

NORTHERN UTILITIES, INC.

ORIGINAL
N.H.P.U.C. Case No. <u>DG 11-196</u>
Exhibit No. <u># 7</u>
Witness <u>Panel 12</u>
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DIRECT TESTIMONY OF  
THOMAS P. MEISSNER, JR.

New Hampshire Public Utilities Commission

Docket No. DG 11-196

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1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Thomas P. Meissner, Jr. My business address is 6 Liberty Lane West,  
4 Hampton, New Hampshire 03842.

5

6 **Q. What is your position and what are your responsibilities?**

7 A. I am the Chief Operating Officer of Unitil Corporation. I am also a Senior Vice  
8 President of Unitil Service Corp., which provides centralized utility management  
9 services to Unitil Corporation's subsidiary companies, and a Senior Vice President  
10 of Unitil Corporation's utility operating subsidiaries Fitchburg Gas and Electric  
11 Light Company, Granite State Gas Transmission, Inc., Northern Utilities, Inc.  
12 ("Northern"), and Unitil Energy Systems, Inc. My responsibilities are primarily in  
13 the areas of utility operations and engineering.

14

15 **Q. Please describe your business and educational background.**

16 A. I have over 25 years of professional experience in the utility industry and an  
17 extensive background in all areas of gas and electric energy delivery, including:  
18 distribution engineering; system planning; construction and maintenance; safety;  
19 inventory and supply chain management; emergency response and restoration;  
20 fleet and facilities management; metering and meter reading; system operations;  
21 and related technology and asset management systems.

22

1 I joined Unutil Service Corp. in 1994 as a design engineer and was named Director  
2 of Engineering in 1996, Senior Vice President of Operations and Engineering in  
3 2003, and assumed my current responsibilities as Chief Operating Officer of Unutil  
4 Corporation in 2005. Prior to joining Unutil Corporation, I was employed for ten  
5 years at Public Service of New Hampshire (“PSNH”) where I advanced through a  
6 variety of positions in engineering and operations. The last position I held with  
7 PSNH prior to joining Unutil was that of Electrical Superintendent in Portsmouth,  
8 New Hampshire. I hold Bachelor of Science degrees in Electrical Engineering and  
9 Mechanical Engineering from Northeastern University, a Certificate in Electric  
10 Power Systems Engineering from Power Technologies, Inc., and a Master’s degree  
11 in Business Administration from the University of New Hampshire

12

13 **Q. Do you have any licenses that qualify you to speak to issues related to**  
14 **engineering?**

15 A. Yes. I am a registered Professional Engineer in the State of New Hampshire.

16

17 **Q. Have you previously testified before this Commission or other regulatory**  
18 **agencies?**

19 A. Yes, I have testified before this Commission in various proceedings, including  
20 more recently, Unutil’s acquisition of Northern and Granite in Docket DG 08-48,  
21 Unutil Energy’s deployment of resources following the 2008 ice storm in Docket  
22 DE 10-001, and Unutil Energy’s base rate filing in DE 10-055.

1 **II. SUMMARY OF TESTIMONY**

2 **Q. What is the purpose of your testimony?**

3 A. My testimony will describe the origins of the Emergency Response Standards in  
4 New Hampshire, our understanding of the standards when they were approved in  
5 the final settlement agreement in Commission Order 24,906, and the Company's  
6 management of Northern since the merger.

7  
8 **Q. Please provide an overview of the Company's witness testimony included in  
9 the filing.**

10 A. The Company's filing is set forth in the testimony of three witnesses, in addition to  
11 my own. These testimonies are as follows:

- 12 • Melcore ("Mel") Ciulla is Manager of Gas Operations for Northern's New  
13 Hampshire operations. Mr. Ciulla's testimony will describe the Company's  
14 implementation of the Emergency Response Standards, the actions taken by  
15 management to comply with the Emergency Response Standards, and the  
16 estimated costs of staffing and equipment that would be necessary to achieve  
17 compliance with the current standards.
- 18 • Chris Leblanc is a Unitil Service Corp.'s Director of Gas Operations. Mr.  
19 Leblanc's testimony describes Northern's gas distribution system in New  
20 Hampshire; Unitil's operating objectives and commitment to safety; the

1 Company's operations, maintenance and safety programs; and the Company's  
2 emergency response protocols.

- 3 • Philip Sher is an independent pipeline consultant to the natural gas industry.  
4 Mr. Sher's testimony summarizes the issues involved in this proceeding;  
5 provides information on the factors affecting leak response; reviews the actions  
6 taken by Unitil attempting to meet the targets; reviews the results of the  
7 Unitil's actions; and recommends a resolution to this important safety issue.

