decision and reaffirmed in subsequent Decisions, a capital structure assuming 50% debt and 50% equity is reflected in this filing for the determination of revenue requirements.

Q. How is the ROE to be determined?

A. The Criteria Decision established the following process:

> Each sponsor shall propose an initial project ROE, not to exceed 10.75%. The adder, which may be positive or negative, will then be the difference between the sponsor's proposed initial ROE and the actual average of the EDCs' ROEs upon execution of the contract or issuance of the Final Order, and will be fixed going forward. This will take into consideration, for example, the results of the current [EVERSOURCE] rate case results. The Supplier's ROE will be automatically reset in the future based on the results of future EDC rate cases accordingly….
>
> Further, the [Authority] has determined that setting a floor on the potential future ROE of 9.75% will reduce risk, and, therefore, should improve the prices proposed by projects to the benefit of customers. (Criteria Decision at page 34).

The Company's proposal was premised on an ROE of 10.525%. Given the allowed ROEs for Eversource and The United Illuminating Company ("UI") at the time of contract execution,

the adder was calculated to be 1.175%. The ROE authorized for Eversource for 2025 is 9.25% (as established in the decision in Docket No. 17-10-46 – *Application of the Connecticut Light and Power Company to Amend Rate Schedules*) and 9.45% (per the decision in Docket No. 24-10-04 - *Application of the United Illuminating Company to Amend Rate Schedules*) for UI. Therefore, the ROE used in the 2027 AFRR calculation is 10.525% (reflecting the average of the allowed ROEs for Eversource and UI plus the 1.175% adder).

Q. How is the cost of debt determined?

A. The cost of debt applied to the 50% debt component, established by the Authority in the 2024 Decision, relies upon the 4.27% fixed rate of interest associated with notes issued by GenBridge. This rate is fixed through the notes maturity date of May 31, 2042 which coincides with the initial term of the CfD. The 10-year Treasury rate was 2.37% when the GenBridge debt was placed, at this time it is 4.38%[5], 201 basis points higher, which implies approximately $2.300 million of avoided incremental interest expense per year rate payers may have been exposed to had long-term fixed rate financing not been secured.

Q. Does the Company have any expectations for future financing?

A. Exhibit GB II-1 provides projected financial statements for the years 2027 through 2031. These projections assume a continuation of the 50/50 debt/equity capitalization. Also, the cost of debt is assumed to remain unchanged over that period. The projections also assume no change to the ROE, which implicitly assumes no changes in the allowed ROEs for Eversource and UI. Based on the ROE setting process established in the Criteria Decision, a

[5] Available at: https://www.bloomberg.com/markets/rates-bonds, as of June 30, 2026, 4:00 p.m.

change in the Eversource or UI ROEs would change the Company's ROE. The Company assumes that its ROE would be impacted in such a case only to the extent that the change in the Eversource or UI ROE reflects the economic conditions at the time, and not the result of operational performance by Eversource or UI or performance penalties that the Authority may decide to impose and embed within the EDCs' then-current allowed ROE.[6]

Q. How are financing costs determined for purposes of setting the AFRR for 20267?

A. The financing costs associated with the investment in the Facility since it has been in-service have been, and are, recovered through the revenue requirement established in the prior revenue requirements decisions and this filing. The revenue requirements for the 2027 Rate Year are calculated based upon the 50/50 debt/equity capitalization PURA established in the 2012 Decision, including the fixed cost of debt of 4.270% discussed above and the allowed ROE of 10.350%. See Exhibit GB II-2 – Schedule D-1.0 for the Return and Cost of Capital Summary for the Rate Year. The resulting weighted average cost of capital is applied to the average rate base to establish the AFRR sufficient to pay the interest expense and provide for a 10.350% ROE that supports the investment reflected in the rate base.

Q. Are there any other financing costs reflected in the revenue requirements calculation?

A. Yes. The CfD requires that the Company carry a $3.240 million letter of credit ("LOC"). The cost associated with the LOC is $4,050 per month. The Company is also

[6] Notwithstanding the ROE of Eversource and UI, the Criteria Decision at page 34 establishes an ROE floor of 9.75%: "the Department has determined that setting a floor on the potential future ROE of 9.75% will reduce risk, and, therefore, should improve the prices proposed by projects to the benefit of customers. As an option, project sponsors may elect to waive the 9.75% floor, provided, however, that the financing plan contains sufficient evidence that the project can be capitalized."

