

ORIGINAL

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

N.H.P.U.C. Case No. DG 11-040

Exhibit No. #18

Witness. Panel 5

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DG 11-040

In the Matter of:

National Grid USA et al. and Liberty Energy Utilities Co. et al.
Joint Petition for Authority to Transfer Ownership of Granite State Electric Company and
EnergyNorth Natural Gas, Inc. to Liberty Energy Utilities Corp.

Direct Testimony

of

Randall S. Knepper
Director of Safety & Security
Safety Division

October 7, 2011

1 **Q. Please state your full name?**

2 A. My name is Randall S. Knepper.

3 **Q. By whom are you employed and what is your business address?**

4 A. I am employed by the New Hampshire Public Utilities Commission as Director of Safety
5 & Security. My work address is 21 South Fruit Street, Suite 10, Concord, New
6 Hampshire.

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

8 A. Yes, I have testified before the Commission on numerous occasions.

9 **Q. Please summarize your education and professional work experience.**

10 A. I received a Bachelor of Science in Mechanical Engineering from the University of
11 Rochester and a Master of Science in Civil Engineering from the University of
12 Massachusetts. I am a licensed Professional Engineer in the State of New Hampshire (No.
13 9272). I have been the Director of Safety for the New Hampshire Public Utilities
14 Commission since December 2004. Prior to that I was an environmental consultant and
15 Business Development Manager at The Smart Associates, Environmental Consultants, Inc.
16 of Concord. My previous experience includes a number of business and operations roles
17 at KeySpan Energy Delivery and EnergyNorth Natural Gas Inc., including Key Account
18 Executive, Commercial & Industrial Sales Manager, Sales Engineer, Senior Engineer,
19 Staff Engineer and CAD Supervisor. For many of those years, I designed distribution
20 systems, recommended capital improvement projects and system expansions, wrote
21 operations and maintenance procedures, oversaw construction projects and maintained
22 code compliance. I also worked at Westinghouse Electric designing high voltage
23 transmission busses as a project engineer. I have completed 17 of 17 Technical Training

1 Courses provided by the Training and Qualification Center (formerly the Training Safety
2 Institute (TSI)) of the federal Pipeline and Hazardous Material Administration. I currently
3 serve as staff engineer for the New Hampshire Site Evaluation Committee and as subject
4 matter expert for the New Hampshire Advisory Council on Emergency Preparedness and
5 Security. I also serve as the lead contact for the Energy Support Function within the New
6 Hampshire State Emergency Operation's Plan and have primary roles within the
7 Commission's Continuity of Operations Plan. My professional work experience spans
8 more than 26 years.

9 **Q. What professional organizations are you a member of?**

10 A. I am a member of the Association of Energy Engineers and I serve as Vice Chair of the
11 Executive Board of the National Association of Pipeline Safety Representatives, as well as
12 on multiple committees and task forces. I also serve as a member of the National
13 Association of Regulatory Commissioners' (NARUC) Pipeline Safety Task Force and as
14 Chair of the NARUC Pipeline Safety subcommittee. In addition, I maintain the Primary
15 Regulator Position of the Common Ground Alliance Technology Committee, and am a
16 board member of the New Hampshire Public Works Standards and Training Council.
17 Finally, I have testified before the United States Congress on pipeline safety issues.

18 **Q. What is the purpose of your testimony in this proceeding?**

19 A. The purpose of my testimony in this proceeding is to comment on critical operational
20 aspects of the proposed transfer of New Hampshire gas and electric utility assets from
21 National Grid to Liberty Energy NH and to provide recommendations regarding the
22 transaction as it affects public safety, operations and maintenance of distribution systems

1 and, in particular, emergency response provided to customers of Granite State and Energy
2 North.

3 **Q. Please address any concerns you may have regarding emergency response**
4 **procedures with respect to Granite State Electric under the proposed acquisition.**

5 A. I have a number of concerns regarding emergency response procedures. Those concerns
6 do not involve the smaller power outages that occur relatively frequently and are handled
7 in the normal course of business. I am more concerned with larger scale electric outages
8 that affect 10% or more of the customer base – for example, large, wide-scale storms and
9 natural disasters that encompass areas that extend throughout the New England region,
10 often throughout Northeastern United States and Canada, and sometimes throughout the
11 East Coast. New Hampshire has experienced a number of these types of events in the
12 recent past, including the December 2008 Ice Storm, the February 2010 Windstorm, and
13 Tropical Storm Irene in 2011.