8

9 **Q. Please summarize your testimony.**

10 A. The key highlights of my testimony are summarized below. Each of these will be  
11 more fully described in the testimony that follows:

- 12 • The Emergency Response Standards were not developed as part of a  
13 rulemaking and are not based on specific studies, analyses, or data. There have  
14 been no evaluations of the costs or benefits of the Emergency Response  
15 Standards, and no comparative analyses to determine if the response standards  
16 represent the most efficient and effective way to improve safety, particularly  
17 with respect to Unitil.
- 18 • The Emergency Response Standards were derived from similar or identical  
19 standards approved for EnergyNorth in Commission Order No. 24,777 (Docket  
20 No. DG 06-107 National Grid/Keyspan Merger). Emergency response was  
21 raised in that proceeding because of concerns over an increase in the number of  
22 leaks and an increase in response time at EnergyNorth. Under the agreement,  
23 EnergyNorth was allowed recovery of its prudently incurred costs to meet the  
24 standard which were characterized as "substantial" (in excess of one million  
25 dollars). The Settlement also established incentives ranging from \$400,000 to  
26 \$600,000 for meeting or exceeding the compliance date.
- 27 • Emergency response was raised in DG 08-047 (Unitil/Northern Acquisition  
28 Approval) only with regard to the Plaistow, Salem, and Atkinson area of  
29 Northern's system, which was served from Bay State's Lawrence operations  
30 center. There was a concern that this area could see increases in delays to  
31 emergency leak response and odor complaints.

- 1           • The Company took immediate steps to implement an effective emergency  
2           response to the Atkinson, Plaistow and Salem area. Response to that area is  
3           better today than it was prior to Unitil’s acquisition of Northern when it was  
4           served out of Lawrence.
- 5           • The Company has gone to great lengths to meet the Emergency Response  
6           Standards, including the hiring of staff and implementation of five new work  
7           shifts. Northern’s emergency response has improved each year, and in every  
8           standard, and is better today than it was under the prior owner.
- 9           • Northern is responding to emergencies quickly and effectively. The  
10          Company’s response time is currently averaging just 22 minutes for all  
11          emergency calls, across all hours, from the time of the initial call to the time  
12          when a qualified technician arrives on the scene. Furthermore, the Company is  
13          exceeding the benchmarks more often than it is missing them.
- 14          • When the Emergency Response Standards were introduced in docket DG 08-  
15          048, Staff represented that Northern was already close to meeting the  
16          standards, and that only slight tweaking and management focus was needed to  
17          achieve compliance. It appears this was an overly optimistic assessment, and  
18          not based in any understanding of Northern’s operations.
- 19          • The Company has concluded that meeting two specific 30 minute response  
20          standards will require major changes to Northern’s operations and staffing,  
21          involving a transition away from the traditional standby or “on call” model to a  
22          full time staffing model. This will require the hiring of 9 – 11 staff at a cost of  
23          \$1.1 to \$1.5 million annually.
- 24          • Rather than continuing with the current standards and moving to full time  
25          staffing in order to meet them, the Company recommends modifying the  
26          existing Emergency Response Standards (nine standards) to reflect three  
27          performance standards tailored to each of the three defined time periods (one  
28          per time period). Setting the target for Regular Hours at 30 minute response  
29          and setting the target for After Hours and Weekend/Holidays at 45 minute  
30          response will establish these as the as the desired response time.
- 31          • The Company has implemented inspection, maintenance, leak survey and  
32          damage prevention programs that are at the forefront of industry best practice  
33          and are designed to identify and eliminate risks before they pose a public  
34          safety concern. We believe we are the safest natural gas operator in New  
35          England.

1 **III. BASIS FOR THE EMERGENCY RESPONSE STANDARDS**

2 **Q. Were the New Hampshire Standards based on studies, analyses or data**  
3 **collected through a formal rulemaking?**

4 A. No. There has not been a rulemaking in New Hampshire to develop a record to  
5 support specific standards. There have been no specific studies or analyses that we  
6 are aware of. There has been no evaluation of the cost to achieve the Emergency  
7 Response Standards, no quantification of the benefit of such standards in terms of  
8 risk and safety, and no comparative analyses to determine if the response standards  
9 represent the most efficient and effective way to improve safety.

