

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

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RE: IR 15-517
LIBERTY UTILITIES (ENERGYNORTH NATURAL
GAS) CORP. d/b/a LIBERTY UTILITIES -
KEENE DIVISION: Investigation into
December 19, 2015 Operational Incident.
(Status conference)

PRESENT: Chairman Martin P. Honigberg, Presiding
Commissioner Robert R. Scott
Commissioner Kathryn M. Bailey

Sandy Deno, Clerk

APPEARANCES: Reptg. Liberty Utilities (EnergyNorth
Natural Gas) Corp. d/b/a Liberty Utilities:
Michael J. Sheehan, Esq.
Chris Brouillard, Director/Engineering
Richard MacDonald, Director/Gas Operations
Steve Rokes, Manager - Keene Division
John Shore, Public Relations Manager
Michael Licata, Dir./Govt. & Comm. Relations
Stephen R. Hall, Dir./Rates & Regulatory

Reptg. Residential Ratepayers:
Nicholas Cicale, Esq.
Office of Consumer Advocate

Reptg. PUC Staff:
Alexander F. Speidel, Esq.
Randall S. Knepper, Director/Safety Division
Robert Wyatt, Asst. Dir./Safety Division
Joe Vercellotti, Safety Division
Stephen P. Frink, Asst. Dir./Gas & Water Div.
Iqbal Al-Azad, Gas & Water Division
Karen Moran, Chief Auditor/Audit Division

Court Reporter: Steven E. Patnaude, LCR No. 52

ORIGINAL

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P R O C E E D I N G

CHAIRMAN HONIGBERG: We're here this morning in Docket IR 15-517 involving Liberty Utilities (EnergyNorth Natural Gas) Corp., doing business as Liberty Utilities - Keene Division, an investigation into the December 19, 2015 operational incident. We opened this docket, directed Staff to do an investigation of what took place on December 19th, where it appears there was an equipment failure in Liberty-Keene's propane-air mixing plant that led to a supply of pure propane gas with limited amounts of air to Liberty-Keene's customers, which, in turn, resulted in incomplete combustion and generation of excess carbon monoxide at customers' gas burner equipment.

We called everybody here today for a status conference, at which the Division Staff and Liberty Keene personnel will provide a preliminary assessment and some factual information, although I don't anticipate that being done under oath, with regard to the investigation as it is available.

Just as a reminder, regarding deadlines, we anticipate that by no later than March 31st the Staff will file a report on its findings. The Company will have until April 29th to file comments or a response to that

1 report.

2 And, before we go any further, let's
3 take appearances.

4 MR. SHEEHAN: Good morning,
5 Commissioners. Mike Sheehan, for Liberty Utilities. And,
6 I have a cast of characters with me, and I'd like to
7 introduce them, because I'm not sure you've met them all.
8 Directly to my right is Chris Brouillard, who is the
9 Director of Engineering at the Company, and to his right
10 is Richard MacDonald, the Director of Gas Operations. The
11 two of them will be most involved in doing our internal
12 investigation. And, I don't expect them to speak today,
13 unless there's particular questions, but they will be
14 those who will speak to our investigation when it's done.

15 And, directly behind me, and I
16 understand it's the first time he's appeared in front of
17 the Commissioners, is Steve Rokes. He is the Manager of
18 the Keene operation. And, he's the one that was there
19 from the moment it started, and is still working hard at
20 the Keene facility making sure it's safe. To his right is
21 Mike Licata, who you know well, and Steve Hall.

22 And, in the back of the room is John
23 Shore, who is our Public Relations Manager. We were not
24 sure who would be here, if there would be questions after

1 the hearing. So, we brought John along to help us and to
2 be advised of what goes on at the Commission. Thank you.

