

Public Service Company of New Hampshire
d/b/a Eversource Energy
Docket No. DE 19-057
Testimony of Robert D. Allen
May 28, 2019

STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DOCKET NO. DE 19-057
REQUEST FOR PERMANENT RATES

DIRECT TESTIMONY OF
ROBERT D. ALLEN

Vegetation Management

On behalf of Public Service Company of New Hampshire
d/b/a Eversource Energy

May 28, 2019

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1 **I. INTRODUCTION**

2 **Q. Mr. Allen, please state your full name, position and business address.**

3 A. My name is Robert D. Allen. I am employed by Eversource Energy Service Company as
4 Manager of Vegetation Management. My business address is 780 N. Commercial Street
5 Manchester, NH 03101.

6 **Q. Have you previously testified before the Commission?**

7 A. Yes, I have testified before the New Hampshire Public Utilities Commission (the
8 “Commission”) in past proceedings, including the Reliability Enhancement Program
9 (“REP”) hearing in January 2019.

10 **Q. Please summarize your educational background.**

11 A. I have an Associate of Science in Arboriculture from Stockbridge School of Agriculture
12 University of Massachusetts Amherst, MA.

1 **Q. Please summarize your professional experience.**

2 A. I was appointed to my current position at Eversource Energy (“Eversource”) in August
3 2013 and am responsible for Vegetation Management on the distribution system for Public
4 Service Company of New Hampshire (“PSNH” or the “Company”). From 2009 to 2013,
5 I held the position of Supervisor of Vegetation Management for the Company. From 1992
6 to 2009, I was Arborist for The Connecticut Light and Power Company. Overall, I have
7 approximately 40 years of experience in Arboriculture.

8 **Q. Mr. Allen, what is the purpose of your testimony?**

9 A. The purpose of my testimony is to present the Company’s proposals relating to the
10 vegetation management activities undertaken for system reliability and resiliency
11 objectives on the PSNH distribution system. Specifically, there are two proposals the
12 Company is making in relation to its vegetation management program. First, the Company
13 is proposing to reclassify the annual spending on enhanced tree trimming (“ETT”), hazard
14 tree removal, and full-width right-of-way (“ROW”) clearing initiatives as operating
15 expense. In Docket No. DE 17-196, the Commission examined the Company’s accounting
16 treatment for vegetation management costs in the REP in 2018, which covered ETT, hazard
17 tree removal, and full-width ROW clearing. The Commission approved a change to
18 discontinue the accounting practice of recording these costs as capital and to treat such
19 costs as operations and maintenance (“O&M”) expense beginning in 2019. This
20 reclassification is discussed in the joint testimony of Company witnesses Chung and Dixon,
21 and my testimony below explains how the Company’s proposal is consistent with this

1 order.

2 Second, the Company is proposing a vegetation management program (“VMP”) rate
3 reconciling mechanism for recovery of the actual costs of Scheduled Maintenance
4 Trimming (“SMT”), ETT, hazard tree removals, and full-width right of way clearing.
5 Under this proposal, PSNH will track the actual costs of these vegetation management
6 initiatives and the difference between the Company’s actually-incurred costs for SMT,
7 ETT, hazard tree removal, and full-width ROW clearing, and the vegetation management
8 costs included in base rates, will be recovered from or returned to customers as part of the
9 Company’s proposed Distribution Rate Adjustment Mechanism (“DRAM”), which is more
10 fully described in the testimony of Company witnesses Chung and Dixon. The VMP
11 proposal will enable PSNH to effectively manage the variable nature of its VMP costs,
12 which are critical to addressing emerging threats to system reliability and resiliency.

13 **Q. Why does the Company consider vegetation management a critical component of the**
14 **ratemaking proposals presented in this case and a priority to meet resiliency**
15 **objectives?**

16 A. The Company has a strong institutional commitment to providing a high level of service
17 reliability to customers, which encompasses the objective of, to the extent possible,
18 avoiding or mitigating outages and restoring power after large-scale weather events in a
19 safe and reasonably prompt manner when those outages do occur. The Company has
20 developed a longstanding track record of providing a high level of reliability in relation to
21 day-to-day operations and strives to implement measures to maintain and improve its

1 ability to meet or exceed day-to-day reliability objectives.

