

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Electric Distribution Rates.)	
)	Case No. 21-887-EL-AIR
)	
In the Matter of the Application of Duke Energy Ohio, Inc., for Tariff Approval.)	
)	Case No. 21-888-EL-ATA
)	
In the Matter of the Application of Duke Energy Ohio, Inc., for Approval to Change Accounting Methods.)	
)	Case No. 21-889-EL-AAM
)	

DIRECT TESTIMONY OF

THOMAS (TK) K. CHRISTIE

ON BEHALF OF

DUKE ENERGY OHIO, INC

_____	Management policies, practices, and organization
_____	Operating income
_____	Rate Base
_____	Allocations
_____	Rate of return
_____	Rates and tariffs
<u> X </u>	Other: Vegetation Management

October 15, 2021

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THOMAS (“TK”) K. CHRISTIE DIRECT

I. INTRODUCTION AND PURPOSE

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Thomas (“TK”) K. Christie, and my business address is 1000 East
3 Main Street, Plainfield, Indiana.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by Duke Energy Business Services LLC (DEBS) as Director
6 Distribution Vegetation Management. DEBS provides various administrative and
7 other services to Duke Energy Ohio, Inc., (Duke Energy Ohio or Company) and
8 other affiliated companies of Duke Energy Corporation (Duke Energy).

9 **Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL AND**
10 **PROFESSIONAL BACKGROUND.**

11 A. I am a graduate of the University of South Florida with a Bachelor of Science in
12 Industrial Engineering and a graduate of Webster University with a Master’s
13 Degree in Business Administration. I have been in the electric utility industry for
14 25 years.

15 **Q. PLEASE DESCRIBE YOUR DUTIES AND RESPONSIBILITIES AS**
16 **DIRECTOR DISTRIBUTION VEGETATION MANAGEMENT.**

17 A. As Director Distribution Vegetation Management, I am responsible for overseeing
18 Duke Energy’s Midwest distribution vegetation management activities for more
19 than 34,000 miles of electric distribution lines across our service territories in
20 Kentucky, Indiana, and Ohio. In this capacity, I manage a staff of 14 employees,
21 12 of whom are International Society of Arboriculture (ISA) certified arborists and
22 have primary responsibility for distribution vegetation management in Duke

1 Energy Ohio's service territory. I also serve as the primary jurisdictional leader
2 responsible for overseeing the Company's contractors who are performing
3 distribution vegetation management. I ensure adherence to the contract strategy,
4 terms, and work plan execution to the Company's standards. I develop and monitor
5 performance metrics and objectives in collaboration with contractors to ensure that
6 Duke Energy Ohio's distribution vegetation management program is performed in
7 accordance with the Public Utilities Commission of Ohio (Commission) rules and
8 regulations. I analyze budget and work plan status to ensure performance goals are
9 on target. I also ensure consistent implementation of policies and procedures.

10 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC**
11 **UTILITIES COMMISSION OF OHIO?**

12 A. No, I have not testified before the Commission.

13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THESE**
14 **PROCEEDINGS?**

15 A. The purpose of my testimony is to describe Duke Energy Ohio's current distribution
16 vegetation management program; the challenges faced in achieving the goal of a
17 five-year circuit maintenance cycle; the expected incremental costs to continue
18 achieving those goals; and the importance of timely cost recovery.

II. DISCUSSION

19 **Q. PLEASE DISCUSS THE SIGNIFICANCE OF VEGETATION**
20 **MANAGEMENT PROGRAMS.**

21 A. The primary objective of Duke Energy Ohio's Integrated Vegetation Management
22 (IVM) Program is to control the growth of incompatible vegetation along its electric

1 lines in order to help provide safe and reliable service to the Company's customers.
2 This is accomplished by using qualified personnel to monitor the condition of the
3 utility rights-of-way and by initiating various vegetation control practices to reduce,
4 manage or eliminate incompatible growth. This IVM Program is essential in
5 providing safe and reliable electric service by ensuring that trees and brush near or
6 within rights-of-way are periodically trimmed or removed to help reduce potential
7 outages and hazards near Duke Energy Ohio's facilities.

8 **Q. PLEASE PROVIDE AN OVERVIEW OF THE COMPANY'S**
9 **DISTRIBUTION VEGETATION MANAGEMENT PROGRAM.**

10 A. Duke Energy Ohio's current vegetation management plan was approved by the
11 Commission on July 29, 2020, in Case No. 20-944-EL-ESS.¹ As part of this plan,
12 the Commission reaffirmed a five-year distribution trimming cycle.

