



Accounting Policy/Procedure

Policy/Procedure Title	Accounting for Costs of Clearing Land and Rights-of-Way and Trimming Trees	Date	March 1, 2017
Author:	Accounting Policy & Research	Status: (Draft, Under Review, Approved)	Approved

Purpose

This accounting policy / procedure memo serves to update and replace AEP Accounting Bulletin 2, “Accounting for Costs of Clearing Land and Rights-of-Way and Trimming Trees” and the “Clarifications and Interpretations of Accounting Bulletin #2” document which followed the originally issued bulletin. These instructions are primarily intended to define costs of clearing land and rights-of-way and trimming trees properly chargeable to construction or maintenance.

This policy / procedure document may not be released to parties outside AEP without the approval of the Chief Accounting Officer.

Policy/Procedure Statement

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I. GENERAL RULE

Costs of initial or original clearing of land and rights-of-way and pruning trees are to be charged to appropriate electric plant capital accounts.

"INITIAL OR ORIGINAL" CLEARING

- a. The “initial or original” clearing includes the initial application of herbicide:
 - i. Delayed initial herbicide applications where the applicable construction work order has been closed
 - 1) Planned two-herbicide application method (with approximate intervals of from one to three years between first and second applications) designed to control stump sprouting species with the first application and root suckering species with the second. Effective control of both types of growth by this method requires different materials which are not miscible and some regrowth of root suckers before the second application.
 - 2) Where root suckering is not a problem, the second application will occur after the normal maintenance interval

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(approximately four to six years) and is to be charged to appropriate maintenance accounts.

- ii. Initial application of Tree Growth Regulator (TGR) and associated costs.

II. OTHER CAPITALIZABLE COSTS

- a. Costs of clearing portions of existing rights-of-way not previously cleared.
 - i. Costs of removing trees greater than (or equal to) 18" in diameter from previously cleared rights-of-way after the line is in operation
 - ii. Costs to include:
 - a. Felling and disposal
 - b. Stump grinding
 - c. Herbicide treatment of the stump
- b. Widening - Costs of clearing newly acquired easements that widen existing, previously cleared rights-of-way and/or widen previously cleared rights-of-way that were established around center-line easements or through franchise agreements.
 - i. Distances of 1 span or more
 - ii. Costs to include:
 - a. Removal of trees and brush
 - b. Herbicide applications as described in sections (I.a.)
 - iii. Only costs associated with widening which result in an increase in the ground distance measured from edge to edge may be capitalized.
- c. Initial costs of trimming trees bordering newly widened rights-of-way.
 - i. Removal of overhanging limbs protruding through or into the newly widened rights-of-way
 - ii. Scattered clearing and pruning of portions of rights-of-way not previously cleared (e.g. structurally unsound trees that are capable of striking electric supply lines or structures upon failure, also known as "hazard trees")
 - a. Costs of removing trees greater than 4" in diameter from outside the previously cleared rights-of-way after the line is in operation

Discussion:

Classifying, as capital, certain tree removals after the first clearing has been completed is based on the premise that smaller diameter trees were not removed during the first clearing, and those smaller diameter trees that have grown to 18" or larger in diameter are being initially cleared and this initial clearing cost should be capitalized. Specifying a diameter for use in determining Capital or Expense is



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a method to distinguish between "original" trees and those that have grown since a power line was constructed. An 18" diameter measure will encompass many trees* that are approximately 22 yrs. or older.

**based on sample using silver maple, white pine, black cherry, black locust, tulip poplar, white oak, and red maple, according to Distribution personnel*

III. ACCOUNT CLASSIFICATION FOR INITIAL COSTS OF CLEARING LAND AND RIGHTS-OF-WAY, AND TRIMMING TREES CHARGEABLE TO ELECTRIC PLANT

a. Transmission

- i. Charge Account 356, Overhead Conductors and Devices whether or not deeds or easements are secured for a consideration, except for costs of removing stumps, grading, excavating, etc., incident to the preparation of foundations for towers or other structures (charge Account 352, Structures and Improvements) or to the construction of roads, trails and bridges (charge Account 359, Roads and Trails).

b. Distribution

- i. Charge Account 365 Overhead Conductor and Devices whether or not deeds or easements are secured for a consideration, except for clearing that is directly related to the building of a structure (charge Account 361, Structures and Improvements) or the installation of street lighting (charge Account 373, Street Lighting and Signal Systems).

IV. MAINTENANCE COSTS

a. Costs of pruning trees, removing trees less than 18" in diameter (see II a) and clearing brush and other refuse from previously cleared rights-of-way.

- i. Costs are chargeable to applicable FERC account 571, Maintenance of Overhead Lines (Transmission) or 593, Maintenance of Overhead Lines (Distribution)

b. Costs of subsequent clearing or pruning of a previously cleared portion of right-of-way done in conjunction with a capital construction project or in conjunction with the work performed that is deemed capital by this policy.