2 It is becoming increasingly apparent that investment in vegetation management activities
3 is not only beneficial but is in fact vital to maintain the reliability of the electric distribution
4 system and augment system resiliency during major weather events. As the Company has
5 experienced, climate change is resulting in more severe and frequent weather events that
6 impact the system. Frequently, trees and tree limbs are a leading cause of the outages
7 experienced during these weather events. For example, trees and tree limbs were the
8 leading cause of outages during the following weather events: (1) 2014 Thanksgiving storm
9 (approximately 300,000 customers without power); (2) July 2016 thunderstorm
10 (approximately 63,000 customers without power); (3) March 2 and 15, 2017 snowstorms
11 (approximately 22,000 and 38,000 customers without power); (4) March 2018 Nor'easter
12 (approximately 100,000 customers without power); and (5) June 2018 thunderstorm
13 (approximately 95,000 customers without power). This data underscores the need to
14 continue with an aggressive and progressive vegetation management program.

15 Comprehensive vegetation management strategies can achieve an incremental level of
16 system resiliency during major events affecting the system. Although it would take very
17 rigorous measures for the Company to harden the system to the degree necessary to repel
18 storm damage using vegetation management techniques, achieving wider clearances and
19 undertaking proactive hazard tree removal will impact the system's ability to be more
20 resilient in severe storm events. Moreover, aggressive vegetation management strategies

1 are even more effective when combined with the distribution automation investments the
2 Company has been making to provide greater control over the system in severe weather
3 events and facilitate restoration of power. Continued investment in vegetation
4 management activities will inure directly to the benefit of New Hampshire customers in
5 the form of system reliability and resiliency, while serving as an important complement to
6 the Company's distribution automation investments.

7 **Q. How is your testimony organized?**

8 A. In addition to this introductory section, my testimony is organized into the following
9 sections:

- 10 • Section II provides an overview of PSNH's vegetation management program, including
11 its key initiatives, objectives and performance;
- 12 • Section III discusses the recovery of VMP costs and the Company's proposal to
13 reclassify vegetation management spending as operating expense in accordance with
14 the Commission's order in Docket No. DE 17-196;
- 15 • Section IV discusses the benefits associated with the VMP;
- 16 • Section V testimony presents the Company's proposal for the VMP reconciling
17 mechanism, which will enable PSNH to continue to effectively and proactively manage
18 its ETT, hazard tree removal, and ROW clearing initiatives; and
- 19 • Section VI provides the conclusion to my testimony.

1 **II. PSNH VEGETATION MANAGEMENT PROGRAM**

2 **Q. What is the overall design of the vegetation management work performed under the**
3 **VMP?**

4 A. The VMP is structured as a comprehensive effort involving multiple departments and
5 incorporates significant amounts of data analysis to effectively direct and implement
6 vegetation management activities. The plan is coordinated on an individual circuit basis
7 with the distribution engineering group and targets specific areas to improve reliability and
8 resiliency. The execution of the actual tree work is managed by Eversource’s Vegetation
9 Management department utilizing a staff of Company arborists, contract arborists and tree
10 trimming and removal contractors. The program covers all primary wires, with scheduling
11 developed on the basis of a combination of performance and circuit-specific cycle-based
12 trimming.

13 There are four aspects of the VMP. First, the program includes Scheduled Maintenance
14 Trimming (“SMT”) which follows an established trim cycle to ensure that all circuits,
15 regardless of current performance, are trimmed at least once in every four years, subject to
16 circuit-specific considerations. Second, the Company performs ETT to manage vegetation
17 along the main backbone of the circuit. In contrast to standard trimming, ETT expands the
18 zones of tree pruning activity to create additional clearances between tree growth and
19 electrical facilities. With respect to ETT, the Company employs reliability-based
20 prioritization methods to schedule vegetation management activity on specific circuits.
21 The Company targets up to 150 miles per year on circuits with the worst tree-related

