Date Filed: October 13, 2026

Witness: John P. DiPaola-Tromba, Sean D. Redding and Jenna Turner
Request from: Office of Consumer Counsel

Question:

Vegetation Management. Refer to VMP-1. Provide copies of all supporting documentation relied on by the Company supporting its request to expense rather than capitalize the vegetation management costs, including but not limited to studies, accounting and regulatory guidance.

Response:

The Company began capitalizing work conducted through the Enhanced Tree Trimming ("ETT") program per the final decision of PURA in Docket No. 98-01-02. At that time, the ETT Program included the removal of hazard branches and trees outside the normal trim zone, among other work. Please refer to OCC-886, Attachment 1, on page 146. Additionally, in that docket, PURA approved capitalization of the costs for the ETT program based on the nature of the work that was performed through the program. Please refer to OCC-886, Attachment 1, on page 45:

> The Department has reviewed the FERC requirements for accounting for tree trimming costs and concurs with CL&P's view with respect to capitalizing the enhanced tree trimming costs.".

Capitalization of ETT Program work continued in accordance with Docket No. 12-07-06, including Enhanced Tree Removal ("ETR") as part of the ETT Program. Please refer to OCC-883, Attachment 1, Decision on page 6, 8, Section IV. A. Conclusions, stating:

> The Plan is reasonable and necessary to improve the resiliency of the Company's electric distribution system. The Authority therefore approves the Plan, and hereby requires CL&P to provide status updates on implementation of the Plan
>
> The capitalized assets spending will be comprised of the following: Electrical, Structural, System Automation and ETT for the total of $258 million for the five years.

The primary driver of the need to change from capitalization to expense treatment for the VMP costs is to align with the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts (USoA). FERC continually updates its compliance requirements and accounting treatments in the USoA through review, recommendation and adoption, and does not always follow changes in U.S. GAAP automatically in order to avoid making accounting changes that

have the effect of a rate change without making the appropriate rate filing. However, FERC regulates transmission construction, operation and accounting and individual state jurisdictions have the their own authority to differ on the accounting treatment of tree trimming.

The secondary driver for the change is that nearly all state regulators for distribution now follow USoA rules for capitalization of tree work under Account 365 (Overhead Conductors and Devices) and expense under Account 593 (Maintenance of Distribution Overhead Lines), and the Company recommends that it should follow that practice as well, with PURA approval.

The Company has not had the opportunity to discuss this subject as the issue was partially discussed in the Settlement Decision of Docket No. 17-10-46, OCC-883 Attachment 2, and final decision in Docket No. 17-10-46RE02, OCC-883 Attachment 3.

Please refer to OCC-883, Attachment 2, page 12, stating:

> The Company's proposed recovery under the system resiliency program of capital expenditures for enhanced tree trimming ("ETT") in the rate case application for calendar years 2018-202011 and the associated return thereon, as filed in this rate case: (a) are approved; (b) shall be reclassified as O&M expense.

Please refer to OCC-883, Attachment 3, page 10*,* stating*:*

> The Authority concludes that the incremental funding request by the Connecticut Light and Power Company for the Enhanced Tree Removal program is reasonable under the current environmental conditions affecting roadside tree mortality and is, at this time, necessary for the safe and reliable delivery of electric service. If the Company seeks to continue funding beyond calendar year 2020 for an amount above that which was approved in the Rate Case Decision, the Company must first seek approval from the Authority.

The Company is taking the opportunity in this docket to make this recommendation and have PURA evaluate the change to be aligned with FERC accounting principles and other regulator jurisdictions on accounting and recovery methods in accordance with Motion 53 of PURA Docket No. 17-10-46. Please refer to OCC-883, Attachment 4, page 2*,"*to prudently operate and maintain a resilient electrical distribution system" and to seek permission to recover such "system resiliency program costs in its next rate case proceeding."

Although capitalization spreads the rate impact to customers over the depreciation period, it also includes the other capital components including a debt component (cost of borrowed funds), tax component (cost of asset improvement) and an equity component (a reasonable return on internal equity funds used), which would not be applicable if the costs are treated as expense.