14 **Q. Please comment on the emergency plan that Liberty presented in the Joint Petition.**

15 A. The Emergency Restoration Plan that Liberty has put forth as an example of what it
16 intends to implement in New Hampshire is that of CalPeco, the relatively small electric
17 distribution company Liberty acquired just this year in California. The CalPeco plan is
18 not particularly robust and not nearly as comprehensive as National Grid's existing
19 Emergency Restoration Plan, which currently applies to Granite State. Liberty's
20 proposed plan lacks specifics in terms of detailed job descriptions, damage appraisal
21 techniques, detailed reporting forms, U.S.-Canada border protocols, and many other
22 items. I believe Liberty can overcome these shortcomings and develop a plan that
23 contains many of the essential elements contained in the National Grid plan - but the plan

1 framework should be streamlined and tailored to the distinct territory of Granite State and
2 to the needs of the municipalities in that territory, as well as to Granite State's New
3 Hampshire customer base. This will likely result in a plan based on National Grid's
4 framework but without the many layers that are incorporated in National Grid's current
5 plan. Liberty Energy has expressed a willingness to customize a plan for New
6 Hampshire, rather than simply apply an emergency response plan put together for an
7 electric utility over 3,000 miles away.

8 **Q. Do you have any apprehensions regarding Liberty Energy's managerial and**
9 **technical resource capabilities during electric restoration, once restoration crews**
10 **are procured and in place?**

11 **A.** Liberty Energy appears to be sincere in its efforts to focus on the customers of Granite
12 State through the decentralized approach they have proffered. I believe Liberty NH has
13 wisely chosen to promote Mr. Demmer as Director of Electric Operations and retain Mr.
14 Deppmeyer as Manager of Emergency Planning. Both have extensive backgrounds and
15 familiarity with Granite State's electric systems, as well as with the distinguishing
16 characteristics of the New Hampshire territory in which they serve. I believe the
17 deployment of electric crews and tactical management of electric restoration efforts will
18 be of similar quality as that currently experienced by Granite State, but I do have
19 reservations concerning Liberty NH's ability to ensure adequate resource procurement
20 during wide-scale emergency events.

1 **Q. Please elaborate on the particulars of your concern regarding emergency response**
2 **resource procurement.**

3 A. My concern relates to both the short and long term – for example: What assurances will
4 New Hampshire customers have that Liberty will secure critical needed resources during
5 a major event of wide-scale nature when there is demand for the same resources
6 throughout the region? Based on the information provided in this proceeding, I have seen
7 no assurances that National Grid will backstop and provide sufficient resources for the
8 New Hampshire territories, especially when there is a simultaneous demand for those
9 electric crews from other National Grid subsidiaries in New York, Massachusetts, and
10 Rhode Island territories – all of which have considerably larger customer bases as well as
11 greater infrastructures that could be subject to equivalent or greater damage than the New
12 Hampshire system infrastructure. My analysis of the Transition Service Agreement
13 indicates that it does not provide sufficient language in this regard to determine the
14 potential negative impacts on Granite States, including the possibility of longer
15 restoration times.

16
17 Secondly, in the long term the question remains regarding Liberty Energy NH’s ability to
18 compete for resources (namely electric crews), including outside contractors, when larger
19 companies with greater customer bases and influence could in effect “lock up” resources
20 in such a way that will preclude or make it unaffordable and/or impractical for smaller
21 companies such as Granite State to effectively compete for scarce resources. Liberty
22 Energy NH has attempted to assuage concerns by stating that they will get rights of first
23 refusal and rely upon some of their business relationships with Emera subsidiaries,

1 including crews from Bangor Hydro, but based on the limited information provided thus
2 far, I remain apprehensive. It will be very difficult for a smaller company to ensure in the
3 long term that adequate resources, including linemen and tree crews, are within the state
4 ready to be deployed at the onset of major storm events of a wide scale nature.

5 **Q. In your view, are there ways to allay the concerns you have stated above?**

6 A. In my view, there are a number of potential conditions the Commission could impose on
7 Liberty Energy in the event it decides to approve the transaction. Those conditions
8 should be tailored to safeguard New Hampshire customers in the near term as well as the
9 long term.

10 **Q. Do you have any recommendations for such conditions?**

11 A. I recommend that the Commission consider protecting Granite State customers with some
12 sort of financial hold-back mechanism, perhaps in an escrow account from National Grid
13 such as that referred to in testimony submitted by G3 and Steven Mullen on behalf of
14 Staff. The escrow account would be retained through the duration of the TSA to ensure
15 that adequate implementation of, *inter alia*, proper emergency response procedures. To
16 release monies from the escrow account, National Grid should have to produce a report
17 acceptable to Staff and subject to Commission review that provides sufficient detail to
18 demonstrate, for example, that New Hampshire customers are not impinged by
19 unfavorably allocated emergency response resources and that there are no resulting
20 delays in restoration efforts. National Grid should be directed to survey municipal and
21 state officials for feedback on restoration efforts, which would be included in the report.
22 Another short term condition should require Liberty Energy to file a detailed plan within
23 60 days of closing detailing its proposed electric crew resource procurement policy and

1 methodology, including any plans to continue to rely on National Grid during the term of
2 the TSAs.