13 Duke Energy Ohio works consistently to balance aesthetics with its goal to
14 provide safe, reliable power to the households and businesses that depend on it. It
15 is the Company's responsibility to ensure power lines are free of trees and other
16 obstructions that could disrupt electric service. Trees that are close to power lines
17 must be trimmed or cut down to ensure they don't cause power outages, and Duke
18 Energy does much of this work proactively. The necessary crews use a variety of
19 methods to manage vegetation growth along distribution circuits, including
20 vegetation pruning, felling (cutting down), and herbicides. These methods are
21 based on widely accepted standards developed by the tree care industry. All work

¹ *In the Matter of the Review of Duke Energy Ohio, Inc.'s Application to Amend its Transmission and Distribution Inspection, Maintenance, Repair, and Replacement Programs*, Case No. 20-944-EL-CSS (Finding and Order)(July 29, 2020).

1 is performed in conformance with Duke Energy Ohio's distribution vegetation
2 management requirements, OSHA regulations, American National Standards
3 Institute (ANSI) A300, ANSI Z133, Tree Care Industry Association's (formerly the
4 National Arborist Association) standards, Dr. Shigo's *Field Guide for Qualified
5 Line Clearance Tree Workers*, National Electrical Safety Code (NESC),
6 International Society of Arboriculture Best Management Practices, and all federal,
7 state, county, and municipal laws, statutes, ordinances, and regulations applicable
8 to said work. Duke Energy Ohio has approximately 8,207 overhead primary
9 distribution circuit miles. In a typical year, the Company performs vegetation for
10 approximately 20% of the distribution lines to maintain safe, reliable electric
11 service by limiting contact between vegetation and power lines.

12 **Q. DO EMPLOYEES AND CONTRACTORS HAVE SPECIFIC**
13 **QUALIFICATIONS TO ENGAGE IN VEGETATION MANAGEMENT**
14 **ACTIVITIES?**

15 A. Yes. Activities related to vegetation management, or tree trimming, occur in close
16 proximity to energized power lines. As such, individuals, whether they are
17 employees or contractors, must be properly trained and qualified in order to engage
18 in such activities.

19 **Q. HOW DOES THE COMPANY SOURCE ITS DISTRIBUTION**
20 **VEGETATION MANAGEMENT FUNCTIONS?**

21 A. Duke Energy Supply Chain engages in a Request For Proposal (RFP) process to
22 seek out companies that can provide the best service for a reasonable cost. The
23 Company engages contractors that have the expertise, resources, and safety record

1 to support the work needed. Then the Company monitors the ongoing work to
2 ensure that it meets Company specifications and requirements.

3 **Q. HAS DUKE ENERGY OHIO RECENTLY EXPERIENCED ANY NEW**
4 **CHALLENGES IN MEETING ITS DISTRIBUTION VEGETATION**
5 **MANAGEMENT GOALS?**

6 A. Yes. The market for resources eligible to properly engage in vegetation
7 management activities remains constricted. As a consequence, the market for
8 qualified resources is very competitive and has required Duke Energy Ohio to look
9 outside the local region in order to meet its commitments. The scarcity of the
10 resource locally and the need to bring in qualified contractors from outside the
11 territory continues to result in higher prices for Commission-mandated and
12 critically important compliance activities. Indeed, current, competitively bid prices
13 for vegetation management resources are higher than in years past.

14 **Q. HAVE THESE HIGHER COSTS PROMPTED DUKE ENERGY OHIO TO**
15 **ALTER ITS DISTRIBUTION VEGETATION MANAGEMENT**
16 **ACTIVITIES?**

17 A. Duke Energy Ohio is intent on adhering to Commission regulation and is
18 committed to the completion of vegetation clearing activities so as to provide
19 customers with safe and reliable service. But to realize these intentions, Duke
20 Energy Ohio must be permitted to timely recover the costs of its distribution
21 vegetation management program.