1 reliability experienced in the previous year (i.e., the top 50 list). If the Company determines
2 that a poorly performing circuit is scheduled to be included in the SMT cycle for that year,
3 the Company will instead include the circuit backbone under ETT. Third, the program
4 includes hazard tree removal which involves the identification, and complete removal, of
5 trees determined to be in ill-health, or which otherwise pose a threat to electrical facilities
6 or public safety, both within and outside standard trimming zones. The Company seeks to
7 remove trees that are identified by trained arborists as a hazard to primary conductors.
8 During the SMT cycle, the Company identifies trees that may fail and, because the
9 Company won't revisit that circuit for another four years, includes the identified trees in
10 the hazard tree removal program. Lastly, with respect to full-width ROW clearing, the
11 Company researches its easements to confirm the easement boundaries and then works to
12 clear the rights-of way to the full extent allowed under the easement. More specifically,
13 full-width ROW clearing involves the reclamation of existing rights-of-way by the
14 enhanced clearing of trees and brush to extend the clearances between vegetation and the
15 Company's electrical facilities located in rights-of-way.

16 In addition to undertaking actual vegetation management work, education is important in
17 helping to minimize the impact of trees and other vegetation on the Company's distribution
18 system. Without proper planning, trees planted near electric facilities can grow into the
19 wires and cause interruptions. The Company does outreach and education to emphasize
20 "Right Tree, Right Place" for property owners and municipal officials. Consistent with
21 these efforts, the Company created Utility Arboreta in Portsmouth at the NH Division of

1 Forests and Lands Urban Forestry Center grounds and at the Eversource facility on
2 Legends Drive in Hooksett, NH. The primary objective of the Utility Arboreta is to
3 demonstrate the appropriate species of trees and shrubs to plant in the proximity of the
4 electric facilities, with the ultimate goal of reducing long-term maintenance costs, e.g.,
5 pruning and removal, associated with this vegetation.

6 **Q. What are the program specifications for SMT?**

7 A. The SMT is conducted on a four-year cycle and the clearance specifications are 8 feet to
8 the side, and 15 feet above and 10 feet below. This work is competitively bid for the four-
9 year program cycle to ensure it is performed in a cost-effective manner. The Company
10 enters into longer term contracts for SMT work to ensure that contractor crew resources
11 are available to do the work. The current contract began in 2017 and continues through
12 2020. The SMT is the core of the VMP and there are approximately ninety crews on the
13 Company's distribution system every day performing this critical baseline clearance work.

14 **Q. What are the specifications for ETT and hazard tree removal?**

15 A. As noted above, the ETT is focused on circuit backbones and the specification are 8 feet to
16 the side from "ground-to-sky". This aggressive clearance program targets overhanging
17 branches that could break and fall onto the Company's power lines. In 2018, 125.96 miles
18 of ETT, including 25.67 REP miles, was performed at an average cost of \$29,939 per mile.¹
19 The Company faced challenges in 2018 due to the lack of available contract tree crews and

¹ April 26, 2019 Eversource Reliability Enhancement Program Report, Docket No. DE 18-177.

1 significant storm activity which required the diversion of all available Company resources
2 to power restoration activities.²

3 The ETT work is released for competitive bid annually and over the past decade this work
4 has been awarded to five different tree contractors. The ETT work is discussed in-person
5 with impacted tree owners before any work is commenced. There are occasions where the
6 ETT clearance work is not or cannot be achieved for reasons that can include but are not
7 limited to: tree owner refusal of permission, equipment limitations, geographic logistics or
8 access.

9 Hazard tree removal is conducted in parallel with scheduled cycle miles and priority is
10 placed upon identifying risk and hazard trees along the three-phase primary, or circuit
11 backbone for removal. The Company may also evaluate single and two-phase lateral
12 primary for hazard tree removal if the area has been identified as poor performing or during
13 the performance of SMT work. In 2018, 1,259 hazard trees were removed primarily on
14 the 23X5 and 23X6 circuits in the Milford area.³ These circuits were chosen due to
15 performance issues and as part of an initiative targeting circuits with zones of greater than
16 900 customers between protective devices.⁴ Going forward, the Company is utilizing data
17 pulled from its outage management system (“OMS”) to target specific circuits based on

² *Id.*

³ *Id.*

⁴ *Id.*

1 their tree-related outage history to more efficiently identify and remove hazard trees that
2 pose a threat to the system.

