

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

June 6, 2019 - 10:10 a.m.
Concord, New Hampshire

NHPUC 24JUN19PM12:08

RE: DG 19-054
LIBERTY UTILITIES (ENERGYNORTH
NATURAL GAS) CORP. d/b/a
LIBERTY UTILITIES:
2019 Cast Iron/Bare Steel
Replacement Program Results.

PRESENT: Chairman Martin P. Honigberg, Presiding
Commissioner Kathryn M. Bailey
Commissioner Michael S. Giaimo

Sandy Deno, Clerk

APPEARANCES: Reptg. Liberty Utilities (EnergyNorth
Natural Gas) Corp. d/b/a
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Stephen Frink, Dir./Gas & Water Div.
Randall Knepper, Dir./Safety &
Security Division
Joseph Vercellotti, Safety & Security
Division

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

**CERTIFIED
ORIGINAL TRANSCRIPT**

I N D E X

PAGE NO.

1		
2		
3		
4	WITNESS PANEL:	BRIAN R. FROST
5		SHAWN D. FUREY
6		DAVID B. SIMEK
7		CATHERINE A. McNAMARA
8	Direct examination by Mr. Sheehan	7
9	Cross-examination by Mr. Buckley	18
10	Cross-examination by Ms. Fabrizio	22
11	Interrogatories by Cmsr. Bailey	37
12	Interrogatories by Cmsr. Giaimo	51
13	Interrogatories by Chairman Honigberg	59
14	Redirect examination by Mr. Sheehan	63

15	WITNESS PANEL:	STEPHEN P. FRINK
16		RANDALL S. KNEPPER
17	Direct examination by Ms. Fabrizio	67
18	Cross-examination by Mr. Buckley	84
19	Cross-examination by Mr. Sheehan	94
20	Interrogatories by Cmsr. Bailey	127
21	Interrogatories by Cmsr. Giaimo	137
22	Redirect examination by Ms. Fabrizio	142

* * *

23	CLOSING STATEMENTS BY:	
24	Mr. Buckley	148
25	Ms. Fabrizio	150
26	Mr. Sheehan	153
27	QUESTIONS BY:	
28	Chairman Honigberg	156

E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Staff Recommendation (02-14-19)	6
2	Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities Response to Staff Recommendation, with attachments (03-15-19)	6
3	Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities Fiscal Year 2019 CIBS Replacement Program Results including the Testimony of Shawn Furey & Brian Frost, with attachments, and the Testimony of David Simek & Catherine McNamara, with attachments (04-15-19)	6
4	Staff Testimony of Stephen P. Frink, with attachments (05-24-19)	6
5	Staff Testimony of Randall S. Knepper, with attachments (05-24-19)	6
6	Dynamic Risk document regarding the Commonwealth of Massachusetts Assessment of Pipeline Safety (Consisting of 4 pages)	6
7	U.S. Dept. of Transportation document on Pipeline and Hazardous Materials Safety Admin. (08-02-17)	6
8	DG 11-040 Settlement Agreement - Attachment J	6
9	RESERVED (Record request of CIBS program results for years 2015-2018 and 2019 year-to-date)	63

P R O C E E D I N G

1
2 CHAIRMAN HONIGBERG: We are here this
3 morning in Docket DG 19-054, which is Liberty's
4 Cast Iron/Bare Steel Program 2019 results and
5 performance. This is a hearing on the merits.
6 I see we have witnesses who are already in
7 place.

8 But before we do anything else, let's
9 take appearances.

10 MR. SHEEHAN: Good morning,
11 Commissioners. Mike Sheehan, for Liberty
12 Utilities (EnergyNorth Natural Gas) Corp.

13 MR. BUCKLEY: Good morning, Mr.
14 Chairman and Commissioners. My name is Brian
15 D. Buckley. I'm the Staff Attorney with the
16 New Hampshire Office of the Consumer Advocate,
17 to my left is Dr. Pradip Chattopadhyay, the
18 Deputy Consumer Advocate, and we are here
19 representing the interests of residential
20 ratepayers.

21 MS. FABRIZIO: Good morning, Mr.
22 Chairman and Commissioners. Lynn Fabrizio, on
23 behalf of Staff. And with me at the table
24 today are Steve Frink, Director of the Gas &

1 Water Division; Randy Knepper, Director of the
2 Safety & Security Division; and Joe
3 Vercellotti, a Utility Analyst with the Safety
4 Division.

5 CHAIRMAN HONIGBERG: All right. As I
6 just mentioned, the witnesses are already in
7 the witness box. Is there anything we need to
8 do before we have them sworn in?

9 MR. SHEEHAN: We have exhibits we
10 could go through, if it would be a good time
11 for that?

12 There are no motions and there is no
13 confidential material in this hearing. The
14 parties have agreed to mark the following eight
15 exhibits:

16 Exhibit 1 is Staff's recommendation
17 from February of '19, which was filed in the
18 docket; Exhibit 2 is the Company's response
19 filed in March of '19; Exhibit 3 is the
20 Company's filing, which includes the testimony
21 of Mr. Furey and Mr. Frost and the testimony of
22 Mr. Simek and Ms. McNamara, and their
23 attachments; Exhibit 4 is Mr. Frink's
24 testimony; Exhibit 5 is Mr. Knepper's

1 testimony; Exhibit 6 is a May of '19 report
2 related to the Massachusetts gas utilities, and
3 that will be explained during the hearing;
4 Exhibit 7 is an August of 2017 report from
5 PHMSA, that will also be explained during the
6 hearing; and Exhibit 8 is Attachment I [J?]
7 From the Settlement Agreement in Docket DG
8 11-040. And you may recall that Attachment J
9 to that same proceeding is in other documents,
10 and that is the document that established or
11 reestablished the CIBS Program. This is a
12 related safety attachment that Staff wanted to
13 introduce.

14 CHAIRMAN HONIGBERG: Okay. Thank
15 you, Mr. Sheehan.

16 (The documents, as described,
17 were herewith marked as
18 **Exhibit 1** through **Exhibit 8**,
19 respectively, for
20 identification.)

21 CHAIRMAN HONIGBERG: I think we can
22 have the witnesses sworn in now, Mr. Patnaude.

23 (Whereupon **Brian R. Frost**,
24 **Shawn D. Furey**, **David B. Simek**,

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 and **Catherine A. McNamara** were
2 duly sworn by the Court
3 Reporter.)

4 CHAIRMAN HONIGBERG: Mr. Sheehan.

5 MR. SHEEHAN: Thank you. And for the
6 Commission's benefit, on the desk -- awfully
7 loud this morning -- on the desk, the
8 Commission's bench, those are blowups of the
9 famous spreadsheets that's used in CIBS
10 filings. It is in -- it is part of the
11 Company's filing. This is just an enlarged
12 version for today's hearing.

13 CMSR. BAILEY: Thank you.

14 **BRIAN R. FROST, SWORN**

15 **SHAWN D. FUREY, SWORN**

16 **DAVID B. SIMEK, SWORN**

17 **CATHERINE A. McNAMARA, SWORN**

18 **DIRECT EXAMINATION**

19 BY MR. SHEEHAN:

20 Q First, I'll go through each of you and
21 introduce and qualify the testimony. Mr.
22 Frost, first, your name and position with the
23 Company?

24 A (Frost) Brian Frost. I'm a Senior Engineer

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 with Liberty Utilities.

2 Q And, Mr. Frost, did you participate in the
3 drafting of the testimony that's been marked
4 "Exhibit 3" with your name and Mr. Furey's
5 name?

6 A (Frost) Yes, I did.

7 Q Do you have any changes or updates to that
8 testimony?

9 A (Frost) We have one minor update.

10 Q Could you please point us to that?

11 A (Frost) On Bates Page 013, Line 8, where it
12 talks about the total estimated cost of the
13 fiscal year 2020 program, that number should be
14 "25.5". That was arrived during discussions at
15 the tech session and discussions with
16 municipalities this spring. The Company
17 reestimated all projects, to try to get
18 estimates to actuals more close.

19 Q And that is the estimate of the amount being
20 spent during this current construction season,
21 is that correct?

22 A (Frost) That is correct.

23 Q And what is the amount of cast iron pipe that
24 is expected to be replaced during this current

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 construction season?

2 A (Frost) The expected replacement is 13.4 miles.

3 Q Mr. Frost, with that update, do you today
4 affirm that the testimony that's in Exhibit 3
5 is true?

6 A (Frost) It is.

7 Q Mr. Furey, your name and position with the
8 Company please?

9 A (Furey) Good morning. My name is Shawn Furey.
10 I'm the Gas Construction Manager here at
11 Liberty Utilities.

12 Q And, Mr. Furey, did you also participate in the
13 preparation of the Frost-Furey testimony that
14 is part of Exhibit 3?

15 A (Furey) I did.

16 Q And do you have any changes to the parts you
17 were responsible for?

18 A (Furey) I do not.

19 Q And do you adopt that testimony here today?

20 A (Furey) I do.

21 Q Either Mr. Frost or Mr. Furey, the miles
22 replaced during the CIBS year that we're
23 discussing here today, what was that total?

24 A (Furey) That total was 9.9 miles of leak prone

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 pipe of cast iron/bare steel.

2 Q And is there a place on the spreadsheet that
3 the Commissioners can find that number?

4 A (Frost) If we look at Column AJ, Line Number
5 40.

6 Q And for the record, the spreadsheet is
7 Attachment SDF/BRF-2. And, Mr. Furey, what was
8 the proposed or planned mileage to be replaced
9 during last year's construction season?

10 A (Furey) The proposed mileage was 12 -- excuse
11 me, 12.65 miles.

12 Q And can you -- go ahead.

13 A (Frost) Minus 0.23 miles of excluded plastic
14 and coated steel relay.

15 Q Okay. And can you explain why -- there's a
16 difference between the 12 miles planned and the
17 9 miles achieved. Can you explain why the
18 Company wasn't able to reach the 12 miles?

19 A (Furey) Yes. In the fall, NGA reached out to
20 Liberty Utilities for mutual aid assistance to
21 assist with the Columbia Gas restoration
22 efforts. And as a result of that,
23 approximately 30 percent of Liberty's
24 construction crews were sent to the Lawrence,

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 North Andover, and Andover area to assist with
2 restoration efforts.

3 Q And that was both contractor crews and Liberty
4 crews?

5 A (Furey) Correct. It was approximately 30
6 percent contractor crews. And I'd say we also
7 sent about a third of our CMS gas fitters to
8 assist with consent piping.

9 Q Mr. Furey, Mr. Frost, when you filed your
10 testimony, you were aware of Staff's
11 recommendation in this docket to terminate the
12 CIBS Program, is that correct?

13 A (Frost) Yes.

14 Q And part of Exhibit 2, which was the Company's
15 response, and part of -- you don't need to
16 bring that up, and part of Mr. Frink's
17 testimony talked about the leak rates on cast
18 iron mains. Do you recall that?

19 A (Frost) Yes.

20 Q Could you just clarify how the Company
21 calculated the leak rate for CIBS pipe? What
22 were you looking at? What was the number you
23 were trying to come up with to illustrate the
24 point the Company was trying to make with

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 regards to CIBS leaks?

2 A (Frost) We looked at the mileage of CIBS pipe
3 remaining, and we looked at the number of leaks
4 on that pipe. And we also looked at the types
5 of leaks, paying special attention to cast iron
6 main breaks and corrosion leaks, because those
7 are leading indicators of pipe degradation.

8 Q Did you read Mr. Frink's criticism of that
9 analysis as not -- as the sample size being too
10 small to be, I guess, statistically significant
11 or appropriate? Did you --

12 A (Frost) Yes, I did.

13 Q Was there any way to get a larger sample size?

14 A (Frost) No, there isn't. I mean, the numbers
15 are what they are. They're the leaks the
16 Company has experienced.

17 Q And the trend that the Company is seeing with
18 this leaks-per-mile analysis shows what?
19 Increase? Decrease? Steady?

20 A (Frost) At the very least, conservatively, you
21 could say that the Company has not experienced
22 a giant decrease in leaks per mile. It is
23 weather-dependent, so there is a sawtooth
24 pattern to it. But there isn't an overwhelming

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 decrease.

2 Q And can you explain why the cast iron leaks we
3 experience is weather-dependent?

4 A (Frost) The cast iron main breaks commonly
5 occur from frost in the ground freezing and
6 thawing during the winter and ground movement.
7 The pipe is brittle, and it physically cracks
8 and breaks in half that results in commonly a
9 gas leak that needs to be immediately repaired
10 for safety.

11 Q And so, then colder winters result in more of
12 such leaks?

13 A (Frost) Correct. Cold winters, and freezing
14 and thawing between cold and hot.

15 Q Last two brief questions. How much CIBS pipe
16 is left in the ground after -- well, currently,
17 and after -- proposed to be after this
18 construction season?

19 A (Furey) In EnergyNorth, there's approximately
20 66 miles of pipe, cast iron/bare steel,
21 remaining in our distribution system. And
22 we're projecting at the end of this fiscal year
23 or this construction season to be at roughly
24 approximately 51 miles remaining.

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 Q And has the Company looked at the age of that
2 50 miles of remaining pipe?

3 A (Furey) We did. And the breakdown -- the
4 current breakdown is approximately 47 percent
5 of our cast iron/bare steel is greater than 100
6 years old, and approximately 53 percent of that
7 is less than 100 years old.

8 Q If you turn to the back of the Exhibit 2, which
9 is the filing the Company made in March, there
10 are some photographs from recent years of the
11 pipes removed during those recent years. Do
12 you see those?

13 A (Frost) Yes.

14 Q And I believe Mr. Knepper's testimony included
15 similar photographs or maybe even the same
16 photographs from recent pipe samples, is that
17 correct?

18 A (Frost) It does.

19 Q And those pipe samples are provided by the
20 Company as part of the CIBS Program for both
21 the Company and Staff to analyze, is that
22 correct?

23 A (Frost) Correct.

24 Q Would you expect to find similar conditioned

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 pipe in the years going forward as you continue
2 with CIBS removal?

3 A (Frost) Yes. We would expect this. And within
4 the industry and from regulators, bare steel
5 and cast iron pipe has been identified as past
6 its design life due to these issues, and we
7 would expect to find it.

8 Q Mr. Simek, your name and position with the
9 Company please?

10 A (Simek) David Simek. I'm Manager of Rates and
11 Regulatory Affairs.

12 Q And, Mr. Simek, did you participate in the
13 preparation of testimony that's included as
14 part of Exhibit 3, along with Ms. McNamara?

15 A (Simek) Yes, I did.

16 Q And do you have any changes to the parts of the
17 testimony you were responsible for?

18 A (Simek) No, I do not.

19 Q Do you adopt that testimony here today?

20 A (Simek) I do.

21 Q Ms. McNamara, your name and position please?

22 A (McNamara) Catherine McNamara. I'm a Rates
23 Analyst in Rates and Regulatory Affairs.

24 Q And did you participate in the preparation of

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 the Simek-McNamara testimony that is part of
2 Exhibit 3?

3 A (McNamara) Yes, I did.

4 Q And do you have any changes to the parts you
5 were responsible for?

6 A (McNamara) No, I do not.

7 Q And do you adopt that testimony here today?

8 A (McNamara) Yes, I do.

9 Q Can either of you tell us the proposed revenue
10 requirement that the Company included in its
11 filing here?

12 A (McNamara) The Company included a revenue
13 requirement of 1.321114. And the bill impact
14 for a typical residential customer is \$5.61
15 annually, or 0.48 percent.

16 Q And you have seen Mr. Frink's testimony that
17 calculated a different number by removing the
18 so-called "excess carryover costs". Have you
19 seen that?

20 A (McNamara) Yes, I have.

21 Q And his proposed revenue requirement was what?

22 A (Simek) I can answer that. His proposed
23 revenue requirement was \$1,020,832.

24 Q So, that's a difference of 300 and some

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 thousand dollars?

2 A (Simek) Correct.

3 Q And is the Company aware of why Mr. Frink
4 removed that 300 and some thousand dollars from
5 the calculation?

6 A (McNamara) Yes. He removed it because it was
7 carryover costs in excess of 5 percent.

8 Q And that's a component of the CIBS Program, is
9 that correct?

10 A (McNamara) Correct.

11 Q And does the Company accept that removal for
12 purposes of today's hearing?

13 A (McNamara) Yes.

14 Q So, the Company's -- has the Company calculated
15 the impact of the lesser amount, the smaller
16 revenue requirement?

17 A (McNamara) Yes, we have. It would be an annual
18 increase for our residential customers of
19 \$4.33, or 0.37 percent.

20 Q Has the Audit Division completed an audit of
21 this filing?

22 A (McNamara) Yes, they have.

23 Q And when was that finished?

24 A (McNamara) We got the Draft Audit Report

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 yesterday.

2 Q And were there any findings in that Draft Audit
3 Report?

4 A (McNamara) There were no findings.

5 MR. SHEEHAN: Thank you. I have no
6 further questions.

7 CHAIRMAN HONIGBERG: Mr. Buckley.

8 MR. BUCKLEY: Thank you, Mr.
9 Chairman. Good morning, panelists. My
10 questions are I think largely for Mr. Furey and
11 Mr. Frost. So, whoever feels most capable of
12 answering, feel free to do so please.

13 **CROSS-EXAMINATION**

14 BY MR. BUCKLEY:

15 Q If I could ask you to turn to Bates Page 018 of
16 the Furey-Frost testimony. So, it appears that
17 there is a chart here demonstrating the leakage
18 rates in, well, the Company's regular system
19 and in the cast iron/bare steel that is
20 existing on the distribution system.

21 Can you tell me what this chart tells us
22 about the importance of replacing cast iron and
23 bare steel?

24 A (Frost) It tells us, you can overwhelmingly

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 see, that cast iron/bare steel pipe leaks at
2 approximately twice the rate of the whole
3 distribution system as a unit.

4 Q And those leaks, can you tell me why they're a
5 bad thing to have on the system?

6 A (Frost) I mean, any leak presents a risk.
7 There are philosophical arguments to it that,
8 if you had a pipe in front of your house, you
9 know, a gas utility pipe, would you want it to
10 have a potential leak rate of twice that in
11 front of other people's houses.

12 Q And are there safety concerns as well?

13 A (Frost) Yes. Liberty Utilities has a robust
14 program, you know, for a leak survey to
15 classify the risk of each leak found based on
16 gas regions, proximity to buildings, and to
17 repair accordingly in accordance with New
18 Hampshire PUC rules.

19 Q So, in Section VIII of your testimony, which
20 goes from Bates 016 to 019, there appears to be
21 a discussion of reasons why the Company should
22 continue to replace cast iron and bare steel,
23 is that correct?