required to maintain a separate LOC with ISO-NE to participate in the markets. As discussed in the 2019 and 2020 AFRRs, under the ISO-NE Pay-for-Performance design, a participant's net capacity payment may be negative (i.e., penalties for non-performance can exceed the capacity payments received). As a result, ISO policy requires participants to collateralize the additional potential obligation. Effective June 1, 2025, ISO-NE implemented a more stringent financial assurance policy for market participants. Under this new policy, the Company is required to post a LOC in the amount of $7.250 million (corresponding cost to ratepayers of $9,063 per month), an increase from the current LOC amount of $3.100 million. To avoid the increased LOC, an affiliate of the Company—Alpha Generation, LLC—has provided a Guaranty Agreement (entered into this filing as Exhibit GB II-9) with ISO New England on behalf of the Company in order to significantly reduce the Company's collateral requirements under the new financial assurance policy. With the Guaranty Agreement in place, no change to the current LOC amount of $3.100 is required, and therefore the corresponding cost in the 2026 AFRR remains $3,875 per month. By providing this Guaranty Agreement, the Company has saved ratepayers a cost of $5,188 per month. Other required LOCs include $0.200 million to The Southern Connecticut Gas Company, $0.400 million to Sprague Operating Resources LLC, and $5.486 million posted to MUFG Union Bank, N.A. for the Debt Service Reserve required under the debt financing. These items cost a combined $7,608 per month.

VIII. INTERCONNECTION COSTS

Q. How does the Criteria Decision address interconnection costs?

A. In the Criteria Decision, the Authority provided:

> All efforts should be taken by the project proposers to accurately estimate interconnection costs and minimize the actual cost. The [Authority], however, recognizes that actual costs may vary significantly from the estimate. Therefore all prudent costs of electrical and natural gas interconnection will be 100% recoverable by the project from ratepayers.
> (Criteria Decision at p. 29)

Q. What costs associated with interconnection are included in this filing?

A. This filing reflects the capital investment associated with interconnection of $5.710 million as approved by the Commission in establishing the AFRR in the 2014 Decision.

Q. How are the interconnection costs reflected in the calculation of the revenue requirement in this filing?

A. The interconnection costs are capitalized into the cost of the Facility. The investment is recovered through the depreciation expense over a 30-year life. The appropriate tax depreciation as used for the project is the basis for determining the accumulated deferred tax off-set to rate base.

The additional $6.831 million (including allowance for funds used during construction) associated with work done on the UI system for purposes of interconnection is shown as intangible plant (see Exhibit GB II-2 – Schedule B-2.0). Those costs are recovered through an amortization expense over a 30-year book life. As intangible plant, accumulated deferred taxes are based upon a 20-year straight line tax depreciation rate. This plant was not eligible for bonus tax depreciation.

Q. Are there other expenses related to interconnection included in the determination?

A. No.

Q. Is the treatment of the Interconnection Costs in this filing the same as in the Company's prior filings?

A. Yes.

IX. TRUE-UPS

Q. Are there any other items that you wish to address at this time?

A. Yes. I would like to address certain true-ups as called for by the Criteria, Awards, and 2014 through 2026 Decisions, and the impacts on revenue required to be collected in 2027.

Q. What is the status of "true-ups" associated with the Facility?

A. The Company's prior AFRR filing and Decisions addressed certain expected true-ups. Specific items subject to true-up in this proceeding are:

- 2025 Spare Parts Inventory Levels;
- 2025 Interconnection O&M Costs;
- 2025 LOC Fees;
- 2025 Regulatory Operating Compliance Fees; and
- 2026 Property Taxes.

Q. Have all of these items been trued-up in prior Decisions?

A. The Authority has approved true-ups for all of these specific items in prior Decisions.

Q. What is the total impact on revenue to be collected in calendar year 2027 associated with true-ups?

A. The true-ups for the above cited items result in the need to refund $0.056 million in 2027. This reflects the over-recovery of $0.049 million plus interest of $0.007 million (see Exhibit MB-3).

Q. What is the total rate impact in calendar year 2027?

A. In summary, the AFRR for 2026 is $16.381 million to recover costs in 2027. The Company will decrease that figure by $0.056 million, reflecting the net over-collection from the true-ups listed above. The net revenue to be recovered in 2027 is $16.325 million (See Exhibit GB II-2 – Schedule A-1.0).

Q. Are there any capital expenditures expected to be made in 2027?

A. The Company is completing the gas compressor transformer replacement, however, the Company expects to complete this project in 2027 as further discussed in the Testimony of Robert Reynolds.

X. OPERATING EXPENSES

Q. What is GB II New Haven's projection for spare parts inventory for 2027? Describe the justification for this amount.

A. GB II New Haven's projection for spare parts inventory for 2027 is $2.557 million, as described in Schedule B-4.0. Average spare parts inventory for the 13 months ending April 2026 was $2.469 million, as described in Workpaper B-4.1. Consistent with the 2026 AFRR Decision, the Company utilized a 1% historical average annual turnover in inventory escalated by 3.30% for inflation, which results in an increase of $0.044 million to the projected spare parts inventory for 2027 as compared to the approved inventory levels in 2026 of $2.513 million.