3 **Q. Does the Company monitor the performance of its vegetation management**
4 **contractors to ensure compliance with the Company's specifications?**

5 A. Yes. The Company routinely audits all vegetation management work performed on its
6 system and reviews contractor work for adherence to the standards for vegetation
7 management. Arborists conduct field reviews of all work areas and document any areas of
8 non-compliance by location, correlating the locations onto circuit maps. This information
9 is sent to the contractors performing the work and they are required to complete any
10 necessary re-work in accordance with the standards. All the SMT miles are audited for
11 quality control annually. In the event proper clearances have not been achieved, the
12 contractor is responsible for re-trimming at no additional cost for a period of 12 months.

13 **Q. How does the Company recover the costs of the VMP?**

14 A. The Company's vegetation managements costs have historically been recovered through a
15 combination of base rates and rate increases to capture the reconciliation of costs for
16 vegetation management activities approved for inclusion in the REP.

17 **Q. Please provide a brief history of the REP.**

18 A. REP 1

19 The initial REP was established under the settlement agreement approved by the
20 Commission in Order No. 24,750 (May 25, 2007) in the Company's 2006 rate case (Docket

1 No. DE 06-028). The various vegetation management activities undertaken through the
2 REP 1 included extra funding for the following O&M activities: reduce the SMT trim cycle
3 on the Company's distribution lines, increase the number of hazard trees removed
4 concurrent with SMT, increase mid-cycle trimming, inspections of contractor work,
5 reducing distribution ROW mowing cycle, and additional tree removals required due to
6 significant storm activity.

7 REP 2

8 In the Company's 2009 rate case (Docket No. DE 09-035), as part of the settlement
9 agreement ("2009 Settlement Agreement") approved by the Commission in Order No.
10 25,123 (June 28, 2010), the settling parties agreed that the Company should continue its
11 existing REP expenditures from the initial REP and incorporate the revenue requirement
12 for the O&M portion into base distribution rates. Additionally, the 2009 Settlement
13 Agreement provided for an additional \$4 million per year of revenue for the duration of
14 the 2009 Settlement to support enhanced O&M and capital spending under a so-called
15 "REP 2" initiative.

16 The various vegetation management activities undertaken through REP 2 included funding
17 for the following activities, accounted for as O&M expense: reduce the SMT trim cycle on
18 the Company's distribution lines, increase the number of hazard trees removed, increase
19 mid-cycle trimming, inspections of contractor work, reducing distribution ROW mowing
20 cycle, additional tree takedowns required due to significant storm activity, and full-width

1 ROW clearing.⁵

2 The REP 2 initiative ended in 2015 and the final results of that program were included in
3 a report submitted by the Company to the Commission on September 30, 2016.

4 REP 3

5 As part of the 2015 PSNH Restructuring and Rate Stabilization Agreement (“2015
6 Settlement Agreement”), the REP program was extended for two years—it became
7 effective July 1, 2015 and continued through June 30, 2017.

8 As part of the 2015 Settlement Agreement, the Company was required to make a filing
9 with the Commission to reconcile the expenses and revenues relating to REP activities
10 between April 1, 2013 and March 31, 2015 and include a forecast of activities for the period
11 April 1, 2015 through June 30, 2016. PSNH made the required filing in June 2015, and
12 through Order No. 25,793 (June 25, 2015) was permitted to adjust its distribution rates to
13 collect annual revenue necessary to recover the revenue requirements associated with REP
14 capital additions and O&M expenses. Under the 2015 Settlement Agreement, the
15 Company was to make a second REP reconciliation filing in April 2016. In that filing, the
16 Company was to reconcile the expenses and revenues relating to REP activities between
17 April 1, 2015 and March 31, 2016 and include a forecast of activities for the period April

⁵ In 2012, hazard tree removal and full-width right-of-way clearing expenses were reclassified from O&M to capital.

1 1, 2016 through June 30, 2017. PSNH made that filing, which was approved by the
2 Commission in Order 25,913 (June 28, 2016).

3 The vegetation management activities undertaken as part of REP 3 included the following
4 activities, accounted for as capital expenses: ETT, hazard tree removal, and full-width
5 ROW clearing.

6 REP 4

7 In Docket No. DE 17-076, another six-month extension was granted through December 31,
8 2017 and the Commission further directed the Company to work with Commission Staff
9 and the Office of Consumer Advocate (“OCA”) to work on a proposal to extend REP into
10 2018. The vegetation management activities undertaken as part of REP 4 included the
11 following activities, accounted for as capital expenses: ETT, hazard tree removal, and full-
12 width ROW clearing.