24 A (Frost) Yes.

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 Q And at Bates 019, you state that the Company
2 does not support ending the CIBS Replacement
3 Program, is that correct?

4 A (Frost) That is correct.

5 Q Now, can you tell me why replacement of cast
6 iron and bare steel shouldn't just be a
7 requirement of the Company doing business here
8 in New Hampshire? Shouldn't it just be part of
9 the requirement that the Company provide safe,
10 adequate, and reliable service?

11 A (Frost) I think the Company agrees that we
12 should be prioritizing cast iron and bare steel
13 replacement where possible. The CIBS Program
14 provides a lot of benefits to really place a
15 priority and an incentive for the Company to be
16 proactive to replace more pipe than would be
17 the minimum required for safety. We're able to
18 gain efficiency by looking at larger projects
19 in neighborhoods, instead of just looking at
20 hot spots. And this is -- these are all items
21 that we've discussed with Staff over the years,
22 about the accelerated CIBS schedule, about
23 going to look at neighborhoods, and try to get
24 all of this pipe out of the ground as, you

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 know, as a formal program.

2 Q And so, are you saying that, but for the
3 accelerated cost recovery mechanism associated
4 with CIBS currently, the Company would not be
5 making these investments?

6 A (Frost) I'm not saying that. I would say, as
7 the Company does its budgeting, we have to --
8 we have to look for and request from our
9 corporate parent capital funds to do this work.
10 And that helps, when you do a capital fund
11 request, there are priorities for each project,
12 and the fact that it's a regulatory required
13 project, and that there is accelerated recovery
14 opportunity, it helps it, helps us get capital
15 funds in New Hampshire from our corporate
16 parent to run this program.

17 Q So, you're saying that the accelerated cost
18 recovery mechanism encouraged you to make those
19 investments, which, yes, do relate to safety
20 and reliability of the gas distribution system,
21 but you might not necessarily make if you
22 didn't have that accelerated cost recovery
23 mechanism?

24 A (Frost) I think it helps us make the increase

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 in the accelerated CIBS Program, and it helps
2 put a priority with our corporate parent on
3 this issue.

4 MR. BUCKLEY: No further questions.

5 CHAIRMAN HONIGBERG: Ms. Fabrizio.

6 MS. FABRIZIO: Thank you, Mr.

7 Chairman. Good morning, panelists. I'm going
8 to pick up on a couple of the questions that
9 have been asked and discussed already.

10 BY MS. FABRIZIO:

11 Q Let's see. Please refer to the Simek-McNamara
12 testimony, that's Exhibit 3, Page 52. It's
13 Bates Page 52, Line 6 to 7. I think this is a
14 question for Mr. Simek or Ms. McNamara.

15 Could you please explain what the "Low
16 Income revenue correction" is and how that came
17 about?

18 A (Simek) Yes. Mr. Iqbal, from Staff, had
19 recognized last year that we had inadvertently
20 included \$6,911 of costs in last year's CIBS
21 rates that didn't belong. So, we had
22 accumulated interest throughout the year, and
23 now we're removing the full amount this year so
24 that the customers are made whole.

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 Q Thank you.

2 A (Simek) You're welcome.

3 Q I'm going to turn to Messrs. Frost and Furey.
4 So, this is kind of a follow-up to the line of
5 questioning that we've already been hearing.
6 Did the Company have a leak prone pipe
7 replacement program prior to the Commission
8 approving the annual step adjustments for CIBS
9 replacements?

10 A (Frost) I've only been with the Company for
11 three years. So, I can't speak to that
12 history.

13 A (Furey) I am unaware as well. I've only been
14 with the Company six years.

15 Q I'll ask Mr. Knepper when he takes the stand,
16 if he's familiar with the Company's actions.

17 All right. If the Commission discontinues
18 the CIBS annual step adjustments, will Liberty
19 continue to replace the remaining CIBS pipes?

20 A (Frost) Liberty would continue to replace CIBS
21 pipes. The Company can't speak for the rate,
22 though.

23 Q Are you familiar with any federal requirements
24 or state requirements to replace leak prone

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 pipe?

2 A (Frost) Yes, I am.

3 Q And is that -- do you consider that to be a
4 mandate under the rules?

5 A (Frost) That is a mandate.

6 Q And would the Company replace leak prone pipes
7 that it is aware of?

8 A (Frost) We would replace leak prone pipe under
9 applicable state and federal regulations.

10 Q And are there any fines or penalties involved
11 if such pipe were not replaced?

12 A (Frost) There are civil fines.

13 Q Okay. Thank you. Maybe sort of along that
14 line, knowing that there are fines for
15 non-replacements, or for the existence of
16 finding leak prone pipes that the Company is
17 aware of, how -- could you explain for us how
18 the Company goes about prioritizing the CIBS
19 replacement projects each year?

20 A (Frost) We look at past leak histories. We
21 look at proximity to buildings, the type of
22 pipe material being analyzed.

23 Q Anything further to add, Mr. Furey?

24 A (Furey) No. Brian Frost is actually our

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 engineer who runs that program. I'm the
2 construction manager who executes it. So,
3 Brian would be the best one to answer that one.

4 Q Great. Thanks for that clarification.

5 A (Furey) Thank you.

6 Q Okay. Is Liberty still committed to the 2024
7 targeted date for completion of the
8 replacements of the remaining cast iron/bare
9 steel segments?

10 A (Frost) As of this time, we are committed.

11 Q And what does that mean? That the Company
12 policy could change in the future?

13 A (Frost) I would say that, you know, leadership
14 of the Company has told me that we are
15 committed at this time. I'm the Senior
16 Engineer, I run the CIBS Program. That's my
17 understanding.

18 Q Great. Thank you. That's helpful. Let's see.
19 The CIBS annual step adjustment does not
20 recover all cast iron/bare steel main
21 replacement costs through the annual CIBS step
22 adjustment. So, could you please describe the
23 CIBS replacement costs that are not recovered
24 through that adjustment?

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 A (Frost) Costs for replacement or tie-over of
2 plastic services, incidental steel and plastic
3 mains that we encounter during the work is not
4 covered, meter move outsides are not covered.
5 This is all contained in the gas settlement
6 agreement.

7 Q And what agreement are you referring to?

8 A (Frost) For the Liberty Utilities/National Grid
9 merger. Sorry, I'm unaware of the number of
10 the docket.

11 MS. FABRIZIO: Okay. Mr. Chairman,
12 Staff had planned to introduce it at a later
13 point, but this is a good point I think to
14 introduce what we have marked as "Exhibit 8".
15 And that is Attachment I [J?] to the Settlement
16 Agreement referred to, concluded in Docket DG
17 11-040, which was Liberty's acquisition of the
18 National Grid assets.

19 CHAIRMAN HONIGBERG: That's fine.
20 It's premarked. We have it. Do the witnesses
21 have it?

22 WITNESS FROST: I do not have a copy.

23 MS. FABRIZIO: I will provide my
24 copy. I don't have any specific questions at

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 this point.

2 *[Atty. Fabrizio handing document*
3 *to Witness Frost.]*

4 BY MS. FABRIZIO:

5 Q Okay. In the responses that we've just heard,
6 could you address what the Base Amount consists
7 of, the Base Amount of mains required by
8 municipalities for encroachment to be replaced?
9 Are you familiar with the term "Base Amount"?

10 A (Frost) Are we -- are we discussing the CIBS
11 investment Base Amount, the \$500,000?

12 Q Yes.

13 A (Frost) Okay. The Base Amount was in the
14 Settlement Agreement. It's an amount of
15 funding that the Company, at the time of the
16 Settlement Agreement, committed to spending per
17 year. There's a condition in the Settlement
18 Agreement that adjusts the Base Amount by the
19 Handy-Whitman index each year.

20 Q Thank you. And what about municipal
21 replacements of cast iron/bare steel?

22 A (Frost) I mean, the Company is required to have
23 a municipal replacement program, where cast
24 iron would become encroached or become impaired

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 by municipal projects, to replace that pipe.

2 Q And could you explain the concept of
3 "encroachment" please, just for clarity, for
4 those of us who aren't that familiar with it?

5 A (Frost) Encroachment occurs when a party, it
6 could be the gas company, it could be another
7 contractor, digs within proximity of cast iron
8 pipe, usually crossing it. It can also occur,
9 if we had dug along side of, the Company
10 typically encounters a small footage per year.
11 It's reported in the Company's testimony.

12 Q And if you look at Exhibit 8, which is
13 Attachment I [J?] to the Settlement Agreement,
14 Item Number (12), which refers to "Cast Iron
15 Encroachment Policy", is that --

16 A (Frost) I'd like to finish up.

17 Q Oh, sure.

18 A (Frost) In this CIBS year, we've replaced 458
19 feet through encroachment. So, it's a minor
20 amount of footage. You can go on.

21 Q Thank you. And in the context of a state or
22 road projects requiring relocation of CIBS
23 main, is that recovered through the CIBS step
24 adjustment?

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 A (Frost) That is not.

2 Q Okay. Thank you. Okay. I'm sorry, I'm just
3 getting my bearings. I've hopped around a
4 little bit.

5 Okay. How does the Company recover those
6 replacement costs that aren't recovered already
7 by the CIBS Program?

8 A (Frost) We recover that through a normal rate
9 case.

10 Q And when a municipality is performing road work
11 where there is existing CIBS, what are the
12 potential cost savings from doing CIBS
13 replacement at that time?

14 A (Frost) We can often save on paving costs.

15 Q How about degradation fees, police costs, that
16 sort of --

17 A (Frost) I would say, out of the two you listed,
18 sometimes degradation fees are waived, if the
19 Company asks. And the Company does have a
20 robust policy to ask all municipalities to
21 waive degradation fees in those cases.

22 Q Okay. Thank you. And does Liberty try to take
23 advantage of those opportunities routinely?

24 A (Frost) Yes. We actively try to minimize costs

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 on this program.

2 A (Furey) We actually -- I'm sorry to interrupt.
3 But we actually do meet with our local cities
4 and towns weekly, some biweekly. But a number
5 of those topics are discussed at a portion of
6 each of those meetings. But we try to work
7 something out with the city where we can
8 experience a cost saving.

9 Q Thank you.

10 A (Frost) Municipal fees have started to increase
11 over the past few years related to the program.

12 Q And those would be the degradation fees in
13 particular?

14 A (Frost) The degradation fees, inspection fees,
15 permit fees.

16 Q Thank you. Let's see. Okay. Liberty's
17 objection to Staff's recommendation includes
18 pictures filed in recent CIBS dockets that show
19 pipes in poor condition that have been removed
20 as part of the CIBS Replacement Program. Could
21 you give us an estimate to the percent of CIBS
22 pipes removed in CIBS fiscal year 2019 that
23 were considered in poor condition?

24 I'm looking for sort of a breakdown; poor

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 condition, average condition, and good
2 condition?

3 A (Frost) I mean, I think it would be
4 disingenuous to say that a piece of cast iron
5 or bare steel pipe in gas distribution service
6 would be in "good condition". That's clearly
7 not the industry norm.

8 Q So, you would say -- is your answer actually
9 then 100 percent is poor condition or
10 100 percent is average condition? I'm not --
11 or do you not pay attention to sort of
12 gradations in corrosion and quality?

13 A (Frost) I mean, the Company pays close
14 attention to pipe degradation and corrosion.
15 On all of these mains replaced, they have a
16 prior leak history. The Company takes out
17 those selected samples at the end of the year.
18 Those are selected samples from the pipes
19 replaced. The Company does not dig up every
20 piece of CIBS main that has been replaced and
21 take it out of the ground.

22 As I've said, the cast iron and bare steel
23 is considered a pipe in the industry and by
24 regulators as end of life and past end of life,

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 and should be targeted for replacement.

2 BY MS. FABRIZIO:

3 Q And those selected samples are random?

4 CHAIRMAN HONIGBERG: Is that a
5 question?

6 MS. FABRIZIO: Yes.

7 BY MS. FABRIZIO:

8 Q What I'm hearing is that the selected
9 samples --

10 A (Frost) The selected samples --

11 Q Or how do you choose --

12 *[Court reporter interruption -*
13 *multiple parties speaking at the*
14 *same time.]*

15 BY MS. FABRIZIO:

16 Q How do you select samples?

17 A (Frost) Selected samples are chosen from a
18 combination. At tie-in locations, they're
19 chosen from locations where the Company has
20 exact field measurements to the pipe. So that
21 would be tie-in locations and prior repairs.

22 A (Furey) We also utilize other tools to
23 determine the problem areas. Such as our
24 Engineering group will look at the leak history

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 and populate that into our leak algorithm, and
2 which populates and shows us our potential
3 problem areas. We also utilize main field
4 notes from construction crews who dug in that
5 area previously. And we actually get
6 recommendations, not just from the field cards,
7 but daily communication from the field as to
8 areas we should replace.

9 CHAIRMAN HONIGBERG: Let's go off the
10 record for a minute.

11 *[Off-the-record discussion*
12 *ensued.]*

13 CHAIRMAN HONIGBERG: All right.
14 Ms. Fabrizio, you may continue.

15 MS. FABRIZIO: Thank you.

16 BY MS. FABRIZIO:

17 Q Just to wrap up then. So, the selected pipe
18 samples are chosen from where you'd expect to
19 find the poorest quality or poorest conditioned
20 pipes. Is that fair?

21 A (Frost) I wouldn't say that out of the samples
22 taken out this year, because several of them
23 were from tie-in locations.

24 Q Uh-huh. Thanks. That's helpful. Liberty's

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 objection in this docket states that it's not
2 time to terminate the program due to intense
3 attention of distribution system safety in the
4 aftermath of the Columbia Gas tragedy. Is it
5 your understanding that the Columbia tragedy
6 occurred as a direct result of Columbia's
7 mismanagement of a similar pipe replacement
8 program, human error and its ability to --
9 inability to follow basic safety protocols?

10 A (Frost) Liberty really can't speak for the
11 operation of other gas companies.

12 Q Is it your understanding that the event was a
13 direct result of a leak on the system?

14 A (Frost) Can't really speak for the operation of
15 and engineering in gas systems that I'm not
16 familiar with.

17 Q Okay. Thanks. Let's see. At Liberty's
18 objection, on the bottom of Page 4, Liberty
19 states that "Even though the Company has
20 removed half of the CIBS pipe, the system
21 experienced a similar number of CIBS breaks in
22 2018", which was about six, "as during the
23 early years of the program (two in 2005, five
24 in 2006, and six in 2007)."

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 So, can you tell us the average number of
2 breaks per year for the 2004 to 2018 period?

3 A (Frost) I'm sorry, but we don't have the
4 technical session charts and statistics on the
5 stand with us.

6 Q Okay. I'll move on. Regarding cast iron
7 breaks, is it fair to say that some breaks are
8 more hazardous than others, and that the number
9 of CIBS breaks in a year may not accurately
10 measure the risk posed to the public in a given
11 year?

12 A (Frost) I would say the cast iron main breaks
13 typically result in what is called a "Grade I
14 leak". Under New Hampshire PUC rules, that
15 requires immediate repair. As in, once it is
16 found, the Company should continue efforts no
17 matter the time, weather, to repair that leak.
18 As a result of that, I'd consider cast iron
19 main breaks as something that is hazardous to
20 the public. It's a Grade I leak. It's in the
21 regulations as a hazardous leak.

22 Q Okay. In your -- in the Furey-Frost joint
23 testimony, Bates Page 013, you refer to "39
24 planned projects" for CIBS fiscal year 2019 --

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 or, calendar year, I believe, 2019, and "33
2 construction crews" on CIBS replacements
3 planned for the -- is that for the remaining
4 six months of this calendar year?

5 A (Frost) That is for this calendar year.

6 Q Okay.

7 A (Frost) 2019.

8 Q And the estimated total cost for the CIBS
9 program is about "23.5 million", is that
10 correct, for this?

11 A (Frost) We talked about the update to the
12 testimony, 25.5 million.

13 Q That's right. And what percentage of the
14 Company's planned capital expenditures is
15 represented by that total, 25.5 million?

16 A (Frost) Our planned capital budget for 2019 is
17 51.9 million. I do not have a calculator
18 handy. So, it would be --

19 Q So, 51.9 million.

20 A (Frost) Yes.

21 Q So, CIBS would account for about 50 percent of
22 that, it looks like?

23 A (Frost) If that's what you'd off the top of
24 your head come up with, --

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 Q That's a rough, off the top of my head, yes.
2 And how does that compare to prior years,
3 percentage of CIBS spending as a total -- as a
4 percentage of total capital spending? Is that
5 about par for the course, 50 percent?

6 A (Frost) As I recall, the CIBS Program has been
7 a significant part of the Company's investment
8 due to its regulatory priority.

9 MS. FABRIZIO: Thank you. That's all
10 the questions I have.

11 CHAIRMAN HONIGBERG: Commissioner
12 Bailey.

13 CMSR. BAILEY: Thank you.

14 BY CMSR. BAILEY:

15 Q By "a significant part of the investment", is
16 it typically higher than 50 percent or has it
17 been higher than 50 percent of the total
18 capital budget?

19 A (Furey) We don't have the past budget years in
20 front of us, the total budget years and what
21 was allocated, the CIBS allocations. But I
22 would say it's a significant portion of it.

23 And I know we've increased over the past
24 two or three years in the actual pipe that

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 we've been replacing. So, I can also
2 anticipate that, that the percentage allocated
3 to CIBS would likely increase as well. But,
4 again, we don't have those numbers in front of
5 us.

6 Q Could you take a look at that maybe, and give
7 us an answer to maybe for the past five years?

8 A (Furey) Yes.

9 CHAIRMAN HONIGBERG: Mr. Sheehan, do
10 you think you're going to be able to put your
11 hands on numbers like that at a break?

12 MR. SHEEHAN: I'm not sure at a
13 break, but certainly quickly. And the question
14 is the percentage of the total capital budget
15 that is CIBS?

16 CHAIRMAN HONIGBERG: Yes.

17 MR. SHEEHAN: Going back five years.

18 CHAIRMAN HONIGBERG: It seems like
19 numbers that are probably in somebody's
20 spreadsheets.

21 WITNESS FROST: I have a couple of
22 binders in my car that, if we have a break, for
23 the past prior two years.

24 CHAIRMAN HONIGBERG: And it's also

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 possible that Mr. Knepper will be able to lay
2 his hands on those numbers.