Q. Is the revenue requirement associated with the level of inventory subject to a true-up?

A. Yes. Consistent with the direction of the PURA from the original proceeding, this line item is subject to true-up. The timing of this true-up is in the year following the test year. Thus, to the extent a true-up is required, it would be based not on the current year 2026, but on the prior year, 2025.

Q. Is a true-up required for spare parts for 2025?

A. Yes. The AFRR associated with the difference between the actual inventory levels in 2025 and that used to determine the AFRR for 2025 results in a true-up of $0.003 million to be refunded to ratepayers, inclusive of interest. (See Exhibit MB-4 for the detailed calculation).

Q. How are O&M and A&G expenses established for this filing?

A. In Docket No. 12-07-17 – *Application of PSEG New Haven LLC for Establishment of 2013 Revenue Requirements* ("2013 Decision)," the Authority stated that:

> The starting point for budget purposes is the previous year's actual expenditures per line item as presented in Attachment 6 – Operating Cost Summary. For example, the 2014 AFRR in June 2013 would use the previous calendar year (2012) actual expense amounts. The 2012 amounts are increased for inflation using a combination of actual inflation results and estimated inflation through 2014. The index to be used is the CPI Regional. The result of the above calculation is the basis for determining Attachment 6 Expense items for the 2014 revenue requirement.
>
> 2013 Decision at 11.

The Company has used as its starting point the actual direct and indirect expenditures incurred in the twelve months ending December 31, 2025. The Company did not consider Regulatory Operating Compliance Expenses, Property Taxes, Letter of Credit Fees and Interconnection

Operating Expenses for escalation as these amounts are subject to true-up independently. These separate and independent true-up items are addressed later in this testimony. Direct and indirect costs (FERC Accounts 546-557 and 920-935) are shown on Exhibit GB II-2 – Schedule C-2.0 as $2.827 million for the 2025 calendar year.

Q. Describe the escalation rate applied to 2025 direct and indirect cost.

A. The Company used an escalation rate of 3.30%. This rate is based on the Consumer Price Index – All Urban Consumers for New York All Items for the April 2025-March 2026 period, which is the most current annual rate available at the time of the preparation of this testimony and consistent with the methodology directed by the PURA in the 2013 Decision at 15-20. The Company applied this escalation rate to arrive at a Calendar Year 2026 amount for Direct and Indirect Expenses for all accounts. The Company then escalated the 2026 amount by the same escalation rate of 3.30% to produce the 2027 calendar year values for all accounts.

Q. Are there any exceptions to the escalation rate you reference above?

A. Yes. Account 550 Rents is escalated at the contractual rate of 2.5% per the Ground Lease executed between PSEG Power Connecticut and the Company on December 20, 2011 as contemplated in the Company's 2008 original project proposal. This Lease remains in place and the 2.5% escalation has been applied consistent with past practice. This calculation is shown in Exhibit GB-2 – Schedule C-2.0 on line 18.

Q. Discuss your understanding of the cap for expenditures and how it relates to the

2026 O&M requirement.

A. In the 2013 Decision, the Authority called for a second calculation ("Calculation 2"):

> To determine the cap for expenditures, as established in the Criteria Decision, the 2008 original proposal line items in Attachment 6 are to be escalated from 2009 through 2013 using actual annual inflation to the extent available as reflected in the CPI-U Regional and forecast inflation to the extent actuals are not available for 2013 and 2014. An additional 2% is applied to the individual line items to determine the cap. See 2013
>
> Decision at p. 11.

The Company's 2008 original proposal included $1,888,696 of direct and indirect O&M expenses, excluding Property Taxes and Letter of Credit Fees. This value has been reviewed and approved by the PURA in each of the Company's past proceedings. The calculation below uses the CPI-U Regional actual inflation rate for the June to May period for each year from 2010 to 2014, and applies the same methodology used and approved by the PURA in previous rate case filings for the Company and GenConn. For the years 2015 through 2025, the CPI-U Regional is based on the rate for the April to March period, which is the period used in prior processes. Applying the 2% cap limit to the 2027 amount results in a total of $3.020 million.