3 CHAIRMAN HONIGBERG: Welcome, everyone.

4 MR. SPEIDEL: Good morning,
5 Commissioners. Alexander Speidel, representing the Staff
6 of the Commission. And, we have representatives of both
7 the Gas and Water Division, behind me is Mr. Frink; and
8 also the Audit Division, we have Chief Auditor -- and, I'm
9 terribly sorry, her name escapes me at present, Karen
10 Moran; we also have the Director of the Safety Division,
11 Randall Knepper; the Assistant Director of the Safety
12 Division, Robert Wyatt; Iqbal Al-Azad of the Gas and Water
13 Division; Joe Vercellotti of the Gas -- of the Safety
14 Division.

15 And, this gentleman here, could you
16 please identify yourself?

17 MR. CICALE: Certainly. I'm not with
18 Staff. I'm with the Office of Consumer Advocate, Nicholas
19 Cicale.

20 CHAIRMAN HONIGBERG: Right. Mr. Cicale,
21 typically, you'd go after the company in entering your
22 appearance. That's why I was looking to you, and
23 Mr. Speidel grabbed the microphone and did it anyway. But
24 thank you. Thank you all.

1 MR. SPEIDEL: I've never had the
2 pleasure of Mr. Cicale. So, it's nice to meet him. And,
3 that would be it.

4 I think Staff, in general terms, would
5 like to make a statement, after the Company makes a
6 statement regarding its understanding of the current
7 status of the investigation of different matters before it
8 regarding the Keene incident.

9 Certainly, Staff would welcome inquiries
10 from the Commission regarding the possibilities for its
11 report being prepared in advance of the 31st, or
12 thereabouts, of March. And, also, any other questions
13 that the Commission might have of Staff regarding its own
14 perspective on this investigation. Thank you.

15 CHAIRMAN HONIGBERG: All right. Thank
16 you, Mr. Speidel. Mr. Sheehan, are you prepared to go
17 first and give us some indication of what happened and
18 what your understanding is?

19 MR. SHEEHAN: Yes, sir. I spoke to
20 Mr. Speidel. And, since we were probably one step ahead
21 of Staff in the investigation, although they have been
22 involved, we figured we could start, and then they could
23 follow up with any gaps I may have left or comments.

24 With some very basics, the Keene

1 facility, as we know, mixes propane with air, to reduce
2 the propane's Btu content to a level that is appropriate
3 for the appliances of the Company's customers. The
4 facility either uses atmospheric pressure or fans and
5 blowers to mix the air and fuel.

6 As the mixture leaves the Keene facility
7 to enter the pipeline system, there are sensors that
8 monitor two constants: Pressure and Btu content. These
9 sensors regulate the fuel and blower systems to
10 automatically respond to greater or lesser customer demand
11 for gas in order to maintain proper pressure and proper
12 Btu levels. As demand increases, for example, the system
13 recognizes lower pressure. This causes the blowers to
14 work harder and the fuel system to increase fuel delivery
15 to match the increased air coming from the blowers.
16 Standing in the blower room, as I had the privilege to do
17 last week, you can actually hear the blower motors
18 constantly changing speeds as they respond second by
19 second to the changes in the demand. You can actually
20 hear the motors ramping up and down constantly.

21 The system also works without blowers in
22 so-called "atmospheric" air supply mode. While in
23 atmospheric mode, there are pipe openings that allow air
24 to be drawn into the system, much like a carburetor on a

1 car. As demand increases, more air is drawn into the
2 system through these open pipes. The fuel system works in
3 a similar fashion, as with the blowers, monitoring the
4 outlet pressure and regulating the Btu content by
5 injecting the right amount of fuel to maintain the proper
6 mix.

7 Both systems are designed to operate
8 without manual input. Indeed, the Keene facility is
9 typically unstaffed at night and over weekends, as has
10 been the case for many, many years. Although unstaffed,
11 the sensors that measure pressure and Btu content are
12 connected to alarms. When the system pressure falls below
13 what is called for by the computer settings, or above, for
14 example, an alarm sounds at Liberty's control station in
15 Londonderry and at a third party alarm service. Control
16 immediately contacts the on-call employee in Keene to
17 respond to the plant.