10

11 **Q. Were the Emergency Response Standards based on identical standards in**  
12 **other states?**

13 A. Not to our knowledge, no. While other states may incorporate 30, 45, and 60  
14 minute benchmarks into their performance standards, we have not found another  
15 jurisdiction that breaks the standards down into additional categories for work  
16 hours, after hours, and weekends and holidays thereby creating nine standards.  
17 During the October 4, 2012 prehearing conference in this proceeding, Staff stated  
18 “with respect to comparing standards that are applied in other states, we need only  
19 look as far as New York State to see very similar standards, with similar  
20 breakdowns of 30, 45, and 60 minutes, and during work hours, after hours, and  
21 during weekends and holidays.” Tr. at 19. In fact, this is not correct.

22

1 **Q. Were the Emergency Response Standards based on a specific analysis of**  
2 **Northern’s emergency response in New Hampshire?**

3 A. During the October 4, 2012 prehearing conference in this proceeding, Staff stated  
4 that the standards in the Settlement “were based on the Safety Division’s careful  
5 assessment of the pipeline footprint for the Company in the state.” Tr. at 20 This  
6 was the first time we were advised that such an assessment was undertaken. We  
7 have not seen or evaluated this assessment.

8  
9 **Q. What is the Company’s understanding of how the Emergency Response**  
10 **Standards approved in DG 08-048 were developed?**

11 A. It is our understanding that they were replicated from the Emergency Response  
12 Standards approved for EnergyNorth in Commission Order 24,777 as reflected in  
13 the EnergyNorth Merger Rate Agreement in Docket No. DG 06-107. This was  
14 confirmed in the August 19, 2008 hearing on the merits of the Settlement  
15 Agreement in docket DG 08-048 where Mr. Knepper stated “basically what we’ve  
16 asked Unitil to meet is the emergency response standards that we’ve set up for  
17 other operators within New Hampshire.” Tr at 68. This was echoed in the October  
18 4, 2011 prehearing conference in the current docket where Staff stated “[t]hey’re  
19 the exact same standards that apply to National Grid, the other major gas  
20 distribution company here in the state.” Tr at 19.

21

22 **Q. Why were Emergency Response Standards raised in the approval docket for**  
23 **the National Grid/KeySpan Merger?**

1 A. According to Staff's testimony in that proceeding, there were concerns with public  
2 safety issues that had arisen since the KeySpan/EnergyNorth merger. It was noted  
3 that the number of leaks on EnergyNorth's system had increased, as had the time  
4 to response to odor complaints. (DG 06-107, Direct Testimony of Stephen P.  
5 Frink at page 2.) Mr. Frink further noted that "The ENGI emergency response  
6 time has increased to the extent that the Gas Safety Division filed a memorandum  
7 with the Commission on December 14, 2006, requesting that the Commission  
8 require ENGI to begin reporting emergency response times on a monthly basis and  
9 suggesting the Commission consider initiating a rule change to establish response  
10 time performance standards." (Id.) Thus, the reason for addressing emergency  
11 response in docket DG 06-107 was twofold: 1) an increase in the number of leaks,  
12 and 2) an increase in response time.

13

14 **Q. Were similar issues raised by Staff or any other party at the time of Unitil's**  
15 **acquisition of Northern?**

16 A. No.

17

18 **Q. How was emergency response addressed in the Settlement Agreement in DG**  
19 **06-107 (KeySpan/EnergyNorth merger)?**

20 A. Under the Settlement Agreement, National Grid agreed to the Emergency  
21 Response Standards, with an expected compliance date of January 1, 2008. In  
22 return, EnergyNorth was allowed recovery of its prudently incurred costs to meet  
23 the standard in its first delivery rate case, to be recovered through rates beginning

1           one year after the close of the merger. The anticipated investment was  
2           characterized as “substantial,” and was expected to be well in excess of one  
3           million dollars. (Id. at page 7.)  
4

5       **Q.    Were there other provisions related to EnergyNorth’s compliance with the**  
6       **new Emergency Response Standards?**

7       A.    Yes. The Settlement also established incentives ranging from \$400,000 to  
8           \$600,000 for meeting or exceeding the compliance date, thereby rewarding  
9           EnergyNorth for achieving compliance as quickly as possible and enabling  
10          EnergyNorth to recoup some of the compliance costs that would otherwise not be  
11          recovered through future rates. (Id.).  
12

13       **Q.    Has EnergyNorth met the Emergency Response Standards since January 1,**  
14       **2008?**