3 So, I think what I'm going to suggest
4 is, when we're done questioning these
5 witnesses, maybe what we'll do is take a break
6 before you do redirect, Mr. Sheehan, and after
7 that redirect, then we'll go to whatever
8 witnesses are next. I had thought we would
9 break between witnesses, but instead what we'll
10 do is we'll break before your redirect, because
11 I think you'll be able to get those numbers.

12 Commissioner Bailey.

13 CMSR. BAILEY: Thank you.

14 BY CMSR. BAILEY:

15 Q Mr. Frost, did you do any review of your safety
16 procedures after the Columbia Gas explosion?

17 A (Frost) Liberty did an extensive review of our
18 O&M manual, our safety procedures, and our
19 risks.

20 Q And did you think about what would have
21 happened in terms of if the same thing happened
22 to Liberty that happened at Columbia, and was
23 that possible?

24 A (Frost) Yes. We did think what we could do

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 better. We strengthened our existing
2 procedures. We instituted additional training
3 in advance of the construction season.

4 Q And what did you have in your mind when you
5 were doing that about what happened at
6 Columbia?

7 A (Furey) Well, at the time then -- do you mind
8 if I answer this question?

9 Q Sure.

10 A (Furey) Okay.

11 Q And then you can answer as well.

12 A (Furey) So, at the time and shortly after the
13 incident, no one really knew what happened.
14 So, shortly after the incident, not knowing
15 that, we still performed an SOP safety
16 standdown with all of our internal and external
17 employees, going over our SOP process, going
18 over the importance of it. So, we spent a
19 significant amount of time there.

20 We've also made a number of improvements
21 when it comes to our oversight of our
22 contractor field employees. I believe two
23 years ago we were at approximately five
24 internal inspectors for upwards of 25 crews.

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 And since then, over the past two years, we've
2 increased it to about 15 internal inspectors or
3 inspectors to 25 to 30 construction crew
4 members.

5 And it's not just that. There's a number
6 of other things that we're doing with those
7 inspectors: Increased communications, weekly
8 meetings with them to go over the importance of
9 issues that we've seen in the field, and as
10 well as issues that could arise in the field.
11 So, it's a number of items, such as increased
12 communication with them, making sure that we're
13 communicating with them on a daily and weekly
14 basis.

15 A (Frost) I think I would like to add, Shawn
16 mentioned the SOP program, which is an acronym
17 for "System Operating Procedure". It's the
18 Company's processes and procedures related to
19 live gas tie-ins. It covers the design of live
20 gas operations of checking by a second
21 individual, approval, checking by the Company's
22 Regulator Department, Instrumentation &
23 Regulator Department, who maintains and
24 operates our district regulator stations and

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 plants. Communication between construction
2 crews and our Gas Control Center, and workers
3 in the field.

4 So, as Shawn mentioned, we had a standdown
5 immediately after the incident to stress to all
6 parties involved, safety, gas system operation,
7 operational safety. And then we had a one-day
8 class before commencement of the 2019
9 construction season for engineers, gas control
10 operators, and contractor forepersons and
11 inspectors related to operations on the gas
12 system. That included safety, and it also
13 included the need to timely, you know, identify
14 abnormal operating conditions and to react
15 immediately.

16 A (Furey) We also, and I'm sorry, but prior to
17 this event occurring, we also have instituted a
18 number of procedures prior to them. We were
19 already increasing our inspector workforce,
20 from, in 2018 alone, we came up from five to
21 about ten. And after the incident, and we were
22 already going to do it, we were coming up to 15
23 as well.

24 And another policy that we instituted

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 internally was to have a one-to-one inspector
2 to contractor crew ratio at tie-ins, purge
3 in/purge outs. That way that we have an
4 inspector overseeing that -- we call it a
5 "critical task", in that there is someone there
6 watching, really, every step they're doing
7 throughout that day.

8 Q Okay. I have a follow-up on that question, but
9 I want to sort of run down what I was thinking
10 about in the first instance.

11 So, it sounds like you focused on the
12 safety of live gas tie-ins as a result of the
13 Columbia situation, --

14 A *(Witness Frost nodding in the affirmative).*

15 Q -- rather than an explosion due to a leak?

16 A (Furey) Well, we really didn't know shortly
17 after -- again, shortly after the incident, we
18 didn't -- no one knew what happened. No one
19 knew if it was a terrorist attack or whatnot.
20 And we still don't really know. All we have is
21 a preliminary finding from the NTSB.

22 So, what we could do on our end to react
23 to that situation or incident that occurred at
24 Columbia Gas was to really enforce or reinforce

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 our policies and procedures. That was our
2 response to the incident shortly thereafter.

3 Q Mr. Frost, do you have any concern that the
4 leaks in the cast iron that's remaining, the
5 cast iron/bare steel that's remaining will
6 cause an explosion like happened in Columbia?

7 A (Frost) I would characterize it as a risk.
8 Every gas leak that's discovered by the Company
9 should be evaluated. I think the Company has
10 robust controls in place to classify leaks as
11 they're found, by how close they are to
12 buildings, the amount of gas that is leaking
13 out.

14 Q So, how many of those have you found that
15 would -- have you found any that you've
16 evaluated that would possibly create the
17 Columbia situation? I mean, I would assume --

18 A (Frost) That would cause a hazard?

19 Q Pardon me?

20 A (Frost) That would cause a hazard?

21 Q That might cause an explosion.

22 A (Frost) I would classify the leak that might
23 cause an explosion, I would definitely classify
24 a Grade I leak as that. The Company finds a

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 population of those each year. I'm not aware
2 off the top of my head of how many are
3 discovered each year. But I know we do find
4 them. I'm on the on-call engineer list. So,
5 every four to five weeks, I'm on call for a
6 leak and would typically be called. So, I get
7 called two to three times per year on Grade I
8 leaks.

9 Q And what happens when you find them?

10 A (Frost) When we find a Grade I leak, we
11 immediately react, regardless if it's Saturday,
12 Sunday, in the middle of the night.

13 Q What's the reaction? Do you dig it up and
14 replace it out?

15 A (Frost) Yes. We dig it up, and we repair the
16 pipe or replace the pipe immediately.

17 Q And do you just replace the segment that is
18 leaking?

19 A (Frost) During a leak repair, an emergency leak
20 repair, you typically can't replace the whole
21 street. So, we'll either repair it using an
22 approved repair, or try to cut out a section of
23 pipe, typically 10 to 20 feet, and replace
24 that.

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 Q So, when you were talking about what might
2 happen if the CIBS Program were not continued
3 for the recovery piece of it, and you said that
4 you would replace leak prone pipe consistent
5 with state and federal regulations, does that
6 mean that rather than replacing the whole
7 entire length of the cast iron/bare steel main,
8 you might just replace the part -- the portions
9 that are Class I, that have Class I leaks?

10 A (Frost) It's possible to say that that's how
11 the Company would approach it. As an engineer,
12 I'm given a budget allowance. And my job is to
13 try to find the most efficient way to increase
14 pipeline safety using that budget allowance. I
15 would look at Grade I leaks closely. I would
16 look at mains with active corrosion, that Lynn
17 had mentioned, there are federal regulations
18 related to active amendment believed a to I
19 corrosion on bare steel mains. I would replace
20 those mains.

21 However, the Company currently is able to
22 replace more than just the minimum under the
23 CIBS Program.

24 Q And do you believe that your budget would be

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 reduced without the CIBS Program by the
2 Company?

3 A (Frost) I'm not sure if my budget would be
4 reduced. I know that, when I specify the
5 budget, that if I have an advantage of having a
6 regulatory approved and driven program, and
7 also being able to say that the Company, as I
8 understand, has to borrow some of the capital
9 funds, the fact that there's rate recovery on
10 our borrowing, that the lag isn't as much, I've
11 been told that that's an advantage.

12 Q Okay. Mr. Furey, back to the inspectors. How
13 do you qualify or do you qualify or do the
14 inspectors get qualified?

15 A (Furey) Yes, they do. We actually have a
16 number of qualifications that they have to have
17 in order to start inspecting in our system.
18 What we look at, and there's two inspection
19 firms that we use, we use Storti and Sargis.
20 And the beginning process typically looks like
21 they send us a list of potential candidates
22 with resumés. And what we're looking for is
23 individuals with natural gas construction
24 experience. And at that point, they come in

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 for interviews with those parties. And if
2 selected, they come on board with us. And it's
3 not like we just throw them out in the field
4 and say "go get them". We actually have --
5 they actually spend some significant time with
6 our existing inspectors over the course of
7 three to -- two or three weeks I'd say.

8 Like right now we just had one inspector
9 come on board. He was the former quality
10 manager at Norstar fabricating city gate
11 stations, a very bright individual, came on
12 board, very qualified. But what we do is we
13 actually have him spend -- he spent all of this
14 week with one of our most experienced
15 inspectors in our Central Division to get an
16 idea and feel for our processes. And then,
17 next week he's going to spend some time in the
18 Southern Division with one of the most
19 experienced -- one of our more experienced
20 inspectors down there. And then, we reevaluate
21 and we sit down with them. And if we feel
22 comfortable, we'll mobilize them into the
23 field.

24 Q So, there is no federal qualification for

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 inspectors or, you know, sort of a required
2 training or --

3 A (Furey) Well, we have an onboarding process
4 with any new party, third party, who comes on
5 to our system. We actually also have NGA
6 operator qualifications that we specify that
7 they need to have in order to work in our
8 system.

9 So, and it's not just that, though.
10 Anyone can take a test. It's more about the
11 experience and knowledge of -- and ability that
12 they can perform in the field. And that's
13 really what we're looking for. The OQs,
14 operator qualifications, are a must. But the
15 ability -- the knowledge and the ability is our
16 number one priority.

17 Q Okay. If the base rate were increased in the
18 next rate case to cover the remaining five
19 years of the program, on average, would there
20 be a way to ensure that the Company used that
21 money to finish the CIBS Program, and would
22 that also provide the incentive for the
23 corporation to give you the budget that you
24 need to get this done?

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 And I'm not saying that I would approve
2 that. I don't know. And I'm not judging. I'm
3 just asking if that's another mechanism to help
4 with the administrative burden of this program?

5 A (Frost) I think that the Company is looking and
6 would evaluate any proposal. That type of
7 proposal would be typically handled by people
8 above me.

9 A (Furey) Me as well.

10 Q Anybody have an idea what the Company's
11 reaction would be to that, though?

12 A (Simek) I do not.

13 CMSR. BAILEY: I think that's all I
14 have. Thank you.

15 WITNESS FROST: Thank you.

16 CHAIRMAN HONIGBERG: Commissioner
17 Giaimo.

18 CMSR. GIAIMO: Good morning.

19 WITNESS FROST: Good morning.

20 WITNESS SIMEK: Good morning.

21 CMSR. GIAIMO: I have a handful of
22 questions based on Exhibit 3. So, I'll just
23 maybe walk through it, if that's all right.

24 BY CMSR. GIAIMO:

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 Q Starting on Bates 008, there's a discussion
2 about the Columbia Gas incident. And so, my
3 question is, prior to September 2018, were you
4 on track with respect to hitting your
5 anticipated installations?

6 A (Furey) Yes. I would say we were.

7 Q Okay. So, the 30 percent, or the 3 miles that
8 weren't installed, was a direct function of the
9 incident?

10 A (Furey) Correct.

11 Q Okay.

12 A (Furey) There was actually some projects, we
13 did complete about 50 percent of them, but we
14 had to cut them short, and then prioritize them
15 based off of leak history. That was our --

16 A (Frost) In-system integrity.

17 A (Furey) Yes.

18 A (Frost) We talked in detail with Staff at
19 technical sessions that, once we knew it was
20 probable that we could lose construction
21 resources to mutual aid, that we looked at each
22 of our in-progress projects to try to typically
23 bring the pipe footage to an intersection at a
24 point where we could tie the gas distribution

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 system back together and --

2 Q And then put them on hold and come back?

3 A (Frost) Yes. And make it safe for winter.

4 Q Uh-huh. Okay. That's helpful. And this was
5 part of a mutual aid agreement, correct?
6 Sending crews and contractors?

7 A (Furey) Yes. There were multiple NGA calls,
8 and then we evaluated our program, knowing how
9 much we could free up and how much they needed,
10 and then we moved forward with the plan.

11 A (Frost) We would hope that other companies
12 would help Liberty at an unfortunate time.

13 Q Okay. With respect to the carryover, does the
14 carryover continue to grow annually?

15 A (Furey) The carryover, well, I can speak from
16 last year to this year, it has increased
17 slightly. But we have made some changes on our
18 end. We added an additional contractor to our
19 workforce this year, which has really enabled
20 us to park resources in one region. For
21 example, we have one contractor designated to
22 up north, one or two to central, and a couple
23 designated down south. And what that does is
24 that parks those resources and keeps them in

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 one area. So, it enables us to get ahead of
2 paving in each of those territories.

3 Q So, I think, when the program began, there was
4 in the neighborhood of like 160 miles, does
5 that sound right, of --

6 A (Frost) That's approximately correct.

7 Q Okay. And over the past ten years, you've
8 taken out about 90 miles, at least it's my
9 understanding. Is that the low-hanging fruit?
10 Was that the easiest 90 miles to take out or --

11 A (Frost) We commonly, when you look at the
12 Company's prioritization, small diameter cast
13 iron is more prone to main breaks. The bare
14 steel was also used in small diameters, and
15 that's more common to corrosion leaks. So, a
16 lot of that has been replaced.

17 Some of the remaining pipe is larger
18 diameter due to the prioritization, which does
19 mean it is harder. I wouldn't say that the
20 Company -- the Company purposefully chose it on
21 a priority basis, not on a low-hanging fruit
22 basis.

23 Q Okay. So, there was a triage?

24 A (Frost) There is.

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 Q Okay. But still, the cost per mile will
2 probably be more expensive going forward than
3 it had been in the prior years?

4 A (Frost) Yes. The cost per mile is not
5 decreasing, due to inflation, due to the pipe
6 in the ground, and the municipal requirements.

7 Q Okay. So, I'll ask the question. Is the
8 13-mile per year goal realistic?

9 A (Frost) Yes.

10 A (Furey) Absolutely. Like, for example, this
11 year, we're -- that there are some cities and
12 towns we're going to be wrapping up. Hudson
13 we're going to be wrapping up. Goffstown we're
14 probably going to be wrapping up. I believe
15 Laconia as well. And there's a lot of major
16 arteries that we're wrapping up as well. Like
17 Kinsley Street is one we're wrapping up this
18 year, all new plastic vintage pipe. Allds
19 Street is another one, and Concord Street last
20 year in Nashua. So, we're making significant
21 progress in the program, a significant dent,
22 essentially.

23 Q Okay. That makes sense. But you're certain it
24 is probably tempered slightly with the fact

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 that there could be another incident somewhere
2 else, where you may again lose crews to mutual
3 aid associated help or requests?

4 A (Furey) Hopefully not.

5 A (Frost) I would hope there's not an incident.
6 That was -- seemed extraordinary.

7 Q Going back to the 13-mile number, why is the
8 13-mile number appropriate? What is that
9 grounded in? Historical replacements?

10 A (Furey) Well, we've been slowly building our
11 workforce and our contractor, our contractor
12 workforce, essentially, and that takes time.
13 There's a limited pool of qualified and
14 experienced contractor individuals out there,
15 which is really why it's taken us time to ramp
16 up. And as of right now, and I know on the
17 actual day sheet itself today, it's right
18 around 25 crews. But we still haven't ramped
19 up fully with growth. So, I anticipate about
20 30.

21 But the reason why I say that's a
22 realistic number is because we have historical
23 data and weekly footage and weekly required
24 crews that we maintain, so we know it's a

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 realistic number. It's based off historical
2 data.

3 Q Okay.

4 A (Frost) I would say, at the project planning
5 phase, you know, Shawn is talking of
6 construction execution. At the project
7 planning phase, Engineering has looked at
8 meeting the commitment, the 2024 commitment
9 that the Company has informally/formally agreed
10 to with Staff and the Commission. We've looked
11 at projecting up and down what that does. And
12 we've determined that it isn't really possible
13 to accelerate closer, you know -- you know,
14 closer than 2024, and the decreasing isn't
15 going to change it greatly. So, we've
16 determined an average of 13, that if we can
17 maintain that type of leeway, we'll meet our
18 goal in 2024.

19 Q Thank you. That certainly does help. Without
20 the CIBS Program, is 2024 still possible?

21 A (Frost) I think I would need a budget
22 allocation, and I can't speak for where my
23 budget allocation will be.

24 Q Okay. So, maybe we can talk a little bit about

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 the civil fines. Do they create enough of an
2 incentive? What's the -- how badly would the
3 Company be dinged?

4 A (Frost) I don't -- I don't think the majority
5 of CIBS pipe is eligible for civil fines.
6 Active corrosion on bare steel is one of the
7 areas, leak response is a civil fineable item.
8 And I believe the Company would respond to all
9 of those. The Company takes following all laws
10 and regulations seriously. However, I don't
11 think that this program is -- the percentage
12 linked to civil fineable items is high, you
13 know, in percentage numbers.

14 Q So, I'm just going to characterize, Mr. Frost,
15 one of your suggestions was that "the program
16 helps ensure corporate investment"?

17 A (Frost) I mean, yes, it provides a good -- a
18 good base, a regulatory required investment.

19 Q Okay. I just have one more quick line of
20 questioning. I want to hear your thoughts a
21 little bit on some of the reasons that
22 Mr. Frink and Staff is proposing what they're
23 proposing. And they say "Public safety risks
24 due to leaks and pipe failures have been

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 substantially reduced, as evidenced by a
2 significant decline in system leaks. True?

3 A (Frost) I don't think that they have
4 persuasively shown that system leaks have
5 decreased in the manner that occurred with
6 Northern Utilities.

7 Q Okay. What I heard you say is it's not
8 consistent with the experience of another
9 utility?

10 A (Frost) Northern Utilities, also their system
11 that was in their CIBS Program, it appeared,
12 based on a review of the historical filings,
13 was concerned a majority with bare steel, which
14 is different. Liberty's system is comprised --
15 a majority of it is cast iron.

16 Q Okay. "Regulatory burden and expenses will be
17 reduced by eliminating the CIBS annual step
18 adjustment." Comment?

19 A (Frost) I think there's room for some
20 improvement in regulatory burden. Whether
21 maybe we'd quantify that in the 20 percent, you
22 know, improvement, that we could streamline how
23 we'd look at it.

24 CMSR. GIAIMO: So, maybe I'll cut off

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 this questioning, and just highlight for
2 Attorney Sheehan, who will probably hit on
3 these in his closing. Page 4 of the testimony
4 kind of highlights some of the Staff's concerns
5 on that, and I'd like to hear more about that.

