Date Filed: October 20, 2026

Witness: David L. Gladey, John P. Dipaola-Tromba, Leanne M. Landry and Jeffrey D. Turano
Request from: Office of Consumer Counsel

Question:

(Capital Projects) Referring to Exhibit CLP-Additions-1, page 12. Please define the term "flexibility in the budget"; explain what determines whether a project has budget flexibility or not; and identify the components (i.e. project cost categories) of a project budget which are flexible and which are inflexible.

Response:

The term “flexibility in the budget” is a reference to the overall capital budget, not the budget for a specific project. The term refers to the ability to defer, accelerate, or reprioritize planned capital spending within a given budget period in response to changing system conditions, emerging operational needs, or unforeseen project requirements. Budget flexibility is an important component of managing a large capital portfolio and enables the Company to efficiently allocate capital to projects that provide the greatest near-term benefit to customers and system operations.

Whether a specific project has flexibility in relation to the *overall budget* depends primarily on the urgency of the underlying need, regulatory or compliance requirements, customer commitments, safety considerations, and the potential system impacts associated with delaying the work. Projects that address immediate safety concerns, mandated compliance requirements, emergent reliability issues, customer-driven obligations, or equipment failures generally have limited or no budget flexibility because delays could result in unacceptable operational, safety, or customer impacts. In contrast, projects addressing aging infrastructure that remain in serviceable condition may have greater flexibility because the assets can continue to operate safely and reliably for a period beyond the originally planned replacement date.

For aging infrastructure replacement projects, budget flexibility typically exists when asset condition, engineering assessments, operational history and system performance indicate that the asset can remain in service without creating an immediate reliability, safety, or compliance concern. In these situations, The Company may defer a planned replacement project by one or more years with limited near-term impact on customer reliability while continuing to monitor the asset through its normal maintenance and inspection programs.

Budget categories that are generally considered more flexible include planned construction expenditures associated with asset replacement programs, such as labor, materials, equipment, and

contractor costs for projects that have not yet commenced construction or where construction can be paused without creating risk to the distribution system and can be rescheduled based on emergent priorities.

The ability to defer certain aging infrastructure replacement projects provides an important mechanism for managing capital expenditures within the overall portfolio. When unforeseen conditions arise, such as unexpected equipment failures, storm-related damage, deteriorated assets identified through inspections, or other emergent reliability needs, funding associated with projects that can be safely deferred may be reallocated to address those higher-priority needs. This approach allows the Company to respond promptly to emergent system conditions while continuing to maintain safe and reliable service. Deferred replacement projects remain within the long-term capital plan and are reevaluated in subsequent planning cycles to ensure that asset condition and system risk remain acceptable before replacement is further postponed.

Accordingly, budget flexibility does not reflect the elimination of planned infrastructure investments, but rather the Company's ability to optimize the timing of certain replacement projects whose deferral is not expected to have an immediate impact on system reliability, while ensuring sufficient funding is available to address unforeseen conditions that require immediate corrective action.