15       A.    According to an April 22, 2011 Staff memo, National Grid generally has met the  
16          critical response standards, though some instances were noted in which the  
17          standards have not been met.  
18

1 **IV. EMERGENCY RESPONSE STANDARDS IN ORDER NO. 24,906.**

2 **Q. Was emergency response the subject of discovery in docket DG 08-048?**

3 A. There were two discovery requests related to emergency response. In Staff 1-140,  
4 Northern (NiSource) was asked to provide the emergency response time levels  
5 (percentages) responded to by Northern within 30 minutes, 45 minutes, and 60  
6 minutes during normal hours, after hours and weekends and holidays. Northern  
7 provided data showing the number of responses corresponding to the requested  
8 categories for 2007. In Staff 3-137, Unitil was asked to describe its plans for work  
9 center locations and management, to explain how it expected to overcome the  
10 efficiency loss of losing the Lawrence work center, and to comment on whether  
11 Unitil expected increased travel time and longer emergency response times. Unitil  
12 responded to these inquiries based on the information available at that time (June  
13 12, 2008). The Emergency Response Standards, as a set of standards that would be  
14 required to be adhered to, were not referenced or identified in either of these  
15 requests.

16

17 **Q. Were emergency response procedures discussed in technical conferences**  
18 **during the proceeding?**

19 A. Yes. At the joint technical session held at Unitil's offices on July 2, 2008,  
20 Christopher Leblanc provided an overview of Unitil's plans for gas leak  
21 emergency response for Northern. The stated objective of this plan was to develop,  
22 implement and test emergency gas leak response and all related IT systems

1 including the Work Order Management System and Mobile Data Terminals. Areas  
2 of focus included emergency first responders and emergency repairs that could be  
3 required in an emergency response situation. Among the major tasks that were  
4 described were an assessment of the current Northern leak survey and leak  
5 management process; identification of organizational planning and development of  
6 a hiring plan; emergency response protocols including dispatching procedures;  
7 notifications to public safety officials, police and fire; reporting to the PUC;  
8 system testing the dispatching function and all IT systems to ensure that calls are  
9 received, dispatched properly, and get to the right people in the right timeframes;  
10 and training and rollout. Following the discussion, no concerns were raised by the  
11 Staff of either Commission, and there were no questions. Emergency Response  
12 Standards were never raised or discussed.

13

14 **Q. Were the Emergency Response Standards addressed in Staff Testimony in**  
15 **DG 08-048?**

16 A. No. There was discussion of emergency response in Testimony of Randall S.  
17 Knepper filed July 22, 2008 only in the context of concerns related to the Plaistow,  
18 Salem and Atkinson area that was previously serviced from Bay State's field  
19 office in Lawrence, Massachusetts. As stated in the testimony "[m]y concern with  
20 the emergency response times is that those customers in the Plaistow, Salem, and  
21 Atkinson area will see increases in delays to emergency leak response and odor  
22 complaints." (Knepper testimony at 9). These concerns were outlined in two brief

1 Q&A responses in the testimony. The Emergency Response Standards were not  
2 provided in the testimony, nor was there any mention of instituting such standards.  
3

4 **Q. When were the Emergency Response Standards first introduced in DG 08-**  
5 **048?**

6 A. They were first raised in settlement discussions.  
7

8 **Q. Why did Unitil agree to the Emergency Response Standards if there were**  
9 **concerns with meeting them?**

10 A. The Company did not have concerns at the time of Settlement. We accepted,  
11 perhaps naively, Staff's representation that Northern was already close to meeting  
12 the standards, and that only "slight tweaking" was required to achieve compliance.  
13 While the emergency response percentages were provided in the final settlement,  
14 there was, however, no specificity as to how they would be interpreted or applied,  
15 such as whether these were to be annual, quarterly or monthly targets. Any  
16 understanding of what measures would be required to meet them, including the  
17 magnitude of the costs involved, was based on these representations.  
18

19 **Q. How was this issue characterized at hearing?**

20 A. At hearing, the Director of Safety testified that meeting the standards would  
21 represent "a slight improvement from what Northern is doing now." Tr. at 68. Mr.  
22 Knepper further testified that "Northern currently meets six of those nine standards  
23 easily. There's one that they're just slightly a little bit less, and there's two more

1 that required a little bit of focus. That would be 30 minutes after hours and  
2 weekends. I think, with some slight tweaking and some management, that Unitil  
3 has ensured that they will focus on it. And, I'm confident that they will meet  
4 those." Tr. at 68-69.