6 That's all I have for questions.

7 Thank you.

8 BY CHAIRMAN HONIGBERG:

9 Q You talked a little bit about what the Company
10 did following the incident involving Columbia
11 Gas. Following that incident, the Commission
12 sent you a letter directing you to do some work
13 and submit a report. Was any of you involved
14 in that?

15 A (Frost) Yes. I was involved in drafting some
16 of the drafts that went up to management.

17 Q Were you involved in the preparation of the
18 materials that were submitted to Mr. Knepper in
19 response to the directive?

20 A (Frost) Yes, as I said.

21 A (Furey) Yes. I was as well.

22 Q Was that work -- was that work helpful to you
23 in crystalizing any of your thought process
24 around safety and the emphasis that you need to

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 place on safety, because we placed that
2 emphasis on safety?

3 A (Frost) It helped us look at a lot of our
4 existing programs and reinforce our existing
5 programs. It has -- we have looked at a
6 regulatory station design as of -- as have
7 other utilities. And due to the recent -- the
8 first draft of the PHMSA reauthorization that
9 came out a couple of days ago, looking at
10 regulator station design and overpressure
11 protection, which I think is a new change in
12 the industry, you know. That Liberty is
13 safety-focused. Me, personally, I'm
14 safety-focused. Before Liberty, I worked in a
15 regulatory -- I was a regulatory operations and
16 maintenance and construction engineer for a
17 utility. So, I dealt with the pipeline safety
18 regulations and safety on a daily basis.

19 A (Furey) And with regards to that incident, too,
20 with -- I had discussed earlier, none of those
21 things prior to that, such as our increase in
22 inspectors, our meetings, our frequency, all
23 those topics were discussed prior. But it just
24 helped reinforce it after-the-fact, the

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 importance of that report.

2 And for myself, I was actually impacted by
3 the Columbia Gas incident. I was actually off
4 one of the low pressure lines. So, I know
5 firsthand how major of an incident that was and
6 the impact that that could have on a customer.

7 A (Frost) It helped us sum it up, in the
8 framework, immensely, to sum it up and to tell
9 the whole company.

10 Q Thank you. With respect to what's left to do
11 after this year, is there a location or some
12 number of locations where the remainder is
13 concentrated within the system? Is there, of
14 the whatever, is 50 miles that will be left, is
15 there some significant portion in one or more
16 locations?

17 A (Frost) The majority of the 50 miles that is
18 left is in Manchester. Nashua has the next
19 increasing mileage. And Concord has
20 approximately 9 miles left after this year, I
21 believe.

22 CHAIRMAN HONIGBERG: All right.
23 Thank you. I don't have any other questions
24 than that right now.

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 So, before you do redirect,
2 Mr. Sheehan, we're going to take our break.
3 I'll ask you to confer with Mr. Mullen or
4 whoever else you have, and even with Mr.
5 Knepper, because it seems like he has access to
6 the information we're talking about. However
7 we get that information on the record is fine
8 with me. We'll leave that to you to figure
9 out.

10 We'll take a ten-minute break, be
11 back at 25 minutes to 12.

12 *(Recess taken at 11:27 a.m. and*
13 *the hearing resumed at 11:49*
14 *a.m.)*

15 CHAIRMAN HONIGBERG: Mr. Sheehan.

16 MR. SHEEHAN: We don't have the
17 numbers yet. Mr. Knepper gave me some
18 percentages that he had calculated, and they
19 may turn out to be correct. But I think he
20 used our E-22 filing, which is our annual
21 budget, versus CIBS. We're trying to track
22 down the actual each year. So, it's actually
23 backwards-looking. So, we'll get it to you as
24 soon as we can.

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 CHAIRMAN HONIGBERG: So, we want to
2 make it a record request then?

3 MR. SHEEHAN: That would be fine.

4 CHAIRMAN HONIGBERG: We'll turn it
5 into "Exhibit 9".

6 *(Exhibit 9 reserved)*

7 MR. SHEEHAN: We may have it by the
8 end of the hearing.

9 CHAIRMAN HONIGBERG: It will be
10 Exhibit 9 then.

11 MR. SHEEHAN: I can tell you that
12 you're going to see what you would expect. The
13 percentages started in the teens and twenties,
14 and have come up to close to 50 percent. So,
15 that's roughly what you'll see.

16 CHAIRMAN HONIGBERG: Okay. Other
17 than that, you'll need redirect for your
18 witnesses?

19 MR. SHEEHAN: A few questions, yes.

20 **REDIRECT EXAMINATION**

21 BY MR. SHEEHAN:

22 Q Mr. Frost, I think you closed the point on
23 this. But, regarding the possible civil
24 penalties and the role it may play going

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 forward, can you tell me your understanding of
2 what inaction by the Company could trigger a
3 civil penalty in this area? What is it that
4 the Safety Division would allege we did or
5 didn't do and what would the problem be that
6 they would focus on?

7 A (Frost) The Safety Division could allege that
8 we did not respond to leaks, repairs, or that
9 we did not respond to active corrosion.

10 Q Okay. And the leak piece is, if we detect a
11 leak, a Grade I leak, and don't act quickly
12 enough, that could be the basis for an action?

13 A (Frost) Correct. Yes.

14 Q And on the active corrosion piece, can you tell
15 us what your understanding of "active
16 corrosion" is?

17 A (Frost) "Active corrosion" applies to steel
18 mains. It's corrosion which causes widespread
19 leakage. There's no numerical formula for what
20 it is. It's widespread leakage or pipe loss to
21 the integrity of the pipeline.

22 Q And so, on that one, I think it would be an
23 allegation that we have active corrosion on a
24 certain amount of our steel mains that we are

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 not responding to appropriately, something like
2 that?

3 A (Frost) My understanding, you know, that it
4 would be -- it would identify it as a spot on
5 the system, a street. I'm sure there could be
6 other novel approaches to how it would be
7 identified.

8 Q And are you comfortable that, prior to it
9 getting to that point, our normal processes
10 would have identified that as a street that
11 would need to be replaced before it got to the
12 point of active corrosion?

13 A (Frost) Yes. Liberty would do that. That
14 would be a safety hazard that the Company would
15 not feel comfortable with. It would be an
16 operational issue.

17 Q And is it fair to say that that decision to, in
18 your example, replace the steel on that street
19 would be independent of any decision by the
20 Commission on CIBS, whether it continues or
21 not?

22 A (Frost) It would be.

23 Q And this "active corrosion" concept does not
24 apply to cast iron mains, as you say, is that

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frost|Furey|Simek|McNamara]

1 correct?

2 A (Frost) No. Cast iron mains do not corrode.

3 Q Is there a similar concept for cast iron mains
4 that could trigger such an enforcement action,
5 other than the leak repair -- leak response
6 that you mentioned?

7 A (Frost) I'm not aware of a regulatory rule for
8 cast iron mains applying to leakage rates.

9 Q There was some discussion about how we select
10 samples to be removed and ultimately end up in
11 the photographs that we have. What happens to
12 most of the old CIBS pipe after we put in the
13 new pipe?

14 A (Frost) It is left in the ground.

15 Q "Abandoned in place", is that the phrase?

16 A (Frost) Correct. Abandoned in place.

17 MR. SHEEHAN: Those are all I have.
18 Thank you.

19 CHAIRMAN HONIGBERG: All right.
20 Thank you. I think the witnesses can return to
21 their seats, and change places with the next
22 set of witnesses.

23 MR. SHEEHAN: And if I may,
24 Commissioner Giaimo pointed me to a page of

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 testimony. Could you repeat which page and
2 which testimony that you'd like to have me
3 comment on in closing? Is it Page 4 of Mr.
4 Frink's testimony?

5 CMSR. GIAIMO: Correct.

6 MR. SHEEHAN: Okay. Thank you.

7 CMSR. GIAIMO: That's not Bates 004,
8 is it?

9 MR. SHEEHAN: Page 4.

10 CMSR. GIAIMO: Page 4. Sorry. It's
11 Bates 005.

12 CHAIRMAN HONIGBERG: Mr. Patnaude,
13 would you do the honors please.

14 (Whereupon **Stephen P. Frink** and
15 **Randall S. Knepper** were duly
16 sworn by the Court Reporter.)

17 CHAIRMAN HONIGBERG: Ms. Fabrizio.

18 MS. FABRIZIO: Thank you, Mr.
19 Chairman.

20 **STEPHEN P. FRINK, SWORN**

21 **RANDALL S. KNEPPER, SWORN**

22 **DIRECT EXAMINATION**

23 BY MS. FABRIZIO:

24 Q Mr. Frink, could you please state your name for

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 the record.

2 A (Frink) Stephen P. Frink.

3 Q And where do you work?

4 A (Frink) At the Public Utilities Commission.

5 Q And what is your position at the Commission?

6 A (Frink) I'm the Director of the Gas & Water
7 Division.

8 Q And what are your responsibilities in that
9 position?

10 A (Frink) Primarily, the financial review of gas
11 and water filings of utilities.

12 Q And do you have a copy of the document marked
13 as "Exhibit 4" before you?

14 A (Frink) Yes, I do.

15 Q And what is that document?

16 A (Frink) That's my pre-written testimony in this
17 proceeding.

18 Q Did you prepare this testimony yourself?

19 A (Frink) Yes, I did.

20 Q And do you have any corrections or changes to
21 that testimony today?

22 A (Frink) I do not.

23 Q And let's see. If I were to ask you the same
24 questions that are responded to in your

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 testimony, would you have the same answers?

2 A (Frink) Yes, I would.

3 Q Thank you. And do you adopt this testimony as
4 yours today?

5 A (Frink) Yes, I do.

6 Q Thank you. Mr. Knepper, could you please state
7 your name for the record.

8 A (Knepper) Randall S. Knepper.

9 Q And where do you work?

10 A (Knepper) Here at the Commission.

11 Q And your position at the Commission?

12 A (Knepper) I'm the Director of Safety &
13 Security.

14 Q And what are your responsibilities in that
15 position?

16 A (Knepper) As relates to this docket, pipeline
17 safety.

18 Q And do you have a copy of the document marked
19 as "Exhibit 5" before you?

20 A (Knepper) Yes. That's my testimony.

21 Q And what is that document? Oh, I'm sorry.

22 A (Knepper) It's the testimony I submitted in
23 this.

24 Q And did you prepare this testimony yourself?

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 A (Knepper) Yes.

2 Q And do you have any corrections or changes to
3 that testimony today?

4 A (Knepper) Yes.

5 Q Okay. Shall we walk through those?

6 A (Knepper) Yes. On Bates Page 005, they're all
7 on Bates Page 005. So, Line 1 it should say
8 "Fiscal Year 2019", instead of "Fiscal Year
9 2018". And it should say "April 1st, 2018
10 through March 31st, 2019". And in Line 4, it
11 should say "Fiscal Year 2020", instead of
12 "Fiscal Year 2019". And it should be "April 1,
13 2019 to March 31, 2020". So, I had not a good
14 Page 5.

15 Q Okay. And if I were to ask you the same
16 questions today that you answered in your
17 testimony, would the answers be the same?

18 A (Knepper) Yes.

19 Q And do you adopt what has been marked as
20 "Exhibit 5" as your sworn testimony?

21 A (Knepper) Yes.

22 Q Thank you. I have a few follow-up questions
23 for clarification purposes.

24 A (Knepper) Is that for either one of us or both?

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 Q Either one, I think. First, for you, Mr.
2 Knepper, on Page 4, I believe. No, that's --
3 hmm. Sorry, I have to get my bearings here,
4 from a page number and Bates number.

5 First sentence, under "Staff
6 Recommendations", addressing the CIBS Program
7 approved for Liberty in Order 25,370.

8 CHAIRMAN HONIGBERG: I'm sorry, Ms.
9 Fabrizio. Where are we? Which exhibit are we
10 in?

11 MS. FABRIZIO: You know, I --

12 WITNESS FRINK: Exhibit 1.

13 MS. FABRIZIO: I am sorry. We're
14 looking at the -- sorry. Exhibit 1, which is
15 the Staff Recommendations. On Page 4 of that
16 exhibit, and that is Bates Page 004.

17 BY MS. FABRIZIO:

18 Q First sentence under that states that following
19 the "July 1st, 2019" -- following "July 1st,
20 2019", "the CIBS program approved for Liberty
21 in Order 25,370 should be terminated." And to
22 be clear, Staff is not recommending that
23 Liberty end CIBS replacements generally, is
24 that correct?

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 A (Frink) That's correct. What we're suggesting,
2 recommending be terminated, is the CIBS program
3 as defined under the Settlement Agreement in
4 11-040. So, we're not suggesting that the CIBS
5 replacements should be discontinued. We're
6 just saying it shouldn't be continued under the
7 terms of the Settlement Agreement, specifically
8 to the recovery mechanism.

9 Otherwise, we definitely do want CIBS
10 continued. We'd like it continued under the
11 similar terms, with the exception of that one,
12 accelerated recovery.

13 Q Thank you. Mr. Frink, could you please update
14 the -- sorry. Mr. Knepper, did you have
15 something to add?

16 A (Knepper) Yes. Just I think of this leak prone
17 replacement, we want to continue that. We want
18 to replace cast iron, we want to continue
19 replacing bare steel. We lumped that together
20 and formed a program called "CIBS" and gave it
21 that acronym. And so, I'm always leery of,
22 when we say the "CIBS Program", which means all
23 the terms and conditions, or just leak prone
24 pipe replacement.

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 Q Thank you. Mr. Frink, could you please update
2 the Commission as to the status of the Staff
3 audit of the CIBS Fiscal Year 2019 filing?

4 A (Frink) The Commission Staff has completed its
5 audit. It reviewed -- did a detailed review of
6 selected projects. And in their opinion, all
7 CIBS projects included, for which they're
8 seeking recovery, were placed into service
9 during the CIBS fiscal year. And all
10 associated costs qualify for recovery under the
11 terms of the CIBS Settlement Agreement, now
12 that they have eliminated the carryover costs.

13 Q Okay. Thank you. And, Mr. Frink, your
14 testimony, at Bates Page 010, Lines 15 through
15 17, states that "there will be little or no
16 earnings attrition due to CIBS replacement
17 efforts through 2020 and only limited earnings
18 attrition thereafter if the CIBS annual step
19 adjustments are discontinued." Can you explain
20 that statement please, briefly?

21 A (Frink) A common theme in regulatory rate
22 recovery, utility rate recovery, is regulatory
23 lag associated to when they make investments
24 and when they come in for recovery. And so,

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 under this program, they were able to recover
2 prudent CIBS spending in the year immediately
3 following those investments, so that limited
4 earnings erosion and attrition.

5 And my statement that that's not going to
6 occur in the next couple years aside to the
7 fact that they will be filing for a rate case,
8 which, consistent with their last rate filing,
9 recovered all test year costs, which in this
10 case would be 2019, this year's CIBS spending
11 will be included in that. And in the last rate
12 case, and what we've been doing -- the
13 Commission has been doing recently, is there's
14 a step adjustment to recover the costs for the
15 year in which the filing is made. So, 2020
16 CIBS spending will be included in a proposed
17 step increase.

18 So, those costs, the CIBS spending for
19 2019 and 2020, are going to be looked at and
20 reviewed in 2019. There will be a temporary
21 rate implemented and reconciled. So, depending
22 on what the Commission decision is, they will
23 actually begin recovering those CIBS costs
24 about the same time they would under the step

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 adjustment, if they were to file a step
2 adjustment. So, there's no regulatory lag or
3 attrition that they wouldn't have
4 experienced -- or, would experience under the
5 existing program.

6 For 2020, typically, the step adjustment
7 takes place at the same time the order is
8 approved. So, my assumption is, in April 2020,
9 they will get a rate increase that will cover
10 all the CIBS spending for 2020, prudent CIBS
11 spending, which is a little longer than they
12 actually get under a CIBS filing. So, that is
13 what I mean when I say "there should be little
14 or no attrition due to eliminating the CIBS
15 program" at this time.

16 Beyond that, because of the frequency of
17 the CIBS rate filings, they seem to be coming
18 every three years, you're looking at a two-year
19 delay for 2021 CIBS spending, and a one-year,
20 the normal recovery under the CIBS Program, if
21 they were to file a rate case on the pattern
22 they seem to be in.

23 Q Thank you. I'll turn back to Mr. Knepper, on
24 Page 23 of your testimony. Could you please

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 read Lines 18 through 21?

2 CHAIRMAN HONIGBERG: He doesn't need
3 to do that. We can read it.

4 MS. FABRIZIO: Oh. Okay.

5 BY MS. FABRIZIO:

6 Q Are you at that location at least, Mr. Knepper?

7 A (Knepper) I am.

8 Q Thank you. Would you please unpack and clarify
9 these two statements?

10 A (Knepper) So, my first sentence says I think
11 that they should continue to target 2024 to
12 replace the remaining leak prone pipes. It's a
13 target. It's not a hard-and-fast date. But I
14 don't see how the recovery mechanism should
15 impact that.

16 The second sentence says that, because we
17 are approaching a point where the amount of
18 leak prone pipe is going to be, after the
19 conclusion of this season, about 50 miles or
20 less -- or, 50 miles left, I don't think that
21 we need to go through the same scrutiny that
22 we've been going for the last ten years of
23 analyzing all this in large spreadsheets and
24 having filings, and having them submit reports

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 and all that.

2 We are nearing the end of the race, which
3 is a good thing. I think Liberty has done the
4 majority of the work of this. I see now is the
5 time to, and especially with the rate cases,
6 now is the time to start to unwind this.

7 Q Thank you. Could you turn to Page 24, Lines 4
8 through 15. These statements in your testimony
9 suggest that customers will benefit from
10 Liberty maintaining the current pace of
11 replacement, since applicable per-therm charges
12 can be absorbed with minimal impact on customer
13 bills, but that accelerated recovery is no
14 longer warranted.

15 Could you just clarify that statement
16 please?

17 A (Knepper) Yes. The essence is, the longer you
18 push stuff out, it's going to cost more in the
19 future. Right? So, I think continuing your
20 replacements now, versus delaying it in the
21 future, is wise for Liberty to do. I think
22 meeting the commitments that they make is still
23 wise to do. And I think those things haven't
24 really changed.

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 The only thing that's changed is the
2 replacement rate, the acceleration in getting
3 rid of this, this infrastructure, the only
4 thing that's really changed is the recovery
5 mechanism. So, there's a -- I don't see the
6 nexus as clearly as Liberty does.

7 Q Thank you. And you heard testimony from the
8 Company witnesses today including a reference
9 to "Class I leaks". Is that -- is that a
10 Commission rule?