13 2018 REP

14 The Company worked with Staff and OCA to develop a REP proposal for 2018 (Docket
15 No. DE 17-196) which the Commission approved on March 12, 2018 in Order No. 26,112.
16 In Docket No. DE 17-196, the Company committed to discontinue accounting for ETT,
17 hazard tree removal, and full-width ROW clearing as capitalization expense and to account
18 for these vegetation management costs as O&M expense beginning in 2019. The
19 vegetation management activities undertaken through the 2018 REP included ETT and

1 hazard tree removal, and full width ROW clearing. On April 26, 2019, the Company filed
2 a report with the Commission providing program-specific details on the REP for 2018.

3 2019 REP Extension

4 In order to continue to deliver the critical benefits of the REP during the pendency of this
5 proceeding, on November 16, 2018 the Company filed a petition (Docket No. DE 18-177)
6 asking the Commission to approve a continuation of the REP as bridge to this rate case. In
7 its filing, the Company proposed annual spending of \$16.8 million in 2019 for ETT (\$5
8 million), hazard tree removal (\$10 million), and full-width ROW clearing (\$1.8 million) -
9 all treated as O&M expense consistent with the Commission's directive in Docket No. DE
10 17-196. In addition, the Company proposed that it would offset the rate impact of the 2019
11 REP program by the deferred benefits attributable to the change in the tax gross-up under
12 the Tax Cuts and Jobs Act of 2017 that had been accrued by the Company since January 1,
13 2018 per Order No. 26,096.

14 The Commission found that the planned REP vegetation management activities are in the
15 public interest, and therefore approved the Company's petition on December 28, 2018 in
16 Order No. 26,206.

17 **Q. What is the total O&M expense for VMP reflected in the cost of service in this**
18 **proceeding?**

19 **A.** As discussed in the joint testimony of Mr. Chung and Mr. Davis, the total O&M expenses
20 for VMP activities reflected in the cost of service is approximately \$32 million. This

1 budget is commensurate with the number of crews the Company needs to maintain its
2 vegetation management programs. Of that total, approximately \$16.8 million reflects
3 O&M expenses associated with ETT, hazard tree removal, and full-width ROW clearing,
4 approximately \$14 million reflects expenses for SMT, and approximately \$1.2 million
5 reflects expense for maintenance trimming services that the Company performs on behalf
6 of a third-party pole owner.

7 **Q. Please provide more detail regarding how ETT, hazard tree removal, and full-width**
8 **ROW clearing are reflected in the cost of service.**

9 A. Consistent with the Company's proposal approved by the Commission in Docket No. DE
10 18-177, the Company has continued funding the REP activities for 2019 at a level of
11 approximately \$16.8 million in annual expense.