5

6 **Q. How was this issue characterized in the final Order?**

7 A. Commission Order 24,906 approving the Settlement Agreement placed the  
8 emergency response standards in the context in which they were originally raised  
9 in Staff testimony. That is, in the context of the Plaistow, Salem and Atkinson area  
10 that was previously serviced from Bay State's field office in Lawrence,  
11 Massachusetts. The Order specifically noted:

12 Safety Division Staff's primary concern with emergency response times  
13 relates to the possibility of delays in responding to emergency leaks and  
14 odor complaints in the Atkinson, Plaistow and Salem area, which includes  
15 approximately 2,000 customers, or about 10% of Northern's New  
16 Hampshire customers, currently served by Bay State from its nearby field  
17 office in Lawrence, Massachusetts. Order at 12.

18

19 **Q. Did the Company address the concerns with emergency response to the  
20 Atkinson, Plaistow and Salem area?**

21 A. Yes. Actions taken to implement an effective emergency response to this area is  
22 covered in Testimony of Melchore Ciulla, while Northern's emergency response  
23 performance to this area both pre- and post-closing is covered in Testimony of  
24 Christopher Leblanc. The data shows that emergency response to the Atkinson,

1           Plaistow and Salem area is better today than it was prior to Unitil's acquisition of  
2           Northern, and has improved in most of the nine performance standards.

3

4   **Q.   Has Northern been able to meet the Emergency Response Standards with**  
5   **slight tweaking and management focus?**

6   A.   Not entirely. It appears the perception that the standards could be easily met with  
7       only slight tweaking and management focus was highly optimistic, and not based  
8       on an analysis Northern's operations. The Company has devoted extensive  
9       management focus in an effort to meet the standards, and while we have been able  
10      to consistently improve our performance, we have been unable to completely and  
11      consistently meet the targets in two of the nine standards. As a result, we have  
12      concluded that meeting the standards will require extensive changes to Northern's  
13      operations, including significant additions in staffing, and result in substantial cost  
14      increases. Though Northern is currently before the Commission in docket DG 11-  
15      069 seeking an increase in rates, the cost increases to achieve these operational  
16      changes have not been included in that request. Accordingly, if it is determined as  
17      a result of this docket that Northern must adhere to the current standards, the  
18      Company would need to seek additional rate relief, either in DG 11-069 or in a  
19      subsequent filing.

20

1 **V. UNITIL'S MANAGEMENT OF NORTHERN**

2 **Q. Has Unitil implemented programs, practices and management systems to**  
3 **safeguard public safety and to ensure Northern is in compliance with all state**  
4 **and federal regulations?**

5 A. Yes. The Company has implemented many inspection, maintenance and leak  
6 survey programs that greatly exceed state and federal standards and are consistent  
7 with industry best practice. Our employees and first responders are outfitted with  
8 state-of-the-art technology and information systems, and receive specialized  
9 training to improve decision-making during an emergency. Our emergency  
10 response procedures are designed from end-to-end to protect people first, then  
11 property, and then the integrity of the distribution system. All of our call center  
12 representatives and dispatchers are trained and qualified to handle gas emergencies  
13 and to immediately initiate actions and instructions to protect people first,  
14 including evacuations and other safety instructions, thereby protecting the public  
15 long before the first responder arrives. We believe our inspection, maintenance,  
16 and damage prevention programs are at the forefront of industry best practice and  
17 are designed to identify and eliminate risks before they pose a public safety  
18 concern. This is covered in significant detail in Testimony of Christopher J.  
19 Leblanc.

20

21

22

1 **Q. Is Northern responding to emergencies promptly and effectively?**

2 A. Absolutely. Since acquiring Northern in December of 2008, Northern’s response  
 3 under the Emergency Response Standards has improved in every single standard  
 4 and is better today than it was under the prior owner before Unitil (reference  
 5 Testimony of Christopher J. Leblanc, Table CJL–4). Over the past two years, the  
 6 Company’s emergency response time has averaged just 22 to 24 minutes.  
 7 Furthermore, as evidenced in Table TPM–1, the Company’s average response time  
 8 has improved each year since the acquisition and in 2011 has averaged 30 minutes  
 9 or less in every category whether “normal hours,” “after hours,” or “weekends and  
 10 holidays.” Contrary to Staff’s belief that “averaging disguises poor performance”<sup>1</sup>,  
 11 we believe the opposite holds true. Because the average includes information  
 12 about all calls, including those that “missed” the emergency response benchmark,  
 13 we believe the average response time conveys important information about the  
 14 Company’s overall response because it includes the “misses.”

