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Witness: David L. Gladey, Jeffrey Richard, Leanne M. Landry and Jeffrey D. Turano
Request from: Public Utilities Regulatory Authority

Question:

(PFAFF-Capital Additions) Application, Ex. CLP-ADDITIONS-9. For each item marked as "Billable" in the "Status/Underlying Cause for non-billable work*" column, provide the following:

a. Define what "billable" means in this context.
b. State (yes/no) whether the Company billed a third party for this investment.
c. If the answer to subpart (a) is yes, explain why amounts billed to third parties should be included as utility plant investments.

Response:

a. In this context, "billable" means that the costs of the incremental make-ready work required to accommodate a proposed third-party attachment are assigned to and recoverable from the requesting third-party applicant. The designation does not mean that the resulting facility is owned by the third party, nor does it mean that all work performed on the same pole is billable.

   The determination is made based on circumstances of the proposed attachment, including, as applicable, whether the attachment creates a pole-loading or clearance violation, whether a replacement pole is required to accommodate the attachment, and whether post-construction corrections are attributable to work performed for the attachment. The applicable scenarios are described in the SPA Make-Ready Billable Matrix included as RRU-002, Attachment 1.

   Where a pole also has preexisting maintenance, equipment, safety, or NESC-compliance condition, the costs to correct that condition are billed to the cost causer if the Company can determine the pre-existing condition was caused by an identifiable attacher, and the cost causer is different than the attacher requesting the make-ready work, even when the corrective work is performed at the same time as billable make-ready work to the requesting attacher. Only the incremental work required to accommodate the third-party attachment is classified as billable to the requesting attacher. The matrix also identifies the circumstances under which certain municipal attachments are not charged for pole replacement make-ready costs.

b. Yes. For each item identified as billable, the requesting third party was billed for the billable make-ready work associated with the attachment request. Once a bill is issued, the

associated make-ready work order is credited for the billed amount, and therefore any amounts included in Exhibit CLP-ADDITIONS-9, are **net** of any billings and only reflect amounts in utility plant in service.

c. The Company is not including amounts billed to third party attachers in Exhibit CLP-ADDITIONS-9. First, it is important to note that amounts billed to or received from third party attachers do ***not*** result in the Company recognizing a utility plant investment. When pole make-ready work qualifies as capitalizable work, such as the replacement of a pole, the work is charged to a capital work order ("WO"). When some or all of the work is billed to a third party attacher(s), those billed amounts are accounted for as a credit or offset to the capital WO. That **net amount** is what is included in Exhibit CLP-ADDITIONS-9. Accordingly, the accounting treatment recognizes the Company owned asset while also recognizing the amount funded by the third party attacher(s), so that the utility plant investment is net of amounts billed to third party attacher(s). In circumstances where there is a non-billable portion of the make-ready work, that amount would be the amount the Company would recognize as the value of the utility plant investment.

   Make-ready work may qualify as a utility plant investment under generally accepted accounting principles ("GAAP") and Federal Energy Regulatory Commission ("FERC") rules and regulations, even when some or all of its costs are billed to a third party attacher because the work installs, replaces, or improves facilities that are owned, operated, and maintained by the Company and otherwise satisfy the Company's capitalization criteria, in accordance with GAAP and FERC. Responsibility for funding the work does not, by itself, determine the accounting treatment.