3
4 With respect to long term conditions, I would recommend directing Liberty to comply
5 with any applicable provisions outlined in the Action Items of the Commission's
6 December 2008 After Action Report, including those that may not refer to National Grid
7 directly or indirectly.

8
9 Another long term condition I would recommend would be to require Liberty NH to
10 maintain remote readable computer access (through appropriate security passwords) for
11 designated Commission Safety and Electric Division staff, to enable staff to access
12 Liberty's outage manage system (OMS) software display screens during an emergency
13 event. Such access would provide Commission staff more detailed outage information
14 than is currently available in the summary sheets utilities provide. Access to OMS
15 information would be in addition to the public information that is currently available on
16 National Grid's website through its OMS for Granite State.

17 **Q. Do you have any concerns related to the proposed Telvent software that will be used**
18 **in conjunction with electric emergency response information?**

19 A. I am uncertain of the capabilities of the proposed outage management system and its
20 ability to display Estimated Restoration Times on street-level location of outages and
21 customers affected. Currently the information posted in the National Grid website is
22 automatically ported to spreadsheets that are used to compile overall situational status
23 awareness for the entire state and used in reports and graphic displays by NH Homeland

1 Security and Emergency Management and its accompanying “ReadyNH” website. *See*
2 <http://www.nh.gov/readynh>. It is critical that this functionality be maintained.

3 **Q. Do you have similar concerns for EnergyNorth gas outages under the proposed**
4 **acquisition?**

5 **A.** Yes, but to a lesser degree.

6 **Q. Why is that?**

7 **A.** Large wide-scale outages on EnergyNorth’s gas system are rare. But when they do
8 occur, it takes a considerable amount of time to restore natural gas operations and
9 typically requires more operating resources than EnergyNorth maintains in the normal
10 course of business within its distribution territory. Such outages would require
11 EnergyNorth to rely on mutual aid from other gas companies in New England, where the
12 chances of multiple gas utilities requiring simultaneous large-scale outage restoration
13 resources are much less than for similar electric outages. In addition, there is less
14 reluctance among gas companies to extend mutual aid. Restoration requires manually
15 going into each residence or business and performing safety checks and relights of
16 internal gas fired appliances. This is a time-consuming operation, since a building
17 occupant might not be home and entrances to the structure may be limited or restricted.

18 **Q. Please describe examples of the most recent large outages that have occurred on**
19 **EnergyNorth’s system.**

20 **A.** The last major gas outage on EnergyNorth’s system occurred in 2005 under the
21 ownership of KeySpan Energy Delivery (the predecessor of National Grid), in Pembroke,
22 New Hampshire. The outage resulted from an error by company personnel improperly
23 partially shutting down a main line valve on a one-way feed that resulted in loss of gas to

1 approximately 800 customers. The second largest gas outage occurred in 2009 when
2 EnergyNorth lost gas to an entire propane tank farm consisting of approximately 150
3 customers in Amherst, New Hampshire due to EnergyNorth's failure to properly pay bills
4 to its supplier and order enough volumes of propane. Both of these major outages had
5 contributing factors resulting from back office unfamiliarity with recently acquired
6 systems, and the fact that the New Hampshire systems differed slightly from many of the
7 other business units configured within the larger KeySpan utility system.

8 **Q. Please describe the accompanying responses to those gas outages.**

9 A. While the Safety Division was concerned that the outages were preventable and
10 unnecessary, once they occurred, the larger company at the time, KeySpan Energy, was
11 able to draw upon its affiliate resources in Massachusetts, other mutual aid member gas
12 distribution companies in Massachusetts, as well as the partners maintained through
13 KeySpan's Energy Delivery Value Plus Installers Program (VPI) to help restoration
14 efforts and enable gas to be restored within 24 hours. The VPI Program consisted of
15 mechanical heating contractors and gas fitters that had business relationships with
16 KeySpan Energy but were not employees of the company. KeySpan Energy Delivery
17 was able to rely on affiliated companies as well as the VPI program in its restoration
18 efforts. Neither resource will be available to Liberty Energy NH. The regional mutual
19 aid process, in which member companies procure emergency response assistance from
20 other gas companies, will be available to Liberty Energy. The response travel time for
21 such resources, however, may not be as fast as EnergyNorth can generally expect from
22 National Grid's affiliates.