	CPI-U Regional	$ Amount	With 2% cap
2008 Original Proposal		**$1,888,696**	
Escalation to 12/31/2009	2.72%	1,940,023	1,978,823
Escalation to 12/31/2010	0.94%	1,958,226	1,997,391
Escalation to 12/31/2011	1.77%	1,992,886	2,032,744
Escalation to 12/31/2012	2.91%	2,050,930	2,091,948

Escalation to 12/31/2013	1.73%	2,086,433	2,128,162
Escalation to 12/31/2014	1.55%	2,118,876	2,161,253
Escalation to 12/31/2015	0.92%	2,138,386	2,181,154
Escalation to 12/31/2016	0.34%	2,145,735	2,188,650
Escalation to 12/31/2017	1.52%	2,178,382	2,221,950
Escalation to 12/31/2018	1.74%	2,216,369	2,260,696
Escalation to 12/31/2019	1.88%	2,258,005	2,303,165
Escalation to 12/31/2020	1.85%	2,299,769	2,345,764
Escalation to 12/31/2021	1.52%	2,334,665	2,381,358
Escalation to 12/31/2022	4.30%	2,435,059	2,483,761
Escalation to 12/31/2023	6.11%	2,583,959	2,635,638
Escalation to 12/31/2024	3.24%	2,667,599	2,720,951
Escalation to 12/31/2025	4.01%	2,774,548	2,830,039
Escalation to 12/31/2026	3.30%	2,866,153	2,923,476
Escalation to 2027	3.30%	2,960,783	3,019,999

Q. How do the results for Calculation 1 compare to the results for Calculation 2?

A. As described above, the estimate requested for 2027 is $3.014 million. The Company's original proposal escalated to 2027 is $2.961 million. This is the expected cost for direct and indirect O&M expenses based upon the methodology contained in the Company's original proposal. Pursuant to Docket No. 07-08-24, *DPUC Investigation of the Process and Criteria for Use in Implementing Section 50 of Public Act 07-242-Peaking Generation* (the "Criteria

Decision"), those costs are recoverable up to the 2% cap, which results in a total direct and indirect O&M expense of $3.020 million. The actual amount requested in this proceeding compared to the historic escalated amount is $0.006 million below the cap value. Therefore, as indicated in the 2013 Decision, since the cap amount is greater than the inflation adjusted actual calculation, "no further analysis of O&M expenses is required." See 2013 Decision at 11.

Q. Please discuss charges related to Interconnection Operating Expenses. What amount does the Company project for 2027? Is a true-up required for 2025?

A. Under the Large Generator Interconnection Agreement Article 10 and Appendix C-2, the Interconnecting Transmission owner, UI, charges interconnecting generators, including the Company, ongoing annual charges classified as interconnection operating expenses. Per the Criteria Decision at 29, the full amount of the Company's actual costs of electrical and natural gas interconnection are "100% recoverable" through the AFRR. However, per FERC Docket No. EL23-16-000, FERC determined that billing O&M and property tax related costs on Network Upgrades, Stand Alone Network and Distribution Upgrades to Interconnection Customers is unjust and unreasonable. The filing went into effect May 2, 2025; and therefore, there will no longer be any Interconnection Operating Expenses collected through the AFRR.

Regarding the actual 2025 expense, a true-up was brought forward into the 2026 AFRR for the final refund associated with the Interconnection Operating Expense (see Page 8 of 2026 AFRR 'Decision'). Therefore, there is no true-up in the 2027 AFRR.

Q. Are there other O&M expenses outside the AFRR that require recovery?

A. Yes. There are expenses required to satisfy impending or newly implemented regulatory operating compliance obligations that were not considered as part of the 2008 development of O&M expenses. As such, the process requires that the Company introduce any new or ongoing regulatory operating compliance expenses on an annual basis, subject to true-up.

Q. Are there any regulatory operating compliance expenses for 2027?

A. Yes, as first presented in the 2017 AFRR, PRC-005 "Protection System Maintenance," required more extensive battery inspections and testing, specifically for the type of batteries installed at the Facility. As stated in the 2018 AFRR, local vendors would be utilized to perform the more extensive battery inspections and testing safely with these enhanced procedures. For 2027, costs have been estimated at $0.020 million, subject to true-up.

Q. Are there any regulatory operating compliance expenses subject to true up for 2025?

A. Yes. In the 2025 AFRR, the Company collected $0.020 million for NERC required compliance. The Company, however, had $0.000 million spend for NERC compliance in 2025. This results in a true-up of $0.024 million to be refunded to ratepayers inclusive of interest. (See Exhibit MB-7 for the detailed calculation).

Q. Provide actual variable O&M ("VOM") costs recovered in 2025, as well as an estimate of projected VOM costs in 2027.

A. Actual VOM costs in 2025 amounted to $0.072 million; and the Company projects VOM costs in 2026 of $0.075 million. (See Exhibit GB II-3).

Q. Are there any changes to the ISO-NE markets that would require a change in how the Company participates in the markets?

A. No.

Q. Does this conclude your testimony?

A. Yes.