11 A (Knepper) So, yes, we've had some discussion.
12 So, maybe I can try to help clarify some of the
13 discussion.

14 Q Please.

15 A (Knepper) The federal government defines
16 "hazardous leaks", and that's all they define.
17 They don't grade the leaks. They don't
18 classify the leaks. They just say it's either
19 hazardous or nonhazardous. So, and the federal
20 government says you have to take care of
21 hazardous leaks. They allow the gas company or
22 the operator to define what a hazardous leak
23 is; the federal government doesn't do that.

24 So, the industry kind of has some general

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 standards, and the Commission has put forth in
2 their 500 rules what is a Class I leak. And
3 so, we have defined what the elements are, the
4 parameters are. So, there's no confusion
5 between the company and the Staff. And one
6 company can say "I'm going to make" -- "I'm
7 going to call it ten different grades of leaks.
8 So, I'm going to call it Leak A, B, and C", and
9 this one is going to call it something else.
10 We're all talking the same language, and we put
11 that into our rules.

12 And then we've also put into our rules
13 what the response is to those classifications
14 of leaks. And so, we've done that for a long
15 time, and we've broken it into what we call
16 "Class I", "II", and "III" leaks.

17 Q And in your experience, what type or material
18 of pipes are involved in most Class I leaks?

19 A (Knepper) Well, traditionally, in the past,
20 it's been a lot of cast iron and bare steel.
21 Now, it's probably just as much equally
22 somebody damaging a pipeline through excavation
23 damage. If someone damages a pipeline and they
24 release the gas, usually it's -- you'll get a

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 high reading. And depending upon the proximity
2 to the building, and it's potential to migrate,
3 and those things are usually dependent upon the
4 weather conditions, and whether the ground is
5 frozen or newly paved, or some of those things.
6 Those tend to be a lot of our Class I leaks.

7 For instance, Unitil or Northern Utilities
8 doesn't have any bare steel or -- bare steel or
9 cast iron left in their system. And so, their
10 Class I leaks are pretty much excavation
11 damage.

12 Q Thank you.

13 A (Knepper) Liberty has both, and they still
14 have -- excavation damage is part of the mix.

15 Q Thank you. And did the Safety Division field
16 any calls this winter, this past winter,
17 regarding cast iron breaks?

18 A (Knepper) No. So, when you say we "field
19 calls", what happens is, the Safety Division
20 requires the company to notify us if that leak
21 results in an evacuation of a building, if it's
22 a news or media event. And there's about --
23 and I think there's eight or ten parameters in
24 our rules of what they are. So, a lot of times

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 Class I breaks tend to be, if it gets on the
2 news or if they have to evacuate, we will get
3 notified. It's usually in the winter. It's
4 usually, unfortunately, usually in the middle
5 of the night. And they do call me, and I
6 expect that to happen.

7 Q Thank you. You also heard testimony from the
8 Company witnesses today regarding the Columbia
9 Gas incident. Based on your experience and
10 knowledge, do you have any information on the
11 cause underlying that incident?

12 A (Knepper) Wow, I have to be careful here. I
13 think I just want to say that the NTSB is the
14 one that determines what the root cause is.
15 They do an investigation that usually takes a
16 year or two to determine, and they kind of --
17 and then the Massachusetts DPU will also do
18 their own investigation. I'm not party, if
19 you're a party to that, you can't talk about
20 it. But, in the end, it was -- it's pretty
21 obvious it was human factors related as the
22 apparent cause.

23 Q Thank you. I have a question regarding whether
24 small diameter pipes are replaced first,

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 because they are more leak prone. Does that
2 hold true, in your experience?

3 A (Knepper) Yes. I somewhat touch upon that in
4 my testimony. I think it's on Bates Page 010.
5 I think there was discussion earlier about
6 "what does Liberty have left in their system
7 and what's being replaced? If you look at my
8 Figure 2 on Bates Page 010, that will tell you
9 what they've had since 2009, so basically ten
10 years. And I kind of put it into this
11 category, if the pipe is two-inch and smaller,
12 three to four-inch, six and eight-inch, ten and
13 twelve-inch, and fourteen and sixteen-inch.
14 So, you can see, the larger stuff, ten-inch and
15 larger, they only have about five miles in
16 their system. And they really haven't targeted
17 that, right, because we started at 1.5, and now
18 they even report 1.6, which means they probably
19 have a data integrity issue as they go through
20 their records. And the majority of that pipe
21 that they've replaced over the last ten years
22 has been in the three to four-inch, it's gone
23 from 77 miles down to 40, and six to eight-inch
24 has gone basically in half, 44 down to 25. The

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 two-inch and smaller, they don't have a lot of
2 it, or it's already been previously replaced
3 prior to the CIBS Program.

4 Q And are larger diameter pipes less leak prone
5 and a lower safety risk?

6 A (Knepper) Larger diameter pipes are typically
7 less, not leak prone, but they are less likely
8 to break. So, the thicker the wall, which is
9 on the larger stuff, they tend to have, in the
10 past history, nationwide, you haven't found a
11 lot of breaks on that, and Liberty has not seen
12 that in their system as well.

13 That can all change. In 2010, when, in
14 Allentown -- Allentown, Pennsylvania, they had
15 a twelve-inch cast iron main break, and five
16 people ended up as fatalities in that tragic
17 event. So, that kind of got PHMSA and the rest
18 of the country to kind of start to reevaluate
19 that notion that large diameter pipes are, you
20 know, somewhat immune to this breakage.

21 But we still haven't seen -- I would say,
22 in terms of leaks, they both will leak at their
23 bell joints. And it's that fatigue that comes
24 in with, as Mr. Frost said, freeze/thaw,

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 freeze/thaw cycles. But it could also be just
2 vibrations in the ground, somebody working
3 nearby, hammering the road really hard, you'll
4 see a break occur 12 months later, 18 months
5 later. It's usually not immediate. So, it can
6 be things like that.

7 MS. FABRIZIO: Thank you. That's all
8 the questions I had for both of you. The
9 Staff's witnesses are available for cross.

10 CHAIRMAN HONIGBERG: Mr. Buckley, do
11 you have questions for the Staff witnesses?

12 MR. BUCKLEY: Just a few brief
13 questions.

14 **CROSS-EXAMINATION**

15 BY MR. BUCKLEY:

16 Q Mr. Knepper, at Bates Page 009, Lines 16
17 through 18 of your testimony, you note that
18 "Liberty is spreading its work across all three
19 of its divisions." But I think you suggest
20 that replacement should instead be targeting
21 more towards Nashua and Manchester, is that
22 correct?

23 A (Knepper) Yes. I think, if you look at Figure
24 1 up above, as I say, they have about 16, or 12

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 miles left of cast iron/bare steel in the
2 Northern Division, or Concord area; Nashua has
3 got about 32 percent; and Manchester has got
4 about 52 percent. So, if you -- that's where
5 the populations reside. So, that's where I
6 think I would concentrate on where that's going
7 to be.

8 I would say, in the past, Liberty has
9 probably, when I say "in the past", the last
10 ten years, they have kind of equalized the
11 workload. And you can see the number of
12 projects and the amount of replacement has been
13 kind of spread out throughout their divisions.
14 And they do that kind of, I think, as a way to
15 manage things. But, you know, as the pipe is
16 diminishing in Concord, that leaves the other
17 two areas to concentrate on.

18 Q Now, at Bates 019, Line 17, through Bates 020,
19 Line 10, you mention reservations that Staff
20 has regarding the Company's ambitious CIBS
21 replacement schedule.

22 A (Knepper) I'm sorry. Brian, can you tell me
23 what Bates page we're on again?

24 Q It's Bates 019 through Bates 020.

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 A (Knepper) Okay. Thank you.

2 Q So, you mention reservations Staff has
3 regarding the Company's ambitious CIBS
4 replacement schedule, citing the many projects
5 currently being developed by Liberty, and
6 increased likelihood of construction
7 requirements not being strictly adhered to.
8 Can you elaborate on that statement?

9 A (Knepper) Yes. So, this is like an overall
10 thing. You know, there's a lot of work that
11 Liberty is doing outside of the CIBS Program.
12 And if their CIBS Program is expanding and
13 getting larger, and it has every year, and
14 we're -- Staff is not against that. But, if
15 you're also juggling many other outside duties
16 at the same time, I think it's -- and your core
17 or your staff is the same, it can lead to --
18 just the workload leads to, you know,
19 difficulties in trying to give stuff the same
20 focus and amount of detail.

21 And so, you know, just in our experience,
22 they're taking on a proposed LNG project, a
23 very large one. They have done expansions into
24 new territories. They are growing at a large

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 rate with new growth. They have done
2 conversions in Keene. They have done --
3 they're also proposing some RNG work. There's
4 a lot of stuff they have in their, I would say,
5 in their hopper, I guess. And CIBS is yet
6 another one, because it's a large-scale
7 program, and it's no longer something that's,
8 you know, as we've talked about, I think
9 Mr. Sheehan had said that's between 10 percent,
10 it's now into the 50 percent of their capital
11 expenditures yearly now. So, it's grown. And
12 so, that requires a lot of attention to detail.

13 So, that's kind of what I was referencing
14 there.

15 Q Just, somebody already touched on this briefly,
16 but the carryover at Bates 017, Lines 6 through
17 10, Mr. Knepper, you describe that Liberty is
18 requesting in the instant petition to recover
19 carryover costs of approximately \$3.6 million,
20 and your position that only 778,739 should be
21 eligible for or granted in this docket.

22 Can you just very briefly explain why that
23 is?

24 A (Knepper) I think they have already accepted

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 that, that the carryover costs -- they proposed
2 it as the carryover costs that were included,
3 and then I heard earlier today that they agreed
4 to that we reserve the right to exclude them,
5 and we did. So, I think it's already been
6 decided.

7 Q Great. Now, the final question I think might
8 be for Mr. Frink, and that relates to something
9 that Attorney Fabrizio has already begun to
10 touch on, which is Bates 010, Lines 1 through
11 17, and some of the benefits that might be
12 associated with the accelerated cost recovery
13 mechanism. You had in your testimony a
14 comparison between Northern and EnergyNorth,
15 both of which were utilizing this accelerated
16 recovery mechanism. Can you explain the
17 difference between those two, and in relation
18 specifically to ratepayer benefits derived from
19 being able to avoid frequent rate cases?

20 A (Frink) Right. Through the Northern Bare Steel
21 Replacement Program, where they received annual
22 step adjustments, from when they started
23 receiving those, until their plans to file a
24 rate case ten years later, they were getting

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 annual step increases that, as I discussed
2 earlier, reduced the earnings attrition that
3 you would otherwise experience and cause an
4 under earning that would precipitate a rate
5 filing. So, through this CIBS -- this Bare
6 Steel Program that Northern had, they went a
7 long period with small increases and they
8 didn't file a general rate case.

9 To process those step adjustments is a
10 much smaller undertaking and a much less
11 expensive undertaking than a general rate case.
12 It doesn't involve cost of service studies,
13 depreciation studies, or everything that goes
14 along with a rate design, everything that goes
15 along with a general rate case.

16 So, there are a lot of -- by avoiding rate
17 cases, those are savings that would accrue to
18 ratepayers and, well, avoided costs. So, that
19 was certainly a benefit of the Northern
20 program.

21 And under National Grid's program, and
22 what was approved, revised as part of the
23 Liberty acquisition, there may have been an
24 expectation that these annual step increases

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 would have helped them achieve their approved
2 rate of return. And that hasn't been the case,
3 and that's -- Liberty has been in for a rate --
4 a general rate filing every three years, and
5 even with these annual step adjustments. So,
6 there's no real financial benefit to
7 ratepayers, at least not from the avoided costs
8 from having these step increases.

9 Going to the Northern rate case that we
10 just completed, they had an optional step
11 adjustment where they got a step adjustment, as
12 Liberty did, for the rate base investments made
13 during the year that the proceeding -- the year
14 of their proceeding, but they also had the
15 option to add a -- to have another step
16 adjustment, if they wanted, and -- but, if they
17 did, there was a stay-out. So, there's a
18 benefit to a step adjustment there that, you
19 know, basically, bought another year of not
20 having a general rate case filing, which is,
21 again, it's a big process and it's expensive.

22 So, you know, maybe down the road, if
23 Liberty wants to come back with a CIBS Program,
24 or in their rate case they could suggest an

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 additional step adjustment for 2021
2 investments, with a provision that, if they do
3 that, ratepayers would get the benefit of them
4 not coming in in three years, as has been the
5 practice since Liberty acquired EnergyNorth.

6 MR. BUCKLEY: Thank you, Mr. Frink.
7 Nothing further.

8 CHAIRMAN HONIGBERG: Mr. Sheehan.
9 Actually, just before you start, Mr. Sheehan, I
10 don't want to hold you to anything. But how
11 much do you think you have for these witnesses?

12 MR. SHEEHAN: Twenty minutes.

13 CHAIRMAN HONIGBERG: Let's go off the
14 record for a second.

15 *[Brief off-the-record discussion*
16 *ensued.]*

17 CHAIRMAN HONIGBERG: Back on the
18 record. Mr. Sheehan, you may proceed.

19 MR. SHEEHAN: Thank you. Excuse me.
20 We did get numbers from Accounting on the
21 record request. And what I have are the actual
22 CIBS dollars and the actual capital dollars for
23 the years '15 through '18. 2019, of course, is
24 a partial year, so we don't have totals.

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 And the percentages, starting in '15,
2 that CIBS comprised of the total is 25 percent,
3 8.4 million over 33.3 million. 2016, it was
4 20 percent, 8.6 million over 43.1 million.
5 2017 was 30 percent, 15.6 million over 52
6 million, 52.1. And '18 was 33 percent.16.8
7 million over 51 million.

8 And these are calendar year numbers.
9 So, they will not line up with the CIBS filing,
10 which are, you know, April -- March to April
11 years. So, there is some disconnect there.

12 CMSR. BAILEY: So, the numbers that
13 we heard earlier that were 25.5 million out of
14 51 or 52 million, how does the 51 million in
15 the number for 2018, or is that a completely --
16 no, that's --

17 MR. SHEEHAN: So, in fairness to Mr.
18 Frost, the 25. whatever million was the
19 projection for this year, calendar '19, I
20 actually don't know if he really knew the 50
21 million number. It's too late to ask him under
22 oath, but --

23 CHAIRMAN HONIGBERG: Although, he may
24 have some information for you, if you look over

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 your shoulder.

2 MR. SHEEHAN: Sure.

3 *(Atty. Sheehan conferring with*
4 *Mr. Frost.)*

5 MR. SHEEHAN: He reminded me the 25
6 million includes the carryover that would not
7 be included in the next CIBS, because it would
8 roll into the next year, of about 4 or
9 5 million -- in the \$5 million range. So, then
10 it becomes -- well, we don't have an actual for
11 '19 to compare it to. So, we're estimating 25,
12 less the carryover costs, is 25 over 50 million
13 or 25 over 60 million, we don't know yet,
14 because we don't have an actual.

15 CHAIRMAN HONIGBERG: All right. As
16 far as we're concerned, that obviates the need
17 for the record request, unless Mr. Buckley or
18 Ms. Fabrizio, you want to have that information
19 provided more formally?

20 MS. FABRIZIO: I think it would be
21 helpful to see the source, references to the
22 numbers, because we were coming up with
23 different, admittedly back-of-the-envelope,
24 calculations.

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 CHAIRMAN HONIGBERG: Okay. Then, why
2 don't we have -- why don't we leave the record
3 request as it is, and you can provide something
4 in writing later today or tomorrow.

5 MR. SHEEHAN: Certainly.

6 CHAIRMAN HONIGBERG: All right.
7 Thank you, Mr. Sheehan.

8 BY MR. SHEEHAN:

9 Q Mr. Frink, I was planning just to walk through
10 your testimony and ask for some -- I have some
11 questions as we go through as an organizing
12 principle of my questions. But I wanted to
13 start with a few things you mentioned already.

14 The first was you were asked about how you
15 foresee the termination of the CIBS Program,
16 and that you wanted to see the recovery
17 mechanism end, but to otherwise continue "under
18 similar terms". What did you mean by that?

19 A (Frink) Well, as was discussed by the Company's
20 witnesses and Mr. Knepper, there's a program in
21 place that's been pretty -- that's been very --
22 has been effective and it seems to be working
23 well. And that program, in my opinion,
24 should -- and in Staff's opinion should

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 continue. The only real difference would be
2 that the recovery mechanism would be different.
3 Q These terms, as we know, the CIBS Program is
4 governed by the DG 11-040 Settlement Agreement,
5 it has many other steps in it; meetings with
6 Staff, filing reports, etcetera. Were you
7 anticipating those continuing?

8 A (Frink) Well, since the Company is already, and
9 it was under my impression from our technical
10 sessions, will continue to do that sort of
11 analysis and then have that information, and
12 that, whether there's a -- that that
13 information would continue to be provided to
14 Staff. What you wouldn't have is a formal
15 review process and a rate filing that goes with
16 that.

17 Q So, which parts, and I don't need you to go
18 line by line, but what pieces of the current
19 CIBS process under the Settlement Agreement
20 would no longer happen, other than the rate
21 recovery, the hearing itself?

22 I think the point I'm trying to make,
23 obviously, is is there really an administrative
24 savings, if we're still doing all the work that

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 we are now doing to comply with CIBS, Staff is
2 still meeting with us to review our plans for
3 the next upcoming year, *etcetera*? If we're
4 still doing all of that, doesn't that undermine
5 the administrative savings that you point to as
6 one of the reasons?

7 A (Frink) Well, the majority of the efforts in
8 reviewing the CIBS Program is conducted by the
9 Safety Division. So, I think Mr. Knepper might
10 be better able to answer that question.

11 Q Yes. Could you answer that question,
12 Mr. Knepper?

13 A (Knepper) I don't know if we're of like minds.
14 So, I would -- in my opinion, we have these
15 large spreadsheets where we ask for a lot of
16 information, we're asking for variances and
17 keeping things of things and by projects and
18 costs, and we've been doing that for a number
19 of years. And we've asked for reports in the
20 field to be done, and bring us the samples.
21 And we've done reconciliations at I call a
22 rapid rate, rapid pace, 60 days, after we get
23 the information, and have a hearing and they
24 get into rates. I view all of that as not

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 having to be done. That's the CIBS Program.

2 I believe cast iron and bare steel should
3 still be replaced. And, you know, they would
4 just say, you know, "we replaced nine miles".
5 They don't have to say "I replaced 550 feet on
6 Blodget Street", or whatever.