22 The Company also appreciates the impact that these continued higher costs
23 can have on customers.

1 **Q. DO YOU HAVE AN ESTIMATE OF THE OPERATING AND**
2 **MAINTENANCE (O&M) EXPENSE DUKE ENERGY OHIO EXPECTS TO**
3 **INCUR FOR DISTRIBUTION VEGETATION MANAGEMENT COSTS IN**
4 **THE FUTURE?**

5 A. Yes. Currently, the Company is expecting to spend approximately \$22.4 million in
6 2021, \$22.9 million in 2022, \$25.1 million in 2023 and \$25.9 million in 2024, for
7 O&M related to distribution vegetation management contractor costs recorded to
8 FERC account 593. In addition to contractor costs, there is approximately \$650,000
9 annually in expenses associated with internal labor and materials. The expenses
10 associated with internal labor and materials are less volatile and easier to forecast
11 than contract labor, which is influenced by external variables.

12 **Q. PLEASE EXPLAIN HOW DUKE ENERGY OHIO RECOVERS ITS COSTS**
13 **OF DISTRIBUTION SYSTEM VEGETATION MANAGEMENT.**

14 A. The cost recovery of vegetation management contractor expenses was determined
15 as part of the settlement of Duke Energy Ohio's consolidated Electric Distribution
16 Rate Case and Electric Security Plan (ESP IV) in Case No. 17-32-EL-AIR, *et al.*²
17 Presently, Duke Energy Ohio recovers \$10,720,877 of its vegetation management
18 contractor costs in base rates and any incremental vegetation management
19 contractor expense, up to an additional \$10,000,000, in its Electric Service
20 Reliability Rider (Rider ESRR). The Company's ESP IV is approved through May
21 31, 2025.³ The approximate \$650,000 of non-contractor internal labor and material

² *In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Electric Distribution Rates*, Case No. 17-32-EL-AIR, *et al.*, Opinion and Order (December 19, 2018).

³ *Id.*

1 vegetation management expenses are included in the test period in this case and
2 recovered in base rates. The Rider ESRR does not true-up these costs but only
3 includes a true-up of contractor expenses.

4 **Q. IS THE LEVEL OF DISTRIBUTION VEGETATION MANAGEMENT**
5 **CONTRACTOR EXPENSE CURRENTLY INCLUDED IN BASE RATES**
6 **ALONG WITH THE ADDITIONAL RIDER ESRR SUFFICIENT TO**
7 **RECOVER THE COMPANY'S ONGOING DISTRIBUTION**
8 **VEGETATION MANAGEMENT CONTRACTOR COSTS?**

9 A. No. In these proceedings, the test year O&M includes approximately \$22.5 million
10 for contractor vegetation management. This is based upon actual costs the
11 Company is incurring, existing contracts, and known escalations we are seeing in
12 the market. Consequently, the Company will be incurring significant costs to meet
13 its obligations for distribution vegetation management that it will not be collecting
14 in base rates.

15 **Q. PLEASE EXPLAIN THE COMPANY'S EFFORTS TO MITIGATE RISING**
16 **VEGETATION MANAGEMENT EXPENSE FOR DISTRIBUTION.**

17 A. Duke Energy Ohio performed a competitive bid event for all vegetation trimming
18 activities in 2020 for contracts beginning in 2021. In the bid event, new vegetation
19 management contractors from outside of Duke Energy Ohio were evaluated and
20 awarded work. Alternative pricing strategies with regard to how work is planned
21 and billed were explored and implemented to mitigate significant increases in costs.
22 Duke Energy Ohio continues to work with tree trimming contractors on ways to

1 perform work most efficiently while meeting our standards for safety, reliability
2 and customer service.

3 **Q. HOW IS THE COMPANY ADDRESSING THE INCREASING COSTS FOR**
4 **DISTRIBUTION VEGETATION MANAGEMENT IN THESE**
5 **PROCEEDINGS?**

6 A. As mentioned above, Duke Energy Ohio intends to continue its five-year cycle for
7 vegetation management. As Duke Energy Ohio witness Lisa D. Steinkuhl explains,
8 the Company is proposing to include approximately \$22.5 million of contractor
9 O&M expenses in its electric base distribution rates and to refund or collect from
10 customers actual vegetation management contractor costs over or under the amount
11 in base rates through Rider ESRR. The Company does not expect any reduction to
12 any other internal vegetation management labor or materials O&M expenses;
13 consequently, the change in costs for contractors is all incremental to what will be
14 recovered in base rates.

III. CONCLUSION

15 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

16 A. Yes.

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Summary: Testimony Direct Testimony of Thomas "TK" K. Christie electronically filed by Mrs. Tammy M. Meyer on behalf of Duke Energy Ohio Inc. and D'Ascenzo, Rocco and Kingery, Jeanne W. and Vaysman, Larisa and Elizabeth M. Brama