Date Filed: October 19, 2026

Witness: John P. DiPaola-Tromba, Sean D. Redding and Jenna Turner, Brendan J. O'Brien and Garrett J. Murray
Request from: Office of Consumer Counsel

Question:

Vegetation Management. Refer to CLP-VMP-1. Will the vegetation management costs that the Company proposes to expense be used and useful over a period longer than one year? If so, explain why these costs should be expensed in the year incurred including why this treatment is beneficial to ratepayers.

Response:

In the first instance, the determination of whether an expenditure is treated as capital or expense is not a decision that the Company can make on its own without adherence to generally accepted accounting principles ("GAAP"). The Uniform System of Accounts for Electric Utilities, which the Company generally follows in order to adhere to GAAP. Under these guidelines, expenditures that extend the life cycle of an asset may be capitalized. Items that are capitalized are included in rate base and are depreciated over the "life" of the asset and are subject to the rate of return due to the extended recovery. Expenditures that are in the realm of repairs or maintenance and that do not extend the life of the infrastructure asset must be expensed in the year in which the expenditure is experienced.

As proposed in this proceeding, the Vegetation Management Plan ("VMP") is designed to *maintain* the Company's overhead infrastructure assets during the 4-year cycle period. This means that the type of trimming work that the Company plans to perform will not be making a more permanent change in the life cycle of overhead infrastructure by materially diminishing the likelihood of damage, as the Enhanced Tree Trimming ("ETT") program did. In the ETT program, clearances were pushed back by a material degree and other work was performed that had the effect of rendering a permanent change upon the life cycle of overhead assets. From there, maintenance cycles could maintain the level of cutback achieved through the ETT, which is where the Company is now.

Accordingly, in this case, the VMP is aimed at completing vegetation-management cycles, using time or cycle-based strategies (Roadside Scheduled Maintenance, Distribution Rights-of-Way, and Mid-Cycle Trim), combined with condition-based strategies (Reliability Tree Work and Risk Tree Removals), to maintain the Company's overhead infrastructure. Time refers to how long a tree takes to grow back into the encroachment near a conductor. Condition refers to the physical state of the tree, its species growth rate, structural health, decay and proximity to electrical conductors.

These activities are performed for the purpose of preventing failure and maintaining life of electric plant and are defined as maintenance, per the UsoA, because these activities do not effect such a significant change to be categorized as extending the life of the overhead infrastructure asset.

The concept of "used and useful" is associated with capitalized assets, included in rate base. Although the effects of Company's annual VMP strategies will have benefits over a multi-year period between cycles, it will not have a permanent, longer-lasting effect as is needed to be capitalized. Consequently, the types of activities that the VMP is undertaking are not eligible for capitalization of the associated costs, as an accounting matter.