1 Q. **Do you feel the mutual aid agreements are more reliable for the gas distribution**
2 **business segment than for the electric distribution business segment?**

3 A. Yes – for two reasons. Generally speaking, there is less competition for the overall
4 resource pool. In addition, large wide-scale gas outages are infrequent.

5 Q. **What forms the basis of the statements and recommendations regarding resource**
6 **procurement, as set out above in your testimony?**

7 A. My conclusion is based on a review of the terms of the Transition Services Agreements.
8 While none of the testimony attached to the joint petition mentioned a similar VPI
9 program planned for EnergyNorth, when Staff inquired in discovery on this matter,
10 Liberty stated that it would implement “a preferred contractor program” that would
11 presumably provide a list of contractors for customers wishing to install gas appliances in
12 conjunction with EnergyNorth service. *See* Response to Staff 4-120 (Att. RSK-1). While
13 such a program is laudable and will benefit EnergyNorth customers, it does not address
14 emergency response resource procurement. Information provided thus far in this
15 proceeding, including statements made by Liberty Energy at the July 27, 2011 technical
16 session have not erased the concerns I continue to have about Liberty’s resource
17 procurement capabilities. *See, e.g.,* Response to Staff 1-50 (Att. RSK-2).

18 Q. **What other safety related concerns do you feel are relevant to the Commission’s**
19 **review of this transaction?**

20 A. As mentioned in other Staff testimony, the upper management of Liberty Utilities has no
21 previous experience in running a gas distribution business and only very limited
22 experience in running another, smaller electric distribution utility. Liberty Energy’s
23 philosophy permits the business unit of Liberty Energy NH to be managed on a

1 decentralized model, with a locally based president empowered to make business
2 decisions. I fully support such a model, but based on the information we have received
3 thus far, I continue to have lingering concerns that local management may not have as
4 much power to make procurement decisions as has been suggested. *See, e.g.*, Response
5 to Staff 1-70 and Attachment at p. 4 *et seq.* and 14-15 of 16 (Att. RSK-3). Further review
6 and assurances from Liberty are warranted with respect to management's purchasing
7 authorities, as Liberty Utilities will be operating a sizable gas distribution system when it
8 acquires EnergyNorth – with no experience in the industry.

9 **Q. Has Liberty Energy agreed to the safety conditions outlined in the previous**
10 **Commission Order No. 24,777 Section C?**

11 A. Yes. Section C of Commission Order No. 24,777 (July 12, 2007) sets forth a number of
12 operating commitments that Staff and EnergyNorth agreed to by settlement agreement in
13 Docket No. DG 06-107. Those commitments included certain safety conditions,
14 including resource procurement, emergency response times, quality assurance and
15 controls, among others. In its response to Staff Data Request 4-116, Liberty Energy
16 agreed to commit to the terms approved by that order. *See* Att. RSK-4.

17 **Q. Do you believe there should be additional safety related conditions imposed for this**
18 **transaction?**

19 A. As with any transaction involving utility transfers of this scale, I think there is a potential
20 for increased risk to the public without assurances that current best practices will be
21 implemented. Such assurances are particularly important with respect to safety policies
22 and procedures and should be included in any conditions applied to approval of this
23 transaction.

1 Q. **What is Liberty Energy’s position regarding mark-outs for Dig Safe requests?**

2 A. In Data Request Staff 4-118, Staff asked Liberty Energy if it would consider altering the
3 endpoint at which mark-outs of underground electric lines would be placed for purposes
4 of Dig Safe notifications. *See* Att. RSK-5. Liberty’s response indicated they would
5 review the policy only after closing. In his testimony, Mr. Pasieka stated that, “[t]o the
6 extent that the Commission staff or others have particular areas where they believe a
7 change is needed, we would be very interested in learning about those areas so that we
8 can focus our attention on them.” *See* Pasieka Direct Testimony at p. 17 of 23, lines 11-
9 18. The Safety Division recommends that Liberty consider a mark-out policy that
10 extends to the house meter, as is currently followed by PSNH. Commitment to such a
11 policy would contribute toward consistency and uniformity in mark-out procedures
12 executed throughout much of New Hampshire. Such consistency in underground damage
13 prevention and safety procedures would reduce confusion on the part of customers, as
14 well as excavators. In addition, a commitment to this method of mark-outs would allow
15 the Safety Division a measurable benefit regarding Liberty’s commitment to “*achieving*
16 *the highest level of customer satisfaction and maintaining strong regulatory*
17 *relationships*”. Pasieka Testimony at p. 7 of 23, lines 4 and 5.

18 Q. **Does that conclude your testimony?**

19 A. Yes, it does.