18 On December 19th, 2015, about 8:51 a.m.,
19 the blowers shut down. As an aside, the blowers operate
20 pretty consistently in the wintertime, when the demand for
21 the fuel is much greater. We believe that the shutdown
22 was caused by a dip in voltage resulting from the loss of
23 power on a nearby Eversource circuit. As the Eversource
24 system responded to the failed circuit, the adjacent

1 circuit serving the Keene plant experienced a momentary
2 dip in voltage.

3 The blowers in the Keene facility are
4 run by sophisticated variable speed motors. As described
5 a minute ago, these motors constantly change speed to
6 respond to changes in demand. These motors are very
7 sensitive to changes in voltage. For their own
8 protection, they are programmed to shut down when there is
9 a sufficient drop or increase in voltage. That is what
10 happened on the morning of December 19th.

11 The Keene facility does have back-up
12 power systems. However, these generators were not called
13 on, because it was only a power dip, not a power failure.

14 Normally, the Eversource-related voltage
15 issue and resulting blower shutdown would not cause the
16 events of December 19. The system would recognize that
17 the blowers shut down and would transition to "atmospheric
18 mode". At the same time, a "low pressure" alarm would
19 sound and a technician would immediately be called to
20 respond to the facility. The low pressure, atmospheric
21 mode is sufficient to keep the system running until a
22 technician can respond, restart the blowers, and restore
23 the higher pressure.

24 We believe that the problem on

1 December 19th was that the fuel system did not receive the
2 signal indicating that the blowers had shut down, so it
3 did not know that it was time to switch and begin
4 servicing the lower pressure of atmospheric mode. Absent
5 receiving a signal of the blower shutdown, the fuel system
6 thought that the low pressure was caused by increased
7 demand and responded, as it was designed, by increasing
8 fuel input to maintain the higher pressure. The fuel
9 system assumed that the blower would simultaneously
10 increase air pressure. The fuel system thus increased
11 output as it incorrectly tried to restore the higher
12 pressure without either the air blowers on line or the
13 system yet in atmospheric mode. As a result, and as you
14 mentioned at the outset, the Btu content of the mix rose
15 substantially. The fuel system simply injected more
16 propane when the air system delivered less air.

17 This high-Btu gas caused two related
18 problems, again, as you summarized. First, customer
19 appliances are not designed to burn such rich gas. So,
20 some of the gas remained uncombusted and customers smelled
21 gas. Also, the combustion did not -- that did occur was
22 incomplete and resulted in carbon monoxide. The gas
23 smells and carbon monoxide issues resulted in many 9-1-1
24 and other calls that resulted in the emergency response.

1 To be clear, there were no leaks on the Company's system.

2 The Company's response: We responded to
3 the facility's low pressure alarm. The control room in
4 London [Londonderry?] contacted the on-call technician,
5 who arrived at the facility at 9:03, twelve minutes after
6 the 8:51 alarm -- 8:51 shutdown and resulting alarm. The
7 technician called the Keene Division Manager, Mr. Rokes,
8 at 9:04, a minute after he arrived. The two continued to
9 speak while Steve Rokes drove to the facility, and he
10 arrived at 9:38. They diagnosed the problem, manually
11 placed the system in the atmospheric mode at 9:19, brought
12 the blowers on line by 9:48, and restored normal operation
13 by 9:59. The technician communicated with local fire
14 personnel as well during the half hour or so before
15 Mr. Rokes arrived.

16 The Keene Fire Department and other
17 departments responded to about 90 customer calls where,
18 for the most part, the fire department, and with the
19 assistance of Liberty, turned off the propane service and
20 attended to the customers, often advising them to leave
21 the buildings. The Keene Fire Chief was in charge of the
22 situation the whole day, as was appropriate, and Rich
23 MacDonald was literally by his side throughout the day.
24 Over the course of the day, Liberty and fire department

1 personnel went to about ten locations on the system where
2 they purged the rich fuel mixture out of the system by
3 venting the larger distribution pipes at safe locations
4 until the percent gas levels were appropriate. The
5 Company and the fire departments returned to the customers
6 that were disconnected and restored their service. The
7 fire departments and the Company visited every customer,
8 all 1,250, to check CO levels and customer safety.