15  
 16 **Table TPM–1. Average Time of Response**

Time of Call	2009		2010		2011 YTD (9 mos.)	
	Incidents	Average Response (minutes)	Incidents	Average Response (minutes)	Incidents	Average Response (minutes)
Regular Hours	602	24	618	20	531	19
After Hours	233	27	200	24	215	24
Weekend/Holiday Hours	175	32	207	33	162	30
<b>All Hours</b>	<b>1010</b>	<b>26</b>	<b>1025</b>	<b>24</b>	<b>908</b>	<b>22</b>

17  


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<sup>1</sup> Reference October 4, 2012 transcript at page 19.

1 **Q. Does the Company meet the Standards more often than it misses them?**

2 A. Yes. By applying the percentage targets in the Emergency Response Standards to  
 3 the actual number of incidents in each time period, it is possible to represent the  
 4 standards as numerical goals based on the number of incidents, as provided as  
 5 Table TPM–2. The Company’s actual response can then be compared to the goal.

6  
 7

**Table TPM–2. Attainment of Emergency Response Standards**

Response Objective	Time of Call	2009			2010			2011 YTD (9mos)		
		Goal	Actual	Diff	Goal	Actual	Diff	Goal	Actual	Diff
60 Minutes	Normal Hours	584	578	(6)	599	615	16	515	531	16
	After Hours	221	228	7	190	200	10	204	215	11
	Weekend/Holiday	165	171	7	195	204	9	152	158	6
45 Minutes	Normal Hours	542	571	29	556	602	46	478	523	45
	After Hours	200	219	19	172	189	17	185	208	23
	Weekend/Holiday	147	147	-	174	162	(12)	136	139	3
30 Minutes	Normal Hours	494	507	13	507	552	45	435	473	38
	After Hours	186	157	(29)	160	149	(11)	172	169	(3)
	Weekend/Holiday	133	94	(39)	157	94	(63)	123	83	(40)
<b>TOTAL / DIFFERENCE</b>		<b>2,672</b>	<b>2,672</b>	<b>(0)</b>	<b>2,710</b>	<b>2,767</b>	<b>57</b>	<b>2,401</b>	<b>2,499</b>	<b>98</b>

8  
 9  
 10  
 11  
 12

As shown in Table TPM–2, on balance the Company exceeds the benchmarks more frequently than it misses them. Furthermore, as with other measures, the Company’s attainment relative to goal has improved every year.

13 **Q. Has the Company devoted sufficient management focus to emergency  
 14 response in its efforts to meet the Emergency Response Standards?**

15 A. Yes. Unitil has gone far beyond the slight tweaking that was originally envisioned  
 16 to achieve compliance, and has gone to great lengths to meet the Emergency  
 17 Response Standards. The Company hired staff and implemented five new work

1 shifts in an effort to meet the standards. Unfortunately, this still has not been  
2 enough to meet all nine standards and we have determined that meeting the  
3 standards will require major changes to Northern’s operations and staffing. We  
4 have estimated that it will be necessary to hire and outfit 9 – 11 Service  
5 Technicians to staff full time shifts on nights, weekends, and holidays as the 30  
6 minute standards cannot be achieved with traditional standby or “on call”  
7 arrangements. We have estimated the costs to meet the standards at \$1.27 to \$1.53  
8 million in the first year and \$1.1 to \$1.5 million annually thereafter. The  
9 Company’s actions to meet the standards are covered in Testimony of Melchore  
10 Ciulla.

11

12 **VI. RESOLUTION GOING FORWARD**

13 **Q. Why is Northern recommending a modification to the Emergency Response**  
14 **Standards in this proceeding?**

15 A. There are two distinct aspects of Northern’s performance under the Emergency  
16 Response Standards that must be considered in this proceeding – Northern’s past  
17 performance under the standards, and Northern’s ability to meet the standards  
18 prospectively. As covered in this testimony and detailed in Testimony of Mechore  
19 Ciulla, Northern cannot meet the Emergency Response Standards as they currently  
20 exist without a significant expansion of staffing and shift coverage, at significant  
21 cost to ratepayers. Therefore, changes must be implemented going forward in  
22 order for Northern to be able to meet the standards. Such changes are essentially