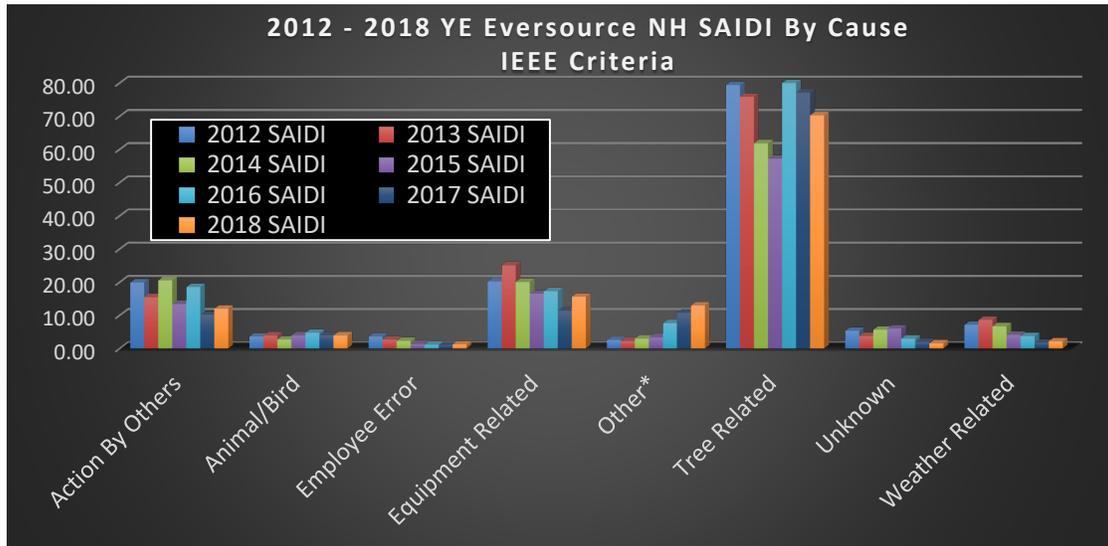
12 **IV. VEGETATION MANAGEMENT PROGRAM BENEFITS**

13 **Q. Why is vegetation management important?**

14
15 A. In one of the most forested states in the country, most of the outages on the Company's
16 system are caused by trees and tree limbs, and therefore vegetation management has been
17 and continues to be a top priority for the Company.

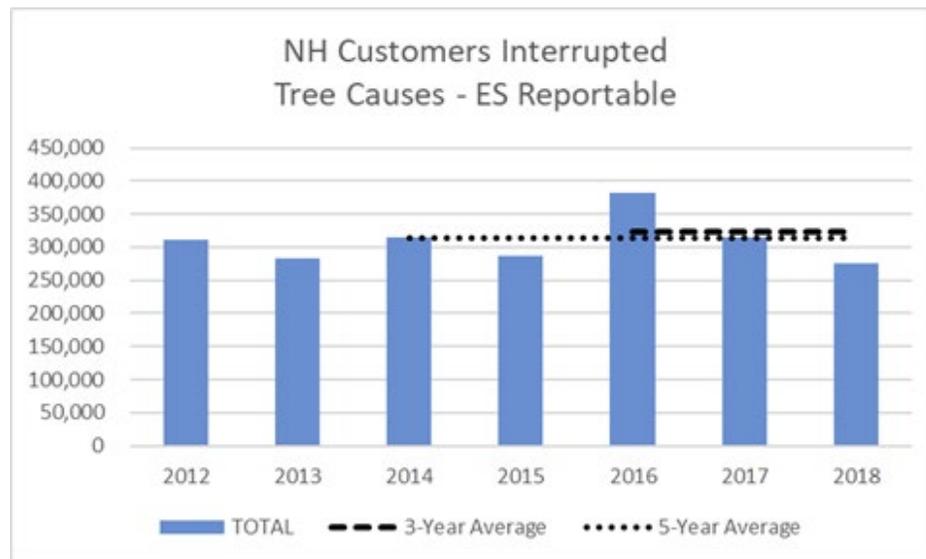
1

Figure 1: SAIDI⁶ by Cause (2012-2018)



2

Figure 2: Tree-related Outages



3

⁶ SAIDI, the System Average Interruption Duration Index, is the average interruption duration in minutes per customer served. It is determined by dividing the sum of all customer interruption durations during a year by the number of customers served. SAIDI = sum of customer interruption durations/total number of customers.

1 Vegetation management programs and initiatives have long represented one of the greatest
2 opportunities for electric utilities to improve system reliability and outage management.
3 Indeed, the Commission has recognized that vegetation management is in the public
4 interest because of the “tangible benefits in reduced frequency and duration of outages”
5 that are delivered by vegetation management activities.⁷