9 By about 1:15 a.m. on Sunday,
10 December 20, all services had been restored, and all 1,250
11 customers had been checked. There's an asterisk there, I
12 understand they did not actually get into all of the
13 units, because some people were not home.

14 Liberty's response, which included about
15 80 employees, included the following: First, about 35
16 Liberty employees responded to Keene, including the
17 Keene-based employees described above, service crews from
18 both Keene and throughout the Company who assisted the
19 fire departments with the purging and the restoration of
20 service, employees assisting the emergency personnel,
21 staffing the phones in Keene, and providing other
22 logistical support. Second, almost 30 call center
23 employees were in the Londonderry office receiving inbound
24 calls that were transferred from Keene, and making

1 outbound calls to Keene customers. We called every
2 customer on the day, on Saturday, December 19th. Finally,
3 a group of Liberty management and engineering employees
4 were in Londonderry and Oakville, by phone, to help
5 coordinate and supervise the response.

6 The investigation: On Saturday and
7 Sunday, December 19 and 20, Liberty contacted the vendors
8 of all the equipment at the Keene facility and asked that
9 they travel to Keene on Monday, December 21, to begin the
10 investigation. Every vendor was present and, led by Rich
11 and Chris, the investigation began. They spent the entire
12 day walking through all of the mechanical, electrical, and
13 computer systems and arrived at a working theory for the
14 cause of the incident.

15 On Tuesday, December 22, Safety Division
16 Staff traveled to Keene and conducted their own review,
17 with Liberty personnel sharing all that had happened the
18 day before, including Liberty's tentative conclusions.

19 As described above, Liberty has
20 determined that there were two likely causes of the
21 incident. The first cause was the voltage drop outside
22 the Keene facility that caused the blowers to shut down.
23 The second cause was the failure of the fuel system to
24 recognize that the blowers had shut down, that it was time

1 to transition to atmospheric mode. This failure was
2 caused by an open fuse in the alarm board circuitry, which
3 prevented the appropriate signal from reaching the
4 server-based control system, resulting in the system
5 remaining in blower mode instead of switching to
6 atmospheric mode.

7 The follow-up: Liberty immediately
8 reported the incident to the Safety Division staff on the
9 morning of December 19th, and later on the 19th to PHMSA.

10 Liberty responded to about 40 service
11 calls during the week of December 19th for minor issues
12 likely related to this incident.

13 Liberty has manned the Keene facility
14 24/7 ever since the incident, and will continue to do so
15 until we are comfortable that there will not be a repeat
16 of the December 19th incident. We were joking before
17 today's hearing that we receive e-mails now from Steve
18 Rokes at 3:00 in the morning when he's pulling the
19 overnight shift.

20 The steps we are evaluating to gain that
21 comfort level include the following: In the short term,
22 we are deciding the best ways to introduce redundancies in
23 the control system so that one or two failures do not
24 cause a broader problem. These may include computer

1 hardware changes, wiring changes, new alarm circuits, and
2 different ways of having the system respond to voltage
3 dips and power outages. Over the medium term, we are
4 evaluating whether we can make more substantive changes to
5 the equipment or system changes to the existing Keene
6 facility to avoid a repeat of this problem. Over the
7 longer term, we are evaluating the replacement of the
8 propane air system with an LNG or CNG facility. This has
9 certainly been the Company's long-term plan for Keene, and
10 we are looking to see how we can accelerate that plan in
11 light of the December incident.

12 Note that everything that you've heard
13 me say today has been provided to Staff, either informally
14 or through the Company's responses to a number of data
15 requests over the past month. Chris is in charge of
16 writing the Company's investigative report, which we hope
17 to have finished by the end of this month, and, of course,
18 we will share that with Staff. The Company will continue
19 to work with Staff as requested. Thank you.