1 limited to two alternatives – 1) expand Northern’s staffing and extend full time  
2 work coverage to nights and weekends to meet the current standards, or 2) tailor  
3 the Emergency Response Standards to more reasonably reflect the unique  
4 characteristics and circumstances of Northern’s service territory and operations.  
5

6 **Q. Does the Company recommend a significant expansion of staffing and**  
7 **associated costs in order to meet the existing Emergency Response**  
8 **Standards?**

9 A. No. Because the Emergency Response Standards were not developed as part of a  
10 formal rulemaking, there is no factual record to support specific standards, nor  
11 have there been any studies or analyses of specific objectives, no cost-to-benefit  
12 analyses to support associated costs, or comparative analyses to determine if the  
13 response standards represent an efficient and effective way to improve safety. As  
14 defined in Testimony of Phillip Sher, risk is the product of the likelihood of an  
15 event (threat) times the consequence of that threat (Risk = Likelihood X  
16 Consequence). Sher Testimony at 6. There has been no analysis of risk to draw a  
17 conclusion that safety has been materially enhanced as the result of specific  
18 emergency response percentages (e.g., 86% versus 82%), or that associated costs  
19 are reasonable or justified “at any price.”  
20

21 **Q. Does the Company have a recommendation to address this issue going**  
22 **forward?**

1 A. Yes. First of all, the Company recommends replacing the current 3 X 3 matrix of  
2 nine performance standards with three performance standards tailored to each of  
3 the defined time periods (“normal hours”, “after hours”, and “weekends and  
4 holidays”). This will better define the desired response objective for each  
5 timeframe and better focus the utility’s efforts on this desired response. While the  
6 current Emergency Response Standards offer the *appearance* of nine different  
7 benchmarks (30, 45, and 60 minutes response; “normal hours”, “after hours”, and  
8 “weekends and holidays”), in reality the 30 minute benchmarks are the only ones  
9 that matter. Meeting the 30 minute standards virtually guarantees emergency  
10 response performance that far surpasses the 45 and 60 minute standards. This was  
11 confirmed by Mr. Knepper in the August 19, 2008 hearing on the merits of the  
12 settlement agreement when he stated “[t]ypically, if you can meet the 30 minute  
13 response, you usually meet all the others.” Tr at 69. Thus, despite having nine  
14 different benchmarks covering 30, 45, and 60 minute response, the Emergency  
15 Response Standards are a de facto 30 minute standard, and the 45 and 60 minute  
16 standards serve little purpose.

17

18 **Q. Will three standards adequately measure emergency response when there are**  
19 **currently nine standards?**

20 A. Yes. As described in Testimony of Phillip Sher, “[s]etting the target for regular  
21 hours at the 30 minute response level establishes 30 minutes as the desired  
22 response time.” Sher Testimony at 21. With regard to after hours and weekends  
23 and holidays coverage, Mr. Sher states “[s]etting the target for After Hours and

1 Weekend/Holidays at the 45 minute response level recognizes that responding  
2 during these times will generally require greater time than during times of normal  
3 operations.” *Id.* In fact, this approach allows for a simpler set of Emergency  
4 Response Standards, with each standard targeted to a specific response objective  
5 for each of the defined time periods. As is currently the case, the Company would  
6 be required to provide an explanation for any response greater than 60 minutes.

7

8 **Q. Do the current standards reflect an expectation that responding on nights and**  
9 **weekends will generally require greater time?**

10 A. Yes. The existing response objectives (30, 45, 60 minute response) have different  
11 percentage standards for each of the defined time periods (“normal hours”, “after  
12 hours”, and “weekends and holidays”). In general, emergency response during  
13 normal hours corresponds to the highest (most stringent) percentage standard. The  
14 response percentages are lower for after hours, and lower still for weekends and  
15 holidays. Thus, the existing Emergency Response Standards already reflect an  
16 expectation that responding outside of regular hours will require greater time than  
17 during times of normal operations.

18

19 **Q. How should the Emergency Response Standards be tailored to achieve**  
20 **response objectives while also recognizing that responding outside of regular**  
21 **hours will require more time?**

22 A. As suggested by Mr. Sher, we recommend adopting a 30 minute response standard  
23 for ‘regular hours’, and a 45 minute response standard for ‘after hours’ and

1 'weekends and holidays' will accomplish the desired objective. The Company  
2 offers the standards below for consideration.

