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Witness: Brendan J. O'Brien, Garrett J. Murray, Leanne M. Landry and Jeffrey D. Turano
Request from: New England Connectivity and Telecommunications Association

Question:

(Make Ready Work & Related Costs) Refer to Exhibit CLP-ADDITIONS-9. The phrase "Pole replacement -Pole defective" appears 106 times in this file. Provide the following:

a. Explain why in each of these cases the expenses related to pole replacement become a deferred regulatory expense,
b. Identify the account(s) to which the expenses are booked
c. Identify the proposed method of recovery for such costs.
d. Compare and contrast recovery of those costs with the recovery of costs associated with new pole placements needed to address expanded service coverage due to industrial, commercial and residential developments.

Response:

a. Capital expenditures related to pole replacements can be billable to the attachers or non-billable. When costs are not billable, and the costs are capitalizable (as is the case for a pole replacement and other make-ready work where the replaced property is a depreciable unit of property), those are treated as Company property and would become a capital asset/rate base. Non billable replacements are not deferred regulatory expenses but instead capital assets residing in FERC Account 106 (Completed Construction Not Classified) or FERC Account 101 (Electric Plant in Service (Major Only)).

b. Pole replacements are capital expenditures. Therefore, these are capital expenditures initially recorded as construction in FERC Account 107 (Construction work in progress—Electric) and moved to FERC Account 106 (Completed construction not classified—Electric (Major only)) once placed in service and FERC Account 101 once unitized.

c. Capital expenditures for assets placed in service, not reimbursed through make-ready billing submitted to attachers, are part of this rate case.

d. The recovery is the same as there are capital expenditures incurred for make-ready work that is not billable and would, in the ordinary course of business, be part of the company's pole replacement process.