20 CHAIRMAN HONIGBERG: Thank you,
21 Mr. Sheehan. Mr. Speidel, does Staff want to offer any
22 comments at this time?

23 MR. SPEIDEL: I would like to inquire as
24 to whether Mr. Knepper would like to offer any comments?

1 MR. KNEPPER: I think Liberty did an
2 excellent job in kind of summarizing what's transpired
3 over the course of events over the last month. It's been
4 a collaborative process. They have cooperated very fully.
5 Our investigation will typically focus on many of the
6 things that Mr. Sheehan alluded to. We look to see if the
7 notification and reporting requirements have been met. We
8 did get notified on Saturday, December 19th. Staff did go
9 to Keene on that Saturday. And, as the Chair knows and
10 Commissioners know, we communicate to the Commission, as
11 well as others, of what's transpiring.

12 The second thing that we will
13 probably -- that we will look at is evaluating the
14 effectiveness of the response. Did it meet their
15 emergency response plan? Clearly, you've heard that they
16 had -- they brought a large amount of resources to Keene,
17 that normally would not have been available in the past.
18 From our observations, on that Saturday, it was done in a
19 very coordinated and effective manner. So, we'll be
20 commenting on those things.

21 And, of course, we want to look at the
22 apparent cause or root causes of these things. And,
23 again, Mr. Sheehan had touched on that. We will probably
24 review the Liberty report first, before we make our

1 official report. We may just incorporate a lot of that,
2 so it's not duplicative, into our report and our
3 investigation, which is due at the end of March, I think
4 it's March 30th.

5 So, that's probably what will happen.
6 And, so far, it's been -- the utility, as well as
7 ourselves, are looking to minimize the possibility of a
8 recurrence of this type of an event. And, that's how it's
9 been progressing so far.

10 CHAIRMAN HONIGBERG: Mr. Cicale, I'd be
11 surprised if you have anything to offer at this time, but
12 this would be your chance, if you're interested?

13 MR. CICALÉ: You're correct, Chairman.
14 The OCA is reserving its comments for later in the
15 process. Thank you.

16 CHAIRMAN HONIGBERG: Commissioner Scott,
17 do you have any questions for either the Company or Staff
18 at this time?

19 COMMISSIONER SCOTT: Yes, I do. Thank
20 you.

21 For the Company, Mr. Sheehan, you
22 stated, which I believe to be the case, that there was no
23 gas leak, correct?

24 MR. SHEEHAN: That's correct.

1 COMMISSIONER SCOTT: But, yet, if I
2 remember from the press coverage, I think Keene officials
3 were stating there was gas leaks, is that correct?

4 MR. SHEEHAN: I'll defer to someone
5 else. My recollection, those are the early reports, and
6 they were no more than suspicions. But, in fact, there
7 were no gas leaks. The smell of gas was coming from the
8 unburnt fuel coming from the customers' appliances.

9 COMMISSIONER SCOTT: The reason why I
10 mention that, what I would like to see is, obviously,
11 looking at the root cause and how this can be prevented,
12 obviously, is primary importance. But I also wonder if
13 you could look at the amount of outreach or training that
14 the Company has with first responders in the area. Are
15 they -- I guess the question is, are they familiar enough
16 with your system or should there be improvements
17 there also --

18 MR. SHEEHAN: Yes.

19 COMMISSIONER SCOTT: -- to help
20 facilitate any kind of response in the future?

21 MR. SHEEHAN: We had a phone call with
22 Staff last week and Mr. Knepper raised that issue as well.
23 I do know there has been significant training with the
24 Keene Fire Department, in particular. But, absolutely.

1 We will look at that and see where we can do more of that.

2 And, for the record, my understanding is
3 the work between Mr. MacDonald and the Keene Chief went
4 well that day, went as smoothly as could be, and with
5 Mr. Rokes, of course.

6 So, I think, as fire departments go,
7 Keene is good on this. But, again, you're right. That's
8 an area that we will look at and see if there's room for
9 improvement, as well as the other towns coming nearby that
10 could respond in the future.