3

4 **Table TPM-3. Proposed Emergency Response Standards**

Normal Hours	30 minutes	86.00%
After Hours	45 minutes	86.00%
Weekends/Holidays	45 minutes	86.00%

5

6 We also recommend that the Company's performance under the emergency  
7 response standards be reported monthly, though compliance with the objectives  
8 should be evaluated annually.

9

10 **Q. How do the proposed standards compare to the current Emergency Response**  
11 **Standards?**

12 A. As shown in Table TPM-4 below, the proposed standards are somewhat more  
13 stringent than the current standards in the specified categories. Yet the standards  
14 are attainable with adequate management focus, and reflect the expectation that  
15 responding outside of regular hours will require greater time.

16

17 **Table TPM-4. Comparison of Emergency Response Standards**

<b>Time of Call</b>	<b>Response Objective</b>	<b>Current Benchmark</b>	<b>Proposed Benchmark</b>
Normal Hours	30 minutes	82.00%	86.00%
After Hours	45 minutes	86.00%	86.00%
Weekends/Holidays	45 minutes	84.00%	86.00%

18

1 **Q. Why not implement a 30 minute response standard during each of the defined**  
2 **tine periods?**

3 A. A 30 minute response standard is not attainable with an emergency response  
4 system based on traditional “on-call” arrangements. Consistently meeting a 30  
5 minute response standard a high percentage of time will require full time, round  
6 the clock staffing. This in turn will require a significant expansion of Northern’s  
7 staffing, at significant cost to ratepayers. We do not believe this was ever the intent  
8 of the Emergency Response Standards when they were first established, nor was  
9 this the understanding of the settling parties. Moreover, we do not believe there is  
10 sufficient evidence to draw a conclusion that safety would be materially enhanced  
11 by such a standard, or would support the costs of such a standard.

12

13 **Q. Is it important that the Emergency Response Standards be identical for all**  
14 **companies?**

15 A. No. In fact, as described in Testimony of Phillip Sher, “the Emergency Response  
16 Standards should be tailored to the unique characteristics and circumstances of  
17 each utility.” Sher Testimony at 22. Such characteristics would normally include  
18 company size (staffing), the rural versus urban nature of the utility’s service  
19 territory, and other factors that would impact travel time.

20

21 **Q. Are there other factors the Commission should consider in setting the**  
22 **emergency response standards for each company?**

1 A. Yes. The Company's leak history and pipeline safety programs, including  
2 inspection, maintenance and preventative measures to eliminate and prevent leaks  
3 and incidents from occurring *before* they pose a risk to safety are factors that  
4 should be considered. The Company's has implemented inspection, maintenance,  
5 leak survey and damage prevention programs that are at the forefront of industry  
6 best practice and are designed to identify and eliminate risks before they pose a  
7 public safety concern.

8

9 **VII. CONCLUSION**

10 **Q. Please summarize your testimony.**

11 A. The Company has gone to great lengths to meet the Emergency Response  
12 Standards including the hiring of staff and implementation of new work shifts.  
13 Northern's emergency response has improved each year and is better today than it  
14 was under the prior owner. Northern is responding to emergencies quickly and  
15 effectively, and is arriving on-scene in just 22 minutes (on average) from the time  
16 of the initial call. The Company has also implemented an effective emergency  
17 response process beginning with the dispatchers and call center representatives  
18 who are trained and qualified to initiate actions to protect people, including  
19 evacuations and other safety instructions. Our first responders are provided with  
20 state-of-the-art training, equipment, and information to improve on-scene decision-  
21 making. Finally, the Company's inspection, maintenance, leak survey and damage

1 prevention programs are at the forefront of industry best practice and are designed  
2 to identify and eliminate risks before they pose a public safety concern.

3

4 While we believe our emergency response is swift and effective, it is now clear  
5 that meeting two specific 30 minute response standards will require major changes  
6 to Northern's operations and staffing involving a transition away from the  
7 traditional standby or "on call" model to a full time staffing model. This will  
8 require the hiring of additional staff at a cost of \$1.1 to \$1.5 million annually. The  
9 Company does not believe such costs are reasonable without studies or evaluations  
10 of the costs and benefits of the Emergency Response Standards and comparative  
11 analyses to determine if the response standards represent the most efficient and  
12 effective way to improve safety. As an alternative, the Company recommends  
13 replacing the existing nine emergency response standards with three performance  
14 standards tailored to each of the three defined time periods (one each), thereby  
15 continuing to differentiate 'normal hours', 'after hours', and 'weekends and  
16 holidays' response.

17

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

19 A. Yes, it does.