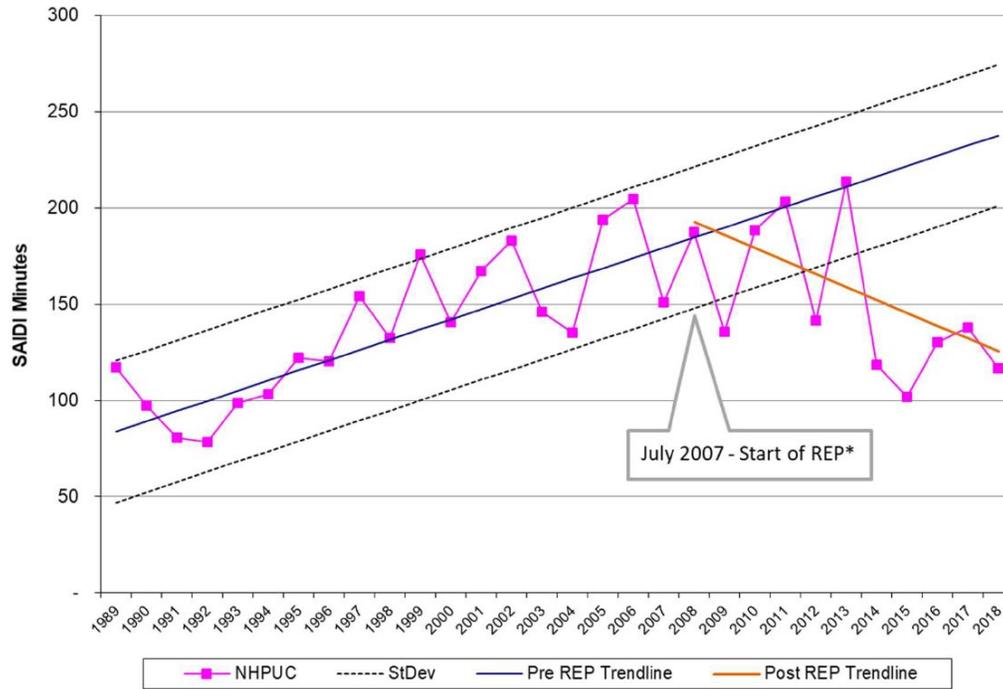
6 **Q. What customer benefits have resulted from the Company’s VMP to date?**

7
8 A. Although the Company has historically pursued vegetation management activities to
9 bolster system reliability, the trend since the REP was implemented in 2006, has been
10 improved reliability on a weather normalized basis. PSNH’s customers continue to see
11 benefits from the REP activities, in large part due to the vegetation management activities
12 conducted as part of REP. For example, as shown in the figure below, REP activities have
13 reduced outage times (improving SAIDI) since the inception of REP.

⁷ Order No. 26,206 (December 28, 2018); Order No. 25,793 (June 25, 2015) at 5.

1

Figure 3: PSNH SAIDI – NHPUC Criteria (Post REP Trendline)



2

3 **V. PROPOSED VEGETATION MANAGEMENT PROGRAM RECONCILIATION**
4 **MECHANISM**

5 **Q. Please describe the Company's proposal to recover VMP costs on a reconciling basis.**

6 A. The Company is proposing a VMP rate reconciling mechanism for recovery of the actual
7 costs of vegetation management activities. Under this proposal, the Company proposes to
8 reconcile its actual annually-incurred vegetation management costs to the \$32 million for
9 vegetation management activities reflected in base rates and return or recover the
10 difference to customers through the proposed DRAM Factor described in the testimony of
11 Company witnesses Chung and Dixon.

1 **Q. Why is the Company proposing this method of cost recovery?**

2 A. The level of ETT, hazard tree removal and full-width ROW clearing activities and the
3 resultant costs tends to vary from year to year for a variety of reasons. One of the major
4 factors impacting the level of work has to do with the relative health of trees and other
5 vegetation in New Hampshire. In 2017, New Hampshire emerged from a multi-year
6 drought. Since 2000, the longest duration of drought experienced in New Hampshire lasted
7 47 weeks beginning on June 7, 2016 and ending on April 25, 2017.⁸ Droughts produce
8 both immediate and long-term impacts on trees and shrubs. Over the long-term this
9 includes dieback of branches and death of the plant or tree. Secondary impacts include the
10 plants becoming more susceptible to disease, such as root rot and cankers, and insect
11 infection due to the impeded metabolic processes. Wood boring insect activity noticeably
12 increases in trees that are drought-stressed. While the recent drought has ended, its impact
13 on tree health lingers for several years, which in turn can negatively impact the distribution
14 system. Drought cycles, as well as the impacts of increasingly extreme weather events, all
15 affect tree and other vegetation health, contributing to the variability of the vegetation
16 management programs' costs.

17 As noted above, insect infestations can have significant impacts in trees, which in turn can
18 affect the distribution system. The advance of the Emerald Ash Borer ("EAB") across New
19 Hampshire has dramatically affected the ash population in the state, a situation faced across

⁸ <https://www.drought.gov/drought/states/new-hampshire>

1 much of New England. EAB infestation is of particular concern given the manner in which
2 it infests ash trees, the fact that there is no “cure” for the infestation and the 100 percent
3 mortality and failure rate of infested ash trees. Additionally, New Hampshire has seen a
4 small Gypsy Moth infestation in the state and the Company is monitoring the affected areas
5 closely to determine if they grow in acreage in 2019 and beyond. The tree mortality that
6 other states in the U.S. are experiencing due to infestations of these two insects (and on the
7 heels of the drought years) has required an aggressive response by utilities, towns, and state
8 divisions of Forestry, Parks and Departments of Transportation.