11 COMMISSIONER SCOTT: Thank you. That's
12 all I have.

13 CHAIRMAN HONIGBERG: Commissioner
14 Bailey, do you have any questions?

15 COMMISSIONER BAILEY: Not at this time.

16 CHAIRMAN HONIGBERG: If there were no
17 leaks, is this a matter for PHMSA? I know you said you
18 notified PHMSA. But, without the leak, what is PHMSA's
19 role in this at this point?

20 MR. SHEEHAN: This is what I got to look
21 at on Saturday afternoon, as everyone else was doing the
22 important work, I got to read regulations and decide
23 whether we needed to report this.

24 CHAIRMAN HONIGBERG: I feel your pain.

1 MR. SHEEHAN: And, what I ran into was,
2 certainly, the conventional wisdom was, if there's no
3 "release", and that's the word they use, then there's no
4 need to report. But the regulation, and I actually quoted
5 it in my notes, this is the language from their regulation
6 that would trigger a PHMSA report. If the event "is
7 significant, in the judgment of an operator, even though
8 it did not meet the criteria of Paragraphs (1) or (2) of
9 this definition", and (1) or (2) are releases. So,
10 looking at that language, "is it significant in the eyes
11 of the operator", there was no way we could not report it,
12 given what happened. So, that's the language we used and
13 that's why we reported.

14 I think yesterday was our deadline to,
15 or maybe today, to withdraw that report, and we made the
16 decision not to. We have filed a report. And, we will
17 follow through with it as we're supposed to.

18 But, anyways, that's the language that
19 caused us to make the report, even though, even on
20 Saturday, we knew there was not a "release", in the normal
21 sense, of a PHMSA incident.

22 CHAIRMAN HONIGBERG: I'm not to question
23 the discussions you're having internally. But, if there's
24 no -- I understand why you would make a report, given that

1 section. But, if you've concluded that it didn't fit
2 within either (a) or (b), why not withdraw?

3 MR. SHEEHAN: Because it fit under (3),
4 which was what I just read, it was a "significant event".

5 CHAIRMAN HONIGBERG: So, what happens
6 next with PHMSA? Does PHMSA -- PHMSA reviews your report
7 and says "It doesn't look like there was a release. Thank
8 you for the report. We're going to put it in a file
9 someplace."?

10 MR. SHEEHAN: That very well may be the
11 outcome. They will certainly look, I assume, and the
12 experts to my left, Mr. Knepper, I suspect they will look
13 at what did happen, and to make sure that we've dotted
14 some i's and crossed the t's. But, my guess is, it's
15 Mr. Knepper's office that will have the lion's share of
16 follow-up on this event.

17 CHAIRMAN HONIGBERG: I was going to turn
18 to him next.

19 Mr. Knepper, is that correct? Do you
20 have anything to add in that regard?

21 MR. KNEPPER: Yes. PHMSA is not going
22 to do anything. Although, they will hit their database,
23 because they reported it as an incident. But they'll
24 defer to the states to investigate and do -- and take care

1 of that.

2 Once Liberty decided to determine it was
3 an incident, that goes to the Notification Center. The
4 Notification Center sends out an e-mail to the Eastern
5 Region of PHMSA, as well as the state. They then asked us
6 to go investigate; we were already on-scene, so, we were
7 all aware. I immediately called the Eastern Region
8 Director. And, as soon as he heard that there was no
9 release, he pretty much said "Okay. Goodnight. Thank
10 you." So, I don't believe they will do very much with it.

11 This is -- you know, Keene has a very
12 unique system within the state, and certainly has a unique
13 system within the country. So, it doesn't really fit very
14 well into their system of reporting.

15 So, the one thing I would caution people
16 to be careful of, we use the term in our rules "events",
17 we use the term "accidents", and we use the term
18 "incidents", and they all have specific definitions. And,
19 so, we have to, when we write our report, we'll be very
20 clear. Events get notified to us. And, this one
21 certainly met a lot of the criteria in the PUC rules.
22 Those rules are under 504.05. But it did not rise to a
23 level of an "accident". And, then, the federal laws,
24 because we include them and incorporate them by reference

1 into our state rules, does allow the Company to report
2 anything that's significant in the eyes of the operator.
3 And, that's what Liberty has done.