NOTE: Where trimming of previously cleared portions is affected in conjunction with trimming and/or clearing occasioned by activities that are deemed capital by this policy, a reasonable allocation should be made to ensure capitalization of only the previously uncleared portion.

c. Clearing or trimming that is performed as a result of service restoration (whether classified as either major event, major storm event or non-major



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event service restoration) should be charged to maintenance, unless the work being performed meets the conditions for capitalization as stated in this policy.

- d. Removal of overhanging limbs without the removal of the tree(s).
- e. Subsequent applications of herbicides and TGR.

References and Links

FERC USofA

[FERC: Uniform System of Accounts - Webpage](#)

[Link to the FERC: Uniform System of Accounts - Electric](#)



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Illustrations

Classification depends on type of work performed



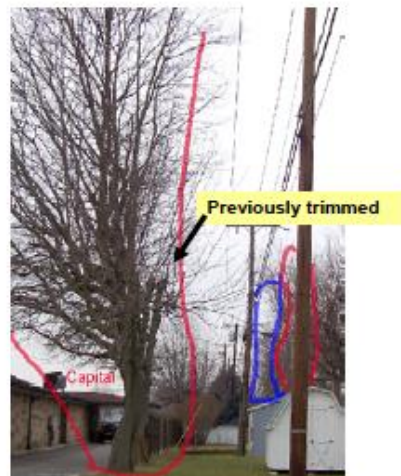
- Trimming is an O&M expenditure
- Removal is a Capital expenditure (if tree is larger than 18" dia. or is part of initial clearing or widening)

Note – to our knowledge, this tree is not on the AEP system

“Trimming to Heights not Previously Trimmed”

Capital? Or O&M?

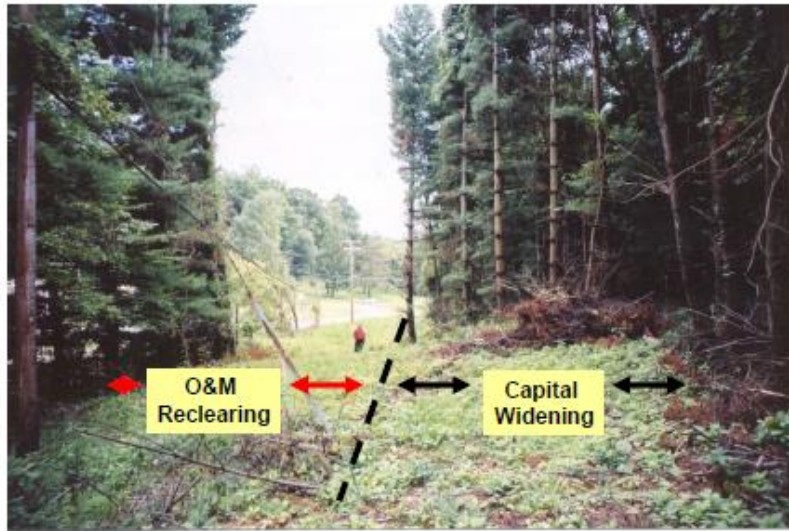
- Accounting Bulletin #2 classifies as O&M
- Trimming, only, will be O&M;
- Tree Removal will be Capital (based on location and size)





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Capital Widening and O&M Reclearing



Capital Tree Removal – In the ROW



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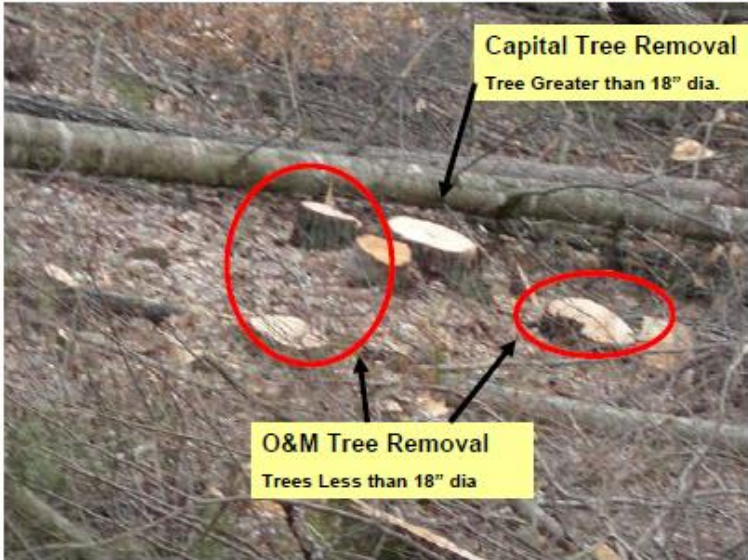


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Capital Tree Removal – In the ROW



**Capital & O&M Tree Removal
In the ROW**



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O&M Tree Removal – In the ROW



Capital & O&M Tree Removal In & Out of the ROW



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