7 I don't see -- to me, that's the
8 administrative cost. And to me, it's not just
9 the administrative cost on the Company's side,
10 it's the administrative cost on the Staff side
11 as well, that we are giving a lot of scrutiny.
12 You know, every one of these numbers we look
13 at, every one of these comments and every one
14 of these columns. That all takes a lot of work
15 to do. Then, we write the testimony, and that
16 takes time. So, -- and the meetings.

17 And so, I kind of think that the Company
18 kind of has embedded in their process now,
19 either through collaboration or they have taken
20 to heart the kind of questions they're going to
21 get from us, on how to choose replacement
22 projects. And so, I think -- I think that they
23 can do that on their own.

24 So, I would see that being less. I would

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 not expect the same amount of I call
2 "administrative costs" to be the same.

3 Q Thank you. So, if the Commission is writing an
4 order that is going to discontinue the CIBS
5 Program, what I understood you to say is the
6 Commission could go through the Settlement
7 Agreement language and cross off pretty much
8 everything that deals with communications with
9 the Safety Division about what we plan to do
10 next year, about the marketing reports,
11 *etcetera, etcetera?*

12 And before you answer, certainly we would
13 do whatever we think is appropriate on our end,
14 and certainly you could review the projects as
15 you would any other project that's going on out
16 in the street. Is that a fair
17 characterization?

18 A (Knepper) Yes. And that's kind of what we did
19 with Northern. They didn't tell us
20 street-by-street where they were working and
21 what they were going to replace. They kind of
22 gave us a general "Hey, we're going to replace
23 7 miles this year" or "5 miles". Granted, they
24 had fewer towns and a little less.

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 But, yes. We don't think we need that.
2 We get crew reports on where your crews are
3 every morning. So, we kind of know what you're
4 working on. And we know if that's a new growth
5 or if you have -- what you have on those
6 streets. So, we kind of know what that is.

7 I just kind of think, if you're going to
8 terminate it, let the Company do it. And I
9 think they understand what our needs would be.
10 And so, I think it's -- I think the meetings of
11 the minds has already taken place.

12 Q And, Mr. Frink, on that topic, to the extent
13 the CIBS financial piece becomes part of a rate
14 case, as you suggest, it would still be the
15 same financial review of those projects as any
16 other capital project: Is it a prudent
17 project? Was it prudently carried out
18 financially? Correct?

19 A (Frink) Well, in a general rate case, the Audit
20 Staff conducts a audit, and there's a much
21 broader perspective sample sizes. It
22 wouldn't -- the CIBS Program is a piece of all
23 that, would get looked at, but it wouldn't get
24 looked at project-by-project in its entirety.

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 As a subset of everything, it would get
2 addressed through we're going to look at all
3 the spending, and we're going to choose our
4 sample accordingly. And so, it would be -- it
5 will be covered not in the same detail that it
6 would be as part of a CIBS proceeding.

7 Q Another topic you discussed just now with
8 counsel was the Northern experience. They had
9 a CIBS Program, and you described how they
10 stayed out of a rate case for however many
11 years it was.

12 Is it fair to say that that's more of a
13 reflection of the fact that CIBS probably
14 comprised a larger piece of their capital
15 spending, and if they're not doing much other
16 capital spending, they don't have the earnings
17 attrition that would otherwise happen?

18 A (Frink) I don't recall the specifics of the
19 capital spending. If you went back through the
20 ten years, if there was a review, and looked
21 at -- maybe it's in some of those orders. But
22 what you're saying makes sense, but I can't
23 tell you that was this instance.

24 Q Okay. In comparison to EnergyNorth's history

[WITNESS PANEL: Frink|Knepper]

1 with CIBS through its three prior owners, the
2 program was established under KeySpan,
3 continued under --

4 A (Frink) National Grid.

5 Q Yes, and then through Liberty. In fact, there
6 have been frequent rate cases that predated
7 Liberty, isn't that correct? I had pulled the
8 list, and I --

9 A (Frink) Well, the CIBS Program was started
10 in -- well, it was part of the National Grid
11 acquisition, which was a 2006 filing. And I
12 believe the first CIBS adjustment was in 2009.
13 And --

14 Q Yes. I'm sorry.

15 A (Frink) Is that correct?

16 Q I have actually the rate case filings, just to
17 put them on the calendar. There's an '08 case,
18 08-009; there's a '10 case, 10-017; and then
19 the two Liberty cases, 14-180 and 17-048.

20 A (Frink) So, the 2008 rate increase probably, I
21 don't believe there were any CIBS step
22 adjustments prior to that rate filing.

23 Q But there were in 2008, 2010, 2014, 2017, there
24 have been fairly regular rate cases throughout

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 the life of the EnergyNorth CIBS Program.

2 Fair?

3 A (Frink) That's correct. Yes.

4 Q And it's probably the case that EnergyNorth is
5 coming in more frequently because they're
6 spending more capital in addition to CIBS, so
7 that CIBS isn't enough to keep them out, as is
8 probably the case with Northern. Is that a
9 fair generalization?

10 A (Frink) Well, again, I can't tell you if that
11 was the case with Northern. But, yes. Of the
12 piece that the high capital spending by Liberty
13 is going to increase the need for -- is going
14 to increase earnings attrition.

15 Q A portion of your argument to discontinue CIBS
16 is the timing of the expected future rate case.
17 And what you laid out makes sense, that the
18 2019 -- calendar 2019 costs would be part of
19 the test year, and the calendar '20 costs would
20 be part of a expected step.

21 What if the timing of the rate case isn't
22 the same as you expect, i.e., a Spring of '20
23 filing? For example, if the case was delayed
24 by six months, which would then delay the

[WITNESS PANEL: Frink|Knepper]

1 recovery of the 2019 costs, and would, with a
2 midyear test year, would not pick up the next
3 year's costs, because they wouldn't be finished
4 and used and useful. Something like that could
5 interrupt the scenario that you lay out as the
6 likely recovery of CIBS costs?

7 A (Frink) Right. If there's a six-month delay,
8 then there would be six more months of earnings
9 attrition that would occur under that scenario.

10 Q And even more so, because, in calendar 2020, if
11 you -- let's assume a September filing of a
12 rate case, rather than a March. So, September,
13 a year later, in September, when the case is
14 resolving, you're not getting any of the CIBS
15 in that calendar year-end, because they're not
16 done yet.

17 A (Frink) I'm not disputing that. I'm just
18 suggesting that, from what the Company has told
19 us informally, and I think even on the record,
20 that there's an intention to file a general
21 rate case next year with a 2019 test year.

22 Q We have made those statements. I'm just
23 planting the seed that, if that were to change,
24 it would change the timing argument that Staff

[WITNESS PANEL: Frink|Knepper]

1 is making in this case?

2 A (Frink) It would.

3 Q And the same would happen if the case came in
4 early. It would upset that timing schedule,
5 and the ability to recover all of the CIBS
6 money over the next two years?

7 A (Frink) I think an earlier filing would
8 probably be to the benefit of shareholders,
9 because you'd get recovery more quickly than
10 you would under the step adjustment, but --

11 Q Again, just hypothetically, --

12 A (Frink) Hypothetically.

13 Q -- if you use a July 1 end of test year, you
14 file in the fall, none of the '19 CIBS is in
15 service, so it would not be part of temporary
16 rates.

17 A (Frink) Right. If you don't have a -- if your
18 test year is something other than the calendar
19 year beyond December 31st, 2019, that would
20 have a negative impact.

21 Q So, I'll do this quickly. If you could just
22 turn to your testimony, Exhibit 4, in the
23 middle of the page, Line 9, you recommend
24 the --

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 A (Frink) What page are we on?

2 Q I'm sorry. Bates Page 003.

3 A (Frink) Again, what line?

4 Q Nine. And you recommend approval of the
5 1 million dollar figure plus, and that's the
6 same number that the Company calculated and
7 presented from the stand this morning?

8 A (Frink) That is correct.

9 Q And if you turn to Bates 007, this is the
10 "leaks per mile" issue. In your table, there
11 is the leaks per mile as calculated as -- can't
12 remember if Mr. Frost or Mr. Furey described
13 it. And my question to you is, isn't it true
14 that all of those numbers are 1 or greater,
15 except for 2008?

16 A (Frink) Yes.

17 Q And a few of the times it's over 2?

18 A (Frink) There are two incidents where it's over
19 2 and one incident where it's 2.

20 Q In our response to your recommendation filed
21 back in March, I believe we presented a similar
22 calculation for Northern's leaks per mile,
23 based on some of the numbers from the old
24 Northern order. And they started at 1.3 leaks

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 per mile at the beginning, and were down to 0.6
2 at the end of the program. Do you recall that?

3 A (Frink) I do recall that. Your response is
4 Exhibit 2?

5 Q Correct.

6 A (Frink) I don't remember the specifics of that,
7 but --

8 Q Okay. So, is it -- I'll leave it at that.

9 Bates Page 008, Line 16 and 17 repeats the
10 miles left, and there has been some miles left
11 of CIBS, Lines 16 and 17. The point of my
12 question is that the starting point was
13 somewhere in the neighborhood of 150 miles, and
14 we're now in the neighborhood of either 50 or
15 60 miles, depending on whether we count this
16 year or not. So, there's still a third of the
17 mileage to be removed?

18 A (Frink) Okay.

19 Q The reason I ask is sometimes the tone of this
20 hearing is that we're almost at the finish
21 line. We still have a third of the CIBS to
22 remove that was there at the beginning of the
23 program?

24 A (Frink) And you will be removing a significant

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 amount over 2019 and 2020. I believe you will
2 be down to under 50 miles, or even less than
3 that. Forty-two miles, based on your current
4 plan and expected continuation at that level,
5 would get you down to 42 miles of CIBS at the
6 end of 2020.

7 Q And that means another three years or so at
8 that rate, understanding we may not get every
9 last mile of CIBS, but still a few more years
10 after that?

11 A (Frink) Yes.

12 Q And that's assuming the same level of effort on
13 the Company's part?

14 A (Frink) Correct.

15 Q There's been a description of the agreement or
16 commitment the Company made of the 2024 target
17 to remove all the CIBS, or at least all the
18 appropriate CIBS to remove. Isn't it fair to
19 say that that commitment was part of the
20 bargain that was the CIBS Program, which
21 included the accelerated recovery?

22 A (Frink) The accelerated recovery was an
23 incentive program to get the utility to speed
24 up the discretionary spending on replacing

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 CIBS. And that was when the 2024 was first
2 raised and addressed as a goal, that was
3 everybody's understanding, Staff and the
4 Company, that that was the goal at that point
5 in time.

6 Q And then, why don't we turn to Bates Page 005,
7 those are where you list the factors in support
8 of your request. Your first bullet is that
9 there has been "a significant decline in system
10 leaks". Is it fair to say that that statement
11 arises from the chart showing the system leaks
12 in the entire system, rather than the system
13 leaks solely on CIBS pipes?

14 A (Frink) Yes. That's correct. From that chart
15 that shows all leaks on the system.

16 Q Your next bullet, "regulatory burden", we just
17 discussed. The third bullet, the timing of the
18 rate cases we've discussed. And then the third
19 was you're analogizing this situation to the
20 Northern situation, and we've touched on that.

21 The last thing I want to raise with you,
22 Mr. Frink, is the language from the Settlement
23 Agreement, Attachment J, that set up the
24 program. And I think the relevant part is

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 attached to your testimony.

2 A (Frink) Mr. Knepper has --

3 Q Is that what it is? His testimony?

4 *[Court reporter interruption.]*

5 **BY THE WITNESS:**

6 A (Knepper) It's Attachment 2 of my testimony.

7 A (Frink) Exhibit 5, Attachment 2, at Bates Page
8 027.

9 BY MR. SHEEHAN:

10 Q Do you have the language in front of you that
11 concerns the termination of the program,
12 Paragraph (i), Page 16 of 19 of the Settlement
13 Agreement?

14 A (Frink) I'm there, yes.

15 Q Okay. I have a single sheet. Can you tell us
16 what you're looking at, so that others can --

17 A (Frink) Okay. So, this is, again, Exhibit 5,
18 Bates Page 029, and second to last item on that
19 is Item (i).

20 Q My question is the timing of, again, should the
21 Commission grant the Staff's request to
22 terminate the program, what is the timing of
23 that termination? And I suggest, if you read
24 this sentence, and I'll paraphrase: "The CIBS

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 Program will remain in place...until terminated
2 by the Commission...at the end of a given
3 construction year, with a final capital
4 allowance pertaining to that final year."

5 My suggestion is, doesn't the Commission
6 have to wait until the end of this construction
7 year to terminate it, allow for one last filing
8 in the Spring of 2020?

9 A (Frink) When -- I believe this pertains to the
10 CIBS fiscal year, so that runs through March.
11 And we actually raised and informed Liberty
12 that it was our intention to request that the
13 Commission terminate step adjustments. Last
14 year, following the CIBS proceeding, Mr.
15 Knepper testified at that proceeding that we
16 were going to have a tech session following the
17 proceeding and discuss that. We did, and we
18 let the Company know. And we presented our
19 recommendation in February. And we had thought
20 about possibly requesting a Commission decision
21 prior to the end of March, because that's the
22 fiscal year CIBS construction period. But we
23 thought that would be -- that it could be
24 addressed through the CIBS proceeding more

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 efficiently, so we didn't actually go down that
2 route. But that's -- so, when this (i), in my
3 opinion, refers to the CIBS construction year,
4 and we have done it, in the spirit of this
5 suggestion, let the Company know well in
6 advance, and presented it to the Commission in
7 time for you to adjust the programs
8 accordingly. In this case, because there's the
9 intent to file a rate case, there doesn't
10 really need to be an adjustment in your CIBS
11 Program, based on your expected filing and the
12 ability to recover those costs through that.

13 So, that is -- that's my understanding of
14 (i) and why we approached it the way we did.

15 Q I do not dispute that we had notice that Staff
16 was going to, obviously, seek this termination
17 starting last year, as you say. But, in fact,
18 the Commission has not terminated the program
19 as of today, correct?

20 A (Frink) That is correct.

21 Q And doesn't this say that the termination of
22 the program happens when the Commission
23 terminates it, not when Staff suggests that you
24 want it terminated?

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 A (Frink) That is correct.

2 Q Okay. And, Mr. Knepper, I'll do the same
3 thing.

4 A (Frink) Excuse me?

5 Q Do you have anything further?

6 A (Frink) Actually, Mr. Knepper pointed out to me
7 that he expects the Commission could terminate
8 it at any time on their own.

9 CHAIRMAN HONIGBERG: Neither of these
10 witnesses is a lawyer. The interpretation of
11 this paragraph may -- it certainly does require
12 some legal interpretation, I think.

13 MR. SHEEHAN: Fair enough.

14 CHAIRMAN HONIGBERG: What clauses
15 modify which other clauses is open to
16 discussion. But you're certainly entitled to
17 ask what their understanding is of what this
18 requires, and I think you've done that.

19 But do you have questions for Mr.
20 Knepper on this paragraph or something else?

21 MR. SHEEHAN: No, on something else.

22 CHAIRMAN HONIGBERG: Okay.

23 BY MR. SHEEHAN:

24 Q The same thing, Mr. Knepper. I'm going to just

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 sort of leaf through your testimony and ask you
2 to clarify or confirm a few things.

3 On Bates Page 004, you note that you're a
4 member of the "National Association of Pipeline
5 Safety Representatives". What is that?

6 A (Knepper) That's an association of fellow
7 program managers like myself for 50 or all the
8 states that have pipeline safety certificates,
9 or 60105s or 60106s through PHMSA. I think
10 it's everybody but Alaska and Hawaii.

11 Q On Page 7, which is also Bates Page 007,
12 starting on Line 13, there's language there
13 talking about what Staff has historically seen
14 of the pipes being removed from -- through the
15 CIBS Program. And I'll represent that, if you
16 were to read Mr. Knepper's testimony in past
17 CIBS dockets, there's similar language pretty
18 much every year.

19 And my question is, through this filing,
20 the Company is still removing pipe segments
21 that have 100 percent wall loss, i.e., holes,
22 correct?

23 A (Knepper) That's what we've seen in your
24 reports that you have submitted to us.

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 Q And the photographs attached to your testimony,
2 at Bates 037, 038, and 039, are the pipes
3 removed as part of the program that's being
4 addressed in this docket, correct?

5 A (Knepper) I don't have the page number in front
6 of me, but I assume that you got that correct.

7 Q Sure. It's the photos that have "FY 2019" on
8 them. Correct?

9 A (Knepper) Yes. I'm at 037 now, and yes. Now
10 I'm there, yes.

11 Q So, if you turn to the last page of FY 2019
12 photos, which is Bates 040, the pipes we see in
13 that photograph were in the ground last year?

14 A (Knepper) That's correct.

15 Q And would you be surprised if we remove
16 similarly compromised pipes this year?

17 A (Knepper) No. We've done 59 samples over ten
18 years, and we're seeing not a whole lot of
19 change.

20 Q One of the Company's witnesses stated that
21 approximately half of the remaining CIBS pipe
22 is 100 years old or older. Does that sound
23 right? Not asking you to confirm the details,
24 but as an order of magnitude, does that sound

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 right?

2 A (Knepper) Yes. I'll accept what you said. I
3 don't have the figures in front of me. I
4 mostly look at the bare steel for the years.
5 And the cast iron is, you know, it's not -- I
6 think they stopped putting most of the cast
7 iron in the '50s. So, we're already at 60.
8 So, probably sounds right.

9 Q On Bates Page 011, Line 4, you stated that, as
10 expected, the more pipe we're replacing each
11 year, we have economies of scale, and can do so
12 more economically. Correct?

13 A (Knepper) Yes. Your overhead gets spread out
14 over a larger amount of projects, so less of it
15 is going into just the CIBS.

16 Q And you noted in a couple lines down that the
17 cost that gone from \$150 per foot in '14, to
18 \$102 per foot in 2017, correct?

19 A (Knepper) I'm sorry, what page are you on?
20 Eleven?

21 Q The same Page, line 7 and 8.

22 A (Knepper) Yes. Right.

23 Q And then, down to Lines 11 through 13, you
24 compliment us for doing a good job of keeping

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 costs down?

2 A (Knepper) Yes. Just you'll see that I said
3 '17, because I didn't put the '18 degradation
4 fees in there, which would have kind of cranked
5 it up a little bit.

6 Q Understanding that it's something we don't have
7 much control over.

8 A (Knepper) So, I left it at '17.

9 Q Okay. All right. Go to Page 17, Lines 14, 15,
10 and 16, you are summarizing the actual costs
11 versus estimated costs, and note that they are
12 pretty close, and the "variance seems
13 reasonable", on Line 16. Correct?