4 CHAIRMAN HONIGBERG: This may be a
5 question, in part, for Mr. Speidel, and probably
6 Mr. Sheehan. But who ends up paying for the response to
7 an event like this? Not meaning to use the word "event"
8 in any legal sense as Mr. Knepper just used it. But, when
9 something like this happens, who ends up paying for the
10 Company's response and who ends up paying for the City's
11 response, if they incurred costs as part of this?

12 MR. SPEIDEL: Mr. Sheehan, would you
13 like to begin?

14 MR. SHEEHAN: Sure. As has been
15 reflected in some of the press, we are receiving bills
16 from the towns that responded. And, there is a statute
17 that may provide for that, that's RSA 154:8-a. We are
18 receiving those bills. We have not decided, we're
19 evaluating them, we're going through that process.

20 Separate is the Company's cost of
21 response. There has, obviously, been a substantial cost
22 for the Company. And, again, that's something that would
23 come up down the road in any rate proceeding, about
24 whether and how we would seek recovery of that. And,

1 those are all open questions now, as we're really just
2 getting to that point of this event or incident.

3 CHAIRMAN HONIGBERG: I'll note Ms. Moran
4 is taking copious notes while you're talking on this. Mr.
5 Speidel, you have anything, or Mr. Knepper?

6 MR. SPEIDEL: Yes, I do, Mr. Chairman.
7 I think, as a general matter of regulatory philosophy, I
8 think there should be some level of recovery within the
9 Company's cost stream, be it as a portion of its general
10 rate recovery or perhaps as part of its cost of gas
11 recovery. Because, and perhaps Mr. Frink might disagree,
12 or we could internally deliberate on this, but, at least
13 in terms of the theory of the cost of gas, it kind of
14 incorporates the cost of providing gas service to the
15 customers within a given calendar year. So, it's not
16 necessarily a recurring item, where there will be a
17 December incident every year, but rather it's a one-off.
18 So, there might be some accommodation
19 for this that's relatively expeditious and avoids rate
20 shock and ongoing lumpiness in rates due to something that
21 is a one-off, and not an ongoing cost of doing business
22 that could be quantified. So, I just want to put that out
23 there. There may be many ways to approach this question.

24 But, certainly, I think the Staff, the

1 Safety Staff and the Gas and Water Staff, and myself,
2 we've all talked about this. We would try to avoid a
3 situation where there's a presumption or a general rule
4 that, whenever there is an emergency incident, and there
5 is such a response due to technical failure on the part of
6 local, and not so local, emergency responders, that there
7 should be a bill proffered to the Company, and that the
8 Company must pay, and then seek recovery for it from its
9 ratepayers. Insofar as the Company's a corporate citizen
10 just like anyone else, if they were a restaurant or if
11 they were a used car dealership and there were a fire
12 there, for instance, I don't think they would necessarily
13 receive a bill for such services. The temptation is, on
14 the part of local municipalities, to cost shift to a set
15 of deep pockets, and the utility constitutes a set of deep
16 pockets.

17 So, we are looking very carefully at the
18 technical definitions of that law. And, as a general
19 matter, we've encouraged the Company to object to the bill
20 as it comes from the Keene authorities, at least that will
21 preserve its rights to appeal, and to say "No, we do not
22 care to pay for this, because this is a general emergency
23 response. We're a corporate citizen just like everyone
24 else, and we should not receive cost-shifting, if it is

1 not warranted.

2 This was not, in the opinion of Staff, a
3 hazardous waste release. And, therefore, that statutory
4 definition shouldn't apply. And, we think that the
5 municipality should absorb those costs as part of its
6 general budget.