9 Additionally, the Company’s vegetation management programs are impacted by crew
10 availability to do the work. The Company enters into longer-term contracts for SMT to
11 secure these resources over the course of the four-year cycle. When the economy is strong,
12 crew resources are at a premium as the Company’s contractors are competing for personnel
13 against higher paying jobs that do not involve a work environment characterized by hard
14 physical labor, adverse weather events, hungry insects and electric wires. Furthermore,
15 during extreme weather events, vegetation management crews are diverted from regularly
16 scheduled vegetation management work to storm duties to assist in the restoration of
17 service to customers. While their efforts during these weather events is a vital component
18 of service restoration, it necessarily impacts the Company’s ability to complete scheduled
19 vegetation management work.

20 Lastly, vegetation management activities are impacted by private property owners and the

1 need to secure their consent to conduct tree trimming or hazard tree removals. While the
2 Company works closely with these property owners to explain the need for the work while
3 remaining mindful of the value that individuals place on trees' place in the landscape, it is
4 occasionally the case that the property owner refuses to grant permission for the Company
5 to conduct the necessary vegetation management work.

6 All of these factors impact the amount of vegetation management work the Company can
7 undertake in a given year, leading to variations in the costs incurred from year to year. The
8 Company's proposal to reconcile these costs on an annual basis strikes an appropriate
9 balance between the Company's need to be able to proactively address vegetation risks to
10 the system to ensure continued system resiliency and reliability for the benefit of customers
11 and the Company's desire to insulate its customers from unnecessary cost recovery during
12 those years when outside factors artificially constrain the Company's ability to pursue
13 aggressive vegetation management.

14 **Q. Will this method of cost recovery facilitate the Commission's review of these costs, as**
15 **well as the Company's vegetation management efforts?**

16 A. Yes. Given the critical nature of vegetation management activities and their role in
17 preserving and improving system resiliency and reliability, the Company's proposal
18 provides the Commission an annual opportunity to review the Company's planned versus
19 actual activities and the costs associated with those activities, as well as review the outside
20 factors that impacted the level of activity the Company was able to undertake in a given
21 year.

1 **Q. How will the reconciliation process work?**

2 A. Mr. Chung and Mr. Dixon address the specific mechanics of the Company's proposal in
3 their testimony. However, as I understand it, annually on or about September 1 of each
4 year, the Company will submit preliminary information to the Commission for review
5 regarding the expected vegetation management activities and the targeted expenditures for
6 the forthcoming twelve-month period. The Company may provide for the Commission's
7 consideration a plan with budgets that exceed the base amount provided for in base rates
8 consistent with system or emergent conditions or other factors that warrant an increase in
9 vegetation management activities to help ensure system reliability and maintain forward
10 progress with the Company's long-term vegetation management plan for the system.
11 Consistent with the practice under REP, the Company will meet with Staff to discuss its
12 preliminary plan and submit a revised plan incorporating Staff's feedback on or about
13 November 15. The Company would request a decision by the Commission approving the
14 twelve-month plan by January 1. Then, on May 1 of the calendar year following that
15 twelve-month period, the Company will submit a filing with the Commission presenting
16 information for the prior calendar year's vegetation-management costs and compare it to
17 the funding amount collected in base distribution rates. The difference (i.e., any over- or
18 under-collection) between these two amounts would be included for recovery from
19 customers or credited against future Vegetation Management Program expenditures above
20 the amount set in base distribution rates, with appropriate carrying charges, as part of the
21 Vegetation Management Program component to be included in the DRAM effective July

1 1 each year. Under this process, customers continue to benefit from system resiliency and
2 reliability achieved through the Company's aggressive and proactive vegetation
3 management activities while only paying for those actual, as opposed to planned, activities
4 undertaken in a given year.

5 **VI. CONCLUSION**

6 **Q. Does this conclude your testimony?**

7 **A.** Yes, it does.