14 A (Knepper) Yes. I think I say they indicate a 7
15 and a half percent, then I do a rough cut, and
16 I come out with about 4 and a half percent.
17 So, without going through every line item, I
18 said that 7 percent that the Company represents
19 seems reasonable. That's what I meant, the
20 overall. There's individual ones that have
21 varied quite widely, but in aggregate.

22 Q I'm going to ask you about two more documents,
23 and those are Exhibits 6 and 7. Do you have
24 those with you or no?

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 A (Knepper) Yes, I have them. I have them up
2 here.

3 Q Okay. Have you seen Exhibit 6 before? First,
4 I'll represent to you, this is, obviously, an
5 excerpt, just a couple pages from it. But have
6 you seen this report before?

7 A (Knepper) I think Massachusetts put it on their
8 website maybe ten days ago or two weeks ago, or
9 somewhere around that timeframe.

10 Q And it's fair to say that this is a report, as
11 it says this on the second page of the
12 document, the Massachusetts Commission has
13 opted to do a general assessment of their gas
14 utilities, obviously, in the wake of the
15 Columbia Gas incident, correct?

16 A (Knepper) Yes. I think they had to look at the
17 gas utilities, and I think they -- I think they
18 were instructed to look at the entire gas
19 program, including their Safety staff.

20 Q Right. And there are many comments about many
21 parts of the various gas industries, but the
22 page I've included relevant here is Pages 26
23 and 27 of the report, which is the second page
24 of what I provided here. And it -- the

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 highlighted section talks about a Massachusetts
2 equivalent of CIBS, which they call "GSEP", the
3 "Gas Safety Enhancement Program". And are you
4 aware that that's a program that's similar to
5 this program, where there is annual recovery of
6 CIBS replacement?

7 A (Knepper) Yes. That actually had to go through
8 their legislature, and they actually didn't
9 start that program until just a couple of years
10 ago. So, yes. They're well behind New
11 Hampshire.

12 Q And the last page, under the paragraph 7.4.2,
13 lists some what they call "ancillary benefits"
14 from removing CIBS. And I just want to ask
15 you, to the extent they apply to EnergyNorth,
16 are these benefits also what -- how are
17 customers realized from CIBS? The first one is
18 "excess flow valves", to the extent we are
19 moving cast iron customers onto a high pressure
20 system, correct?

21 A (Knepper) Yes, when you operate. But I think,
22 in Massachusetts, they allow high pressure on
23 their cast iron, which we don't up here. So, I
24 think that's the majority of what they are

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 using for excess flow valves. So, it's not
2 really applicable for our situation.

3 Q Right. For us, there's only a few systems that
4 we increase the pressure on.

5 "Moving inside meters outside", it's not
6 allowed for recovery through our CIBS Program,
7 but it is certainly a benefit that comes from
8 our CIBS Program, correct?

9 A (Knepper) Yes. Moving inside meters to
10 outdoors is, in my opinion, a good practice,
11 the Company was doing it. And because they're
12 doing service replacements and main
13 replacements, it makes sense for them to
14 continue it all the way up to the meter, and to
15 bring those meters outside.

16 The downside of that is, you can get
17 exterior damage on those gas meters, which we
18 experienced in the Seacoast.

19 Q And the third bullet is "updating records". If
20 you are replacing old pipes that may have
21 sketchy records with new pipes with precise
22 records, that's a benefit of the program,
23 correct?

24 A (Knepper) I would hope so.

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 Q And the rest of those, and we can just read
2 them, and it's clear they help, plastic pipe is
3 better than cast iron, better marking, mapping,
4 and will help with locating and reduce damage,
5 etcetera. So, these are the kinds of ancillary
6 benefits that come from removing cast iron from
7 the system, is that correct?

8 A (Knepper) I think this is, yes, these are, you
9 know, I guess, ancillary safety benefits, yes.

10 Q And if you could turn to Exhibit 7 now, this
11 time I provided the entire document. Have you
12 seen this document before?

13 A (Knepper) I was part of this document.

14 Q And that's why I asked you about the
15 Association. So, am I correct to say that this
16 document, and this is explained in the cover
17 letter, is a result of federal legislation that
18 directed PHMSA to contact people like you and
19 the others in that organization to ask about
20 CIBS-type programs? Is that a fair
21 characterization?

22 A (Knepper) Yes. They have had legislation for
23 decades before that that they have had to do
24 stuff on the same thing. But this whole thing

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 came out of that Allentown, Pennsylvania
2 explosion. It then got into the
3 reauthorization. First wanted to do a study,
4 and this is their response. So, --

5 Q And that reauthorization was 2016, I believe,
6 and this report came out, according to the
7 cover letter, the following year, in 2017?

8 A (Knepper) Yes. I think they had two years to
9 do it, to respond to Congress.

10 Q And if we turn to what's marked as "Page 1" of
11 the document, it's actually the third or fourth
12 page, titled "Executive Summary", the very
13 beginning describes what I just said, that this
14 came about by the statute, and reaching out to
15 you and your peers for information. Correct?

16 A (Knepper) Yes.

17 Q Turn to Page 10 of the document, this is
18 actually a more explicit description of what I
19 just said. The first paragraph says "PHMSA
20 reached out to its state pipeline safety
21 partners represented by [that association]".

22 And the next paragraph: "NAPSR queried
23 its state pipeline representatives to gather
24 data necessary to respond to [this statute]."

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 And you say you received that request?

2 A (Knepper) Yes. It usually comes in through an
3 email, like a MonkeySurvey type request.

4 Q And the following pages are the results of
5 that --

6 A (Knepper) SurveyMonkey, sorry. I said it
7 wrong. My left hand got confused with my right
8 hand.

9 CHAIRMAN HONIGBERG: It was funnier
10 the other way.

11 *[Laughter.]*

12 MR. SHEEHAN: And we'll leave the
13 "monkey" part of it alone.

14 BY MR. SHEEHAN:

15 Q If you were to turn to Page 16, where
16 "Recommendations" are listed, and this is not a
17 particular person or agency's recommendation.
18 It says, in the first line below the diagram,
19 "The following recommendations are aggregated
20 from the recommendations from the states."

21 So, somebody received the responses from
22 you and your other 50 colleagues and
23 generalized. And the very first one is
24 "Improve cost recovery mechanisms to encourage

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 accelerated pipeline replacement and repair."

2 So, my question is, it may not be your
3 opinion, but the opinion of your organization
4 is that accelerated recovery programs are a
5 good idea?

6 A (Knepper) I think the question was, "Does the
7 state have any recommendations", it all depends
8 on how they phrase it. So, let me -- can I
9 read it for a second?

10 Q Sure.

11 A (Knepper) So, should they -- yes. So, there's
12 quite a few bullets that talk about what those
13 recommendations was. I'm sorry, Mike. Was
14 your first question just on the first bullet or
15 on all of those bullets?

16 Q The first bullet.

17 A (Knepper) And it said "Forty-four percent of
18 the states recommended changes or additions to
19 Federal or State policies or best practices".
20 So, a little less than half did, yes. Uh-huh.

21 Q And the recommendations were, in the second
22 paragraph, "State utility Commission and other
23 rate-setting organizations should be encouraged
24 to focus more on the necessity of effective and

[WITNESS PANEL: Frink|Knepper]

1 timely pipeline repair and replacement
2 programs".

3 A (Knepper) Yes. So, you have to remember, this
4 is what's written by PHMSA, because they have
5 no authority over this Commission on rates.
6 So, all they can do is encourage. They can't
7 mandate, or they would have to do it through a
8 rulemaking, and they probably wouldn't be able
9 to do that to get that done. So, all they can
10 do is to urge state commissions to replace
11 aging infrastructure.

12 Even in their Distribution Integrity
13 Management Rules, they don't come out and say
14 "you must do this". They allow the operator to
15 identify threats, figure out mitigation
16 strategies. But, at the end of the day, it may
17 only -- doesn't say "you have to replace a
18 certain amount of pipeline by a given time".

19 Q And to maybe correct you, this is not PHMSA
20 speaking, these are the summary of the state
21 regulatory people's recommendations that
22 "commissions should be encouraged". Is that
23 fair?

24 A (Knepper) I haven't compared this against the

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 actual comments. But we actually have the
2 document, so --

3 Q And at the bottom of Page 17, where it's titled
4 "PHMSA Recommendations", it states "PHMSA
5 should continue to encourage states", *etcetera*,
6 to replace the piping. And is it fair to say
7 that, again, this is the collective
8 recommendation of the people who responded to
9 this survey that PHMSA should do that?

10 A (Knepper) These are PHMSA's recommendations,
11 right?

12 Q We can leave that alone. I think it speaks for
13 itself.

14 CHAIRMAN HONIGBERG: Okay.

15 WITNESS KNEPPER: I guess, if you
16 were asked "should they discontinue encouraging
17 states to replace it?" I think most of the
18 organizations said "No, they shouldn't
19 discontinue that practice of encouraging
20 replacement".

21 BY MR. SHEEHAN:

22 Q You made a comment during your description
23 of -- I think Mr. Buckley asked you questions
24 about the Company's ability to handle the extra

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 work of these, you know, high goals for CIBS
2 replacement, and you made a comment about
3 having the people necessary to do all the work,
4 because we're doing a lot of work in a lot of
5 different ways.

6 Do you recall that Mr. Furey testified
7 that we've tripled our number of inspectors
8 just over the last few years, correct?

9 A (Knepper) Yes. I think that's also one of the
10 requirements that's in that Attachment J of the
11 original Settlement Agreement, that you have to
12 have a certain span of control over the number
13 of crews. So, if you increase the crews, I
14 would expect the number of inspectors to go up.

15 Q So, it's not -- one person isn't doing more
16 work, we have more people doing more work.

17 A (Knepper) As far as the inspectors out in
18 field, yes. But --

19 Q And you would -- I'm sorry.

20 A (Knepper) But, you know, all the planning and
21 the prioritization that goes back in the back
22 office is probably still done by the core
23 staff, I'm assuming.

24 Q And you review all of that planning and

[WITNESS PANEL: Frink|Knepper]

1 prioritization through the CIBS Programs?

2 A (Knepper) Yes. We review a lot of it.

3 Q And we, as you say, we're doing the right thing
4 over the years, correct?

5 A (Knepper) Yes. We try not to micromanage. We
6 try to allow the Company to present what
7 they're doing, and if it makes sense, and we
8 give our comments back. And they tend to
9 incorporate some of our comments. But it's not
10 for us to say "don't do that" specifically,
11 because we don't have all that knowledge. But
12 I think, so far, overall, it's been relatively
13 collaborative.

14 MR. SHEEHAN: That's all I have.
15 Thank you.

16 CHAIRMAN HONIGBERG: Commissioner
17 Bailey.

18 BY CMSR. BAILEY:

19 Q Mr. Knepper, could you compare the kind of
20 review that you would do in a rate case, if you
21 were asked to decide whether the CIBS
22 investments were prudent, to the kind of review
23 that you do right now?

24 A (Knepper) Well, rate cases are a lot longer

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 timeframe you have to review it. We get these
2 documents on April 15th. We have our hearing,
3 what -- it's the first week of June. So, you
4 have a lot shorter timeframe to be able to go
5 through and review all of these things. I try
6 to do a thorough review, so that, if you ask me
7 a question on a certain number or a project, I
8 can answer it to the best of what I reviewed
9 it.

10 So, I'd say it's pretty in-depth, compared
11 to what we would do on other things.

12 Q Well, would the depth of your review in a rate
13 case, to determine whether the investments were
14 prudent, be similar, but you would just have
15 more time?

16 A (Knepper) I think, yes. A lot of it depends on
17 how much time I'm given to look at things, and
18 what I look at. So, yes. I tend to look at
19 everything that is submitted to me to great
20 detail.

21 Q And we appreciate you for that. If we
22 terminated the CIBS Program, as Staff is
23 recommending, and the Company slowed down the
24 pace of replacement, but got there in ten years

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 from now, would you be okay with that result?

2 A (Knepper) Probably not.

3 Q Do you think that they should continue the pace
4 that they -- do you still recommend that they
5 be completed with the CIBS Replacement Program
6 by 2024?

7 A (Knepper) I think it can be done, yes. You got
8 to remember, we're talking 2.8 miles, almost 3
9 miles a year is done independent of the --
10 outside of this program. So, if we're at
11 50 miles, there's another 10 miles taken care
12 of, so we're down to 40. I think it's very
13 manageable for them to do that on their own.
14 And that's, you know, a little bit less than
15 what they're doing.

16 It seems -- to me, it seems they can
17 continue this whether or not what the recovery
18 is. To me, that's independent of anything.

19 Q Mr. Frink, do you have a concern that the
20 corporate people who make the decisions on
21 financing might cut the budget, and they
22 wouldn't be allowed to do the replacement as
23 quickly as they otherwise would?

24 A (Frink) It shouldn't have any impact over the

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 next two years, because of the rate filing.

2 Q Right.

3 A (Frink) So, I don't expect corporate would be
4 cutting their budget. And if you do it through
5 traditional ratemaking, I don't know what other
6 jurisdictions have for trackers and so forth.
7 If they don't have trackers, then I don't see
8 why it would be -- corporate would favor one
9 over the other.

10 So, I really can't speak to what corporate
11 might do. But I certainly don't expect any
12 changes over the next two years into how
13 corporate funds this program.

14 And beyond that, I can't -- I wouldn't
15 want to venture a guess.

16 Q So, are you suggesting that our decision should
17 be to terminate the CIBS Program, deal with the
18 next two years in the rate case, and the
19 remaining four years -- is it four or three
20 after the rate case -- in the rate case as how
21 we would proceed going forward?

22 A (Frink) Well, I'm suggesting that the utility
23 and the Safety Division, and Staff in general,
24 should reevaluate the program towards the end

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 of 2020, that I believe even in Mr. Knepper's
2 testimony, there's some statement that things
3 are different than they were in 2006, and it's
4 worth taking a look at these things. Maybe at
5 that point the Company files a -- and it could
6 be in conjunction with Staff, that here is a
7 CIBS program that we'd like to take forward.
8 Maybe it's a year longer, maybe it's a
9 mechanism that provides for some kind of
10 financial benefit for customers.

11 As I suggested, Northern actually put in a
12 second step adjustment in their filing that was
13 optional. Well, actually, the Commission
14 approved a second step adjustment that was
15 optional. And Liberty could, if they wanted,
16 if they feel that the CIBS spending is
17 critical, and it's the majority of their
18 capital budget, and that they -- they would
19 like the option to go ahead and get a step
20 adjustment to recover that to avoid a serious
21 earnings attrition, then they could seek
22 something like that. And when they get to
23 2000 -- after 2021, they could say "okay, we're
24 going to take the step adjustment." But

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 there's a benefit there to ratepayers, a
2 financial benefit that we're not seeing now.

3 So, Liberty has a lot of approaches they
4 could take following the next two years, which
5 it's pretty much *status quo* for the next two
6 years. And then there should be a
7 reevaluation. There can be a recommendation, a
8 proposal by the Company to restart a tracker.
9 They could work with Staff on it.

10 But I think it's a decision that doesn't
11 need to be made now. I just think that, with
12 the rate case coming in, and the ability to
13 recover their CIBS costs through that, it
14 doesn't make any sense to be doing these
15 separate filings, which, in the last rate case,
16 actually led to some errors in the compliance
17 filing in the rates that were set. You're just
18 pulling those costs out and making adjustments
19 that you don't really need to be making.

20 And as I said, in a rate case, there's an
21 overall review of all capital spending, but
22 it's not -- it doesn't entail the kind of
23 detailed review that we do in a CIBS proceeding
24 that is a subset of the rate case. And that

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 doing that at the same time we're doing a rate
2 case is going to simply use up valuable
3 resources, Staff's time and the Commission
4 time, and any intervenors, and the Company
5 itself. To me, it's just cleaner and safer,
6 and without any rate impacts for the next two
7 years, just to deal with this through the rate
8 case. And what happens after that, I think it
9 needs to be relooked at then.

10 Q Okay. Thank you. Mr. Knepper, do you know
11 specifically all of the remaining CIBS segments
12 that need to be replaced? Have they been
13 identified?

14 A (Knepper) We could easily do a request for
15 that. We originally took the umbrella up front
16 what had to be replaced. So, we have all that.
17 We could cross off the ones that have all been
18 done and then have the net, or we could just
19 ask the Company to give us an update.

20 Q Okay. So, that information is available?

21 A (Knepper) It's available, yes. We know every
22 segment of pipe and what its material is, and
23 what leaks are on it, and all that.

24 Q Can you tell me the difference between the Bare

[WITNESS PANEL: Frink|Knepper]

1 Steel Program under -- that Northern did and
2 the CIBS? What's the difference in safety and
3 the technical difference?

4 A (Knepper) There's a couple things. First of
5 all, Northern Utilities predominantly had a
6 bare steel system. It didn't have a large cast
7 iron system. So, the order from the Commission
8 only had talked about, to a portion of their
9 system, only talked about the bare steel. Bare
10 steel for them was a large percentage, and it
11 had been going on for -- the replacement had
12 been going on for a long time. So, we never
13 said you had to get the cast iron out of your
14 system, but it made sense for them, if they're
15 replacing bare steel, to replace cast iron.
16 So, they removed all the leak prone pipe that
17 they had. And that includes services, as well
18 as mains.

19 So, the only thing that we had said on
20 theirs, in the beginning there was a surcharge,
21 and that was mostly established before I got
22 here. When I got here, they were showing me
23 leaks per mile, very similar to what Liberty
24 did. And I don't look at -- that, to me,

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 doesn't help. You know, if you get down to the
2 last -- last quarter mile, and you have one
3 leak, you now have a leak rate of four per
4 mile. So, those charts to me don't indicate
5 anything. So, I don't look at it that way. I
6 find that that's not a good indicator.

7 They tried to do the same thing with us,
8 and with me, and I was like "No. Let's just
9 agree to a definitive time, and you can replace
10 it on your own, at your leisure. You can do it
11 in one year, if you want. You can do it in
12 four years. You can do it with meetings with
13 municipalities."

14 And they pretty much took it and just
15 divided it by, you know, they had eight years
16 or nine years to go, so they had 36 miles, they
17 divided by nine, it was four a year. And one
18 year it might have been five, the next year was
19 three, but they have plugged it into their
20 program of work.

21 And I think Liberty is at that stage now.
22 It's roughly around ten miles a year,
23 eleven miles a year. We don't have to see
24 what, you know, we're at the point where this

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 segment of pipe probably is not relatively any
2 more worse than the next one. They're
3 relatively the same, probably, leakages. They
4 have gotten rid of most of the -- when they did
5 their prioritizations, we had this numbering
6 routine. They've gotten rid of all the ones
7 that had the high numbers. And now the
8 variation between what's left is, from first to
9 last, probably, I don't have the numbers in
10 front of me, but I'm guessing it doesn't vary
11 very much.

12 Q So, from your perspective, you think it would
13 be better to make sure they get their recovery
14 for the next two years of work in the rate
15 case, but you don't need to do the specific
16 review in advance?

17 A (Knepper) Yes. I think this was a stimulant.
18 And they have been stimulated. And it was
19 never meant to go for forever. And so, I don't
20 think that was ever the intent, that you
21 couldn't get off of this, I don't know, I call
22 it the benefits that we allowed. It wasn't
23 meant forever.

24 I think they can walk around on their own

[WITNESS PANEL: Frink|Knepper]

1 now, and they can take it off on their own.

2 They no longer need our close scrutiny.

3 CMSR. BAILEY: All right. Thank you.

4 CHAIRMAN HONIGBERG: Commissioner

5 Giaimo.

6 CMSR. GIAIMO: Good afternoon. A

7 couple of quick questions.

8 BY CMSR. GIAIMO:

9 Q Mr. Knepper, you said "ten or eleven miles". I
10 thought the Company said they're expecting to
11 do "13 miles a year". That's reasonable?
12 Thirteen is reasonable, because we're in the
13 ballpark?

14 A (Knepper) Yes. We've got to be careful in the
15 numbers we're using, whether it includes
16 municipal work or outside of municipal work,
17 whether you're talking within the CIBS or not.
18 But, at the end of this year, they will have
19 about 50 miles left. And if they're doing
20 thirteen miles a year, including municipal
21 work, it rounds up to about 52. That should
22 cover it.

23 Q So, it's manageable, reasonable, appropriate?

24 A (Knepper) It's kind of what they -- they have a

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 history that they did last year, and they did
2 approximately, I think, I don't have it right
3 in front of me, but maybe it's twelve. I'm
4 sure it's in my testimony of what they did.
5 That seems about what they can do.

6 Q You used an analogy that "they are able to
7 run", "they can run now". So, taking that to
8 the next, I guess my question is, is Staff's
9 proposal a change in the rules before the
10 finish line is actually met?

11 A (Knepper) I think Staff's proposal is in line
12 with what we had put in the original agreement,
13 that it can be terminated at some point in
14 time, and that it's not meant to be forever.

15 And so, I think it's not a change in the
16 rules. I think it's exercising a clause that's
17 there, when it was appropriate. If you had
18 asked me eight years ago, was it appropriate?
19 I would have said "no". I just think now is
20 the time.

21 Q Okay. Just a point of clarification. Attorney
22 Buckley was asking questions about the
23 Concord/Manchester/Nashua allocations. I just
24 want to make sure I understand it, I'm

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 understanding this right. Line 14, on Bates
2 009, says "Over time, Concord's share decreased
3 by 9 percent, while Manchester's and Nashua's
4 share", and this is share of leak prone pipes,
5 "increased by a corresponding 5 percent and 4
6 percent, respectively."

7 A (Knepper) Yes.

8 Q So, has proportionally more money gone to
9 Concord than the other two cities?

10 A (Knepper) No. Because it has a smaller amount
11 of pie, when you decrease equally across it,
12 you're shrinking Concord at a faster rate than
13 you are Nashua and Manchester.

14 So, if you were to compare, and I guess I
15 could go back and compare it against the
16 history, but, if I looked at what the cast iron
17 and bare steel was in Concord, because of the
18 way they have spread, the impact on Concord,
19 it's shrinking at a faster rate than
20 Manchester.

21 Q Okay. And that's why the recommendation was
22 also to target Manchester and Nashua?

23 A (Knepper) Yes. That's where a majority of
24 their cast iron main, if you look at the Figure

[WITNESS PANEL: Frink|Knepper]

1 2, I don't say where they are, but the majority
2 of their cast iron mains and bare steel mains
3 are in Manchester and Nashua, and Nashua
4 predominantly has the most of the bare steel.

5 Q Okay. And my last question is relative to Page
6 11 -- Bates 011 and 012. On Bates 011, at the
7 top Lines 1 through about 8, it seems to me
8 that the point you're making is there is an
9 economy of scale here which is showing a
10 decrease in costs?

11 A (Knepper) Yes. It gets really hard, when I
12 look at the costs year to year, because
13 sometimes the data has aggregation fees, and
14 sometimes they took them out and spread them
15 out, then I got to go back and I've got to make
16 all these adjustments year to year.

17 But I would say that we're now entering --
18 this year's cost per foot are higher than last
19 year's, last year's was higher than the year
20 before. And a lot of this now is because I
21 think the municipalities are putting stricter
22 requirements on them, they're having some time
23 limits. Their paving requirements, their
24 degradation fees, all that stuff is impacting

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 this program. And as our costs that are going
2 up, regardless of whether they were replacing
3 plastic or cast iron or anything else, it's
4 just those are the municipal impacts on city
5 streets. It's becoming more and more of a
6 cost. You have to pay for their inspector now,
7 on top of Liberty's inspector. And so, it's
8 driving it up. So, I expect it to continue to
9 go up.

10 Even if -- I think they have kind of -- I
11 think Liberty has kind of maxed out about what
12 amount of crews they can handle and get the
13 work done in a construction season. You know,
14 if they think they can do 20 miles a year, I
15 just don't see it happening. They have never
16 done anything like that.

17 Q So, Line 4 it says "As expected, the cost per
18 foot of main replaced decreases as the quantity
19 replaced increases." Is that correct?

20 A (Knepper) Yes. And that was probably -- what
21 did you say, on Line 4 of Page 11?

22 Q Yes.

23 A (Knepper) Yes. So, from the years 2013 to
24 2016, it was going down as they were going up.

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 Q Okay.

2 A (Knepper) But they also excluded, you can see
3 Concord, Manchester -- Concord degradation fees
4 were in there, and -- were in there, Manchester
5 degradation fees were not. So, ideally, if you
6 wanted to make a second graph with and without
7 it, and then you could kind of see the
8 comparison.

9 CMSR. GIAIMO: Okay. All right.
10 Well, that's helpful. Thank you.

11 CHAIRMAN HONIGBERG: I don't have any
12 questions that haven't already been answered.

13 Ms. Fabrizio, do you have any
14 redirect for the witnesses?

15 MS. FABRIZIO: I do have just a few.
16 I'll try to make it quick, because I can see
17 people looking at the clock.

18 **REDIRECT EXAMINATION**

19 BY MS. FABRIZIO:

20 Q This question is addressed to both. Does a
21 change in the timing of the anticipated rate
22 case by the Company change your position that
23 the CIBS accelerated recovery program should be
24 terminated?

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 A (Frink) It doesn't sound as though there's
2 going to be a large discrepancy in when they
3 file. Whether it's a few months or not
4 shouldn't make a big difference. And no, it
5 doesn't change our recommendation, certainly
6 not mine.

7 A (Knepper) Nor for me.

8 Q Thank you. Mr. Knepper, you've taken a look at
9 the exhibit marked as number "6", by Dynamic
10 Risk. You went over that with Attorney
11 Sheehan?

12 A (Knepper) Yes. Yes.

13 Q Is this document, or at least the excerpts that
14 we are seeing today, applicable or relevant to
15 New Hampshire gas companies or to the New
16 Hampshire Gas Safety Program?

17 A (Knepper) Not really. This was for the
18 Commonwealth that was required by -- the
19 Governor said that they were going to do an
20 assessment of their program, because of what
21 happened at Merrimack Valley. This is an
22 attempt to do that.

23 Where Massachusetts is in position to
24 where New Hampshire is, they have roughly

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 21 percent of their pipe is -- needs to be
2 replaced. They have 3,000 miles, approximately
3 3,000 miles of cast iron. We're talking less
4 than 50. They have almost 1,500 miles of bare
5 steel. They're in a different position than we
6 are. And so, they have a higher percentage,
7 they have a larger amount of things.

8 And so, as I tell people all the time,
9 we've been whittling away at this over a long
10 period of time. And these people now have to
11 take major -- major measures, because of the
12 quantity of leaks that they have on their
13 system.

14 Q And, Mr. Knepper, this report does not apply to
15 New Hampshire companies, is that true?

16 A (Knepper) It does not apply to New Hampshire
17 companies at all.

18 MS. FABRIZIO: Mr. Chairman, I would
19 move -- I would object to this being admitted
20 into the evidence in this case as irrelevant
21 and incomplete.

22 CHAIRMAN HONIGBERG: Mr. Sheehan.

23 MR. SHEEHAN: There was never a
24 suggestion that it applies to this company. It

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 was a piece of evidence to suggest that the
2 climate in New England, in 2019, should
3 militate against terminating the CIBS Program.
4 And this was evidence of what was happening in
5 Massachusetts and the recommendations of that
6 outfit.

7 CHAIRMAN HONIGBERG: Overruled.

8 We'll allow it.

9 Anything else?

10 MS. FABRIZIO: Yes.

11 CHAIRMAN HONIGBERG: Okay.

12 BY MS. FABRIZIO:

13 Q You have also seen Exhibit 7, the PHMSA report,
14 Mr. Knepper. Is it your position that, without
15 accelerated recovery for CIBS replacement, at
16 this time and at this stage in the Company's
17 replacement efforts, that Liberty has little
18 incentive to continue CIBS replacement?

19 A (Knepper) I'm sorry. Could you repeat the
20 question?

21 Q Sure. You've seen Exhibits 7, which is the
22 PHMSA report?

23 A (Knepper) Yes.

24 Q And Attorney Sheehan referred to a statement

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 that "accelerated programs are a good idea".
2 And I'm asking you, is it your position that,
3 without accelerated recovery, at this time and
4 at this stage in the Company's replacement
5 efforts, that the Company has little incentive
6 to continue CIBS replacements without the
7 accelerated recovery?

8 A (Knepper) No. I think it's a core obligation
9 of what they're required to do to deliver safe
10 and reliable service.

11 Q Okay. Thank you. And in going back to Exhibit
12 6, which is going into the record, you saw a
13 list in Section 7.4.2 on Page 27 of the excerpt
14 about the ancillary safety benefits?

15 A (Knepper) Yes.

16 Q Would you expect Liberty to continue exercising
17 the measures that are listed in this section in
18 the normal course, with or without accelerated
19 recovery of CIBS replacement?

20 A (Knepper) Yes, except for the last one, that
21 last bullet. We do see a number of low
22 pressure systems in a natural gas distribution
23 system, which have their own inherent risks.
24 The low pressure system, it doesn't really

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 matter whether it's cast iron, bare steel,
2 plastic, coated steel. It happens to be,
3 typically, in New Hampshire and in
4 Massachusetts, it typically is the cast iron
5 and bare steel. But that's only because it
6 hasn't been totally replaced yet.

7 Q Okay. Thank you. Let's see. Do you have, Mr.
8 Knepper again, do you have any safety concerns
9 regarding the replacement of CIBS without
10 accelerated recovery, and if it were done
11 through the Company's normal course of
12 business, based on the practices developed
13 under the CIBS Program thus far?

14 A (Knepper) No. I think I'm trying to say that I
15 think they can do it as part of their routine
16 core work of projects. So, I don't think
17 them -- again, I'm back to the recovery
18 mechanism that's associated with CIBS. And
19 cast iron/bare steel replacement don't have to
20 be intrinsically linked.

21 Q Thank you. And this question is addressed to
22 both of you, and it is my final question. Do
23 you each maintain your recommendation that the
24 CIBS Program be terminated?

{DG 19-054} {06-06-19}

[WITNESS PANEL: Frink|Knepper]

1 A (Frink) Yes.

2 A (Knepper) Yes.

3 MS. FABRIZIO: Thank you. That
4 concludes my questions.

5 CHAIRMAN HONIGBERG: All right. I
6 think you gentlemen can probably stay where you
7 are, because it shouldn't be long from here.

8 There are no other witnesses,
9 correct?

10 MS. FABRIZIO: Correct.

11 CHAIRMAN HONIGBERG: Without
12 objection, we'll strike ID on Exhibits 1
13 through 8. Hold the record open for a response
14 that will become Exhibit 9.

15 I think the last thing we need to do
16 is to allow the parties to sum up. Mr.
17 Buckley, why don't you start us off.

18 MR. BUCKLEY: Thank you, Mr.
19 Chairman.

20 The Office of the Consumer Advocate
21 concurs with Staff's February 14th, 2019
22 recommendation to discontinue the CIBS
23 accelerated cost recovery mechanism, because we
24 believe that a focus on safety and relatedly

{DG 19-054} {06-06-19}

1 leak prone pipe replacement is a foundational
2 component of the regulatory compact and an
3 obligation of any regulated utility doing
4 business here in New Hampshire, regardless of
5 any accelerated cost recovery mechanism.

6 In particular, in light of the
7 Company's historical rate case frequency, we
8 are not convinced that the benefits of such a
9 mechanism outweigh its costs. And such
10 accelerated cost recovery mechanisms do have
11 real costs.

12 The threat of earnings attrition
13 between rate cases is an inherent component in
14 cost of service ratemaking for a reason. The
15 efficiencies and project prioritization
16 encourages a regulated utility to pursue bring
17 direct benefits to ratepayers. Those benefits
18 are fewer and farther between, when one half of
19 a utility's annual capital budget is eligible
20 for accelerated cost recovery.

21 We also agree with the recommendation
22 set forth in Mr. Knepper's testimony that only
23 \$778,739 of the carryover should be eligible
24 for recovery in this proceeding.

1 Subject to the aforementioned
2 qualifiers, we do see the rates proposed in the
3 instant Petition as just and reasonable, and
4 recommend their approval by the Commission.

5 CHAIRMAN HONIGBERG: Thank you,
6 Mr. Buckley. Ms. Fabrizio.

7 MS. FABRIZIO: Thank you, Mr.
8 Chairman.

9 Staff requests the Commission approve
10 the \$1,020,832 increase in Liberty's annual
11 revenue requirement to recover CIBS Fiscal Year
12 2019 spending allowed under the terms of the
13 approved settlement that set the parameters of
14 the current program. The increase excludes
15 carryover costs in excess of 5 percent that
16 were in Liberty's proposed increase, but have
17 been addressed here today.

18 Staff has argued today for the
19 termination or suspension of the CIBS Program
20 for Liberty. Liberty has achieved significant
21 progress in its replacement of cast iron and
22 bare steel pipes in recent years, and will have
23 at the conclusion of this season approximately
24 50 miles of main remaining, which is equivalent

1 to approximately 3.5 percent of its system.
2 The remaining CIBS pipe is primarily
3 concentrated in areas that, according to
4 Liberty, are subject to timing and cost
5 constraints imposed by the cities of
6 Manchester, Nashua, and Concord, due to street
7 degradation fees and municipal work schedules.

8 Staff maintains that Liberty has
9 developed a routine process that is annually
10 used for the replacement of CIBS pipelines and
11 that, given the municipal constraints we've
12 heard about in the Company's testimony, as well
13 as the Company's anticipated rate filing next
14 year, that the accelerated recovery of CIBS
15 expenses through special annual step
16 adjustments is no longer warranted, and that
17 future expenses should be recovered as normal
18 business capital expenditures. The developed
19 replacement routine, while requiring planning
20 and management, no longer needs special
21 treatment by the Commission. These
22 replacements, while they remain a priority, can
23 and should be considered, in essence, typical
24 and fundamental obligatory expected replacement

1 projects necessary for Liberty to achieve its
2 desired result of safe and reliable gas
3 services delivered to the public.

4 CIBS spending 2020 will be addressed
5 through Liberty's Street 2020 general rate
6 filing. Shareholder and ratepayers will --
7 shareholders and ratepayers will derive no
8 benefit from annual CIBS step increases in 2020
9 and 2021, and filing CIBS step adjustments
10 during that time will unnecessarily complicate
11 the rate case and take up valuable Company,
12 Commission, and intervenor resources. Liberty
13 can and should reevaluate its CIBS replacement
14 program following 2020, based on the safety and
15 cost considerations that exist after another
16 two years of aggressive CIBS replacement.
17 Following that reevaluation, Liberty on its
18 own, or in conjunction with Staff, could
19 request approval of a revised CIBS replacement
20 program at that time.

21 Staff therefore requests Commission
22 approval of Staff's proposed revenue increase
23 and termination of the accelerated replacement
24 cost recovery program. The basic and

1 fundamental utility obligation for the
2 replacement -- to replace leak prone pipelines
3 and recondition aging infrastructure, and the
4 cost recovery related to that obligation, can
5 and should be addressed through traditional
6 rate filings. While Staff continues to urge
7 the continued replacement of leak-prone CIBS
8 pipe in Liberty's service territory, given the
9 regulatory burden on all parties of reviewing
10 yearly replacement plans, projects, and
11 detailed costs, and the Company's anticipated
12 rate filing next year or so, and as well as the
13 frequency of general rate filings in the
14 future, Staff concludes that the annual cost
15 recovery is no longer warranted.

16 CHAIRMAN HONIGBERG: Thank you,
17 Ms. Fabrizio. Mr. Sheehan.

18 MR. SHEEHAN: Thank you.

19 First, we appreciate both parties'
20 support for the requested rate change and
21 adjusted number, if you will. We ask that the
22 Commission approve that.

23 Second, as to the actual policy issue
24 that's before the Commission today, whether to

1 continue the program. Starting with the
2 Settlement language, which I started to talk to
3 the witnesses about, it's our position that
4 it's very clear that the Commission cannot
5 retroactively cancel the CIBS Program. We
6 certainly were on notice that Staff would be
7 making this request. But we planned and are
8 now implementing a joint \$5 million program,
9 based on the compact that is the CIBS Program.
10 And the language is that the Commission --
11 "until terminated by the Commission or by
12 mutual agreement at the end of a given
13 construction year". So, it certainly makes
14 sense that, now that we're in the middle of a
15 year, we should be allowed to finish it, again,
16 if this is -- if the Commission is going to
17 terminate, have one last hearing to recover the
18 2019 costs.

19 So, as a threshold matter, should the
20 Commission otherwise decide to terminate the
21 program, it needs to do so at the end of this
22 current CIBS fiscal year.

23 Second, again, it is a policy
24 decision on the Commission's part whether to

1 terminate the program, and it certainly has
2 dollar impacts on our end. The policy is
3 obvious, that the purpose of those exhibits I
4