7 If we establish a precedent that,
8 whenever there's a technical failure, that the utility
9 must pay, it could really expand. And, certain
10 municipalities have shown themselves to be very eager to
11 seek utility monies as a substitute for general revenue.
12 So, we have to avoid that, if we can.

13 And, maybe Mr. Knepper could expand on
14 that a little bit.

15 CHAIRMAN HONIGBERG: I'm going to just
16 remind everyone, that everyone's comments here are
17 preliminary. So, to the extent that someone's take --
18 appears to be taking a position that may sound very strict
19 or cast in stone, we're not holding anybody to the
20 representations or theories they're advancing here today.

21 Mr. Knepper.

22 MR. KNEPPER: Yes. Another third
23 complicating factor, and that's why I think Mr. Sheehan
24 used the term "it's still open", is that there was some

1 language in the Settlement Agreement as to how costs are
2 done for operations, as well as those kind of things.
3 And, so, we kind of have to make sure that we go back and
4 look to see how it fits into that mechanism as well. So,
5 it's not a clear, simple answer yet.

6 CHAIRMAN HONIGBERG: Just so the record
7 is clear, the "settlement" you're referring to is the
8 acquisition of the Keene system?

9 MR. KNEPPER: That's correct.

10 CHAIRMAN HONIGBERG: I'll note for the
11 record that Mr. Cicale has been taking copious notes
12 during this part of the discussion.

13 Would either side like to provide
14 something on the record about how this propane-air system
15 differs from an LNG or CNG or any other kind of natural
16 gas system that's out there operating in the state?

17 MR. KNEPPER: What's different is that
18 the end-use appliances are specific to this system. So,
19 you can't just buy a natural gas appliance and expect it
20 to work on a propane-air system. You can buy a regular
21 propane appliance and expect it to work on that system.
22 It's tailored to a specific Btu range for burning
23 efficiently. And, so, this utility has to actually go in
24 and customize each person's equipment, gas burning

1 equipment, so that it operates and functions properly.

2 That doesn't happen very often. That
3 doesn't happen anywhere else. A CNG would not have to do
4 that, a natural gas utility, Liberty, does not have to do
5 that. And, even though Liberty injects propane-air into
6 their system, some -- on their regular natural gas system,
7 let's say, for instance, right here in Concord --
8 actually, --

9 MR. MacDONALD: In Tilton.

10 MR. KNEPPER: Actually, Concord's not a
11 good one. Let's say Manchester or Nashua. That amount is
12 so small, you wouldn't see those differences appear at a
13 person's gas appliance typically. So, it is unique, in
14 that regard.

15 CHAIRMAN HONIGBERG: Why not Concord?

16 MR. KNEPPER: Because they don't have a
17 propane-air facility, they only inject LNG in Concord.
18 So, it would be strictly LNG mixing with natural gas, and
19 it ends up being natural gas.

20 CHAIRMAN HONIGBERG: So, the shorthand
21 for anyone who was concerned about the safety of the
22 system in the other service territories served by Liberty,
23 this can't happen in those areas, is that right?

24 MR. KNEPPER: Yes. This is unique, yes.

1 CHAIRMAN HONIGBERG: I think that's all
2 I have. Are there other questions from up here?

3 *[No verbal response]*

4 CHAIRMAN HONIGBERG: Anything else that
5 the parties want to offer up? I'll note, Mr. Knepper, you
6 actually have another day, an extra day than you think you
7 do. It's March 31st, according to the Order of Notice.

8 Is there anything else from Mr. Sheehan?

9 MR. SHEEHAN: Nothing further. Thank
10 you.

11 CHAIRMAN HONIGBERG: Mr. Cicale?

12 MR. CICALÉ: Nothing.

13 CHAIRMAN HONIGBERG: Mr. Speidel?

14 MR. SPEIDEL: No thank you, Mr.

15 Chairman.

16 CHAIRMAN HONIGBERG: All right. Thank
17 you all for your time and the information you provided
18 today. And, we will adjourn.

19 *(Whereupon the status conference was*
20 *adjourned at 9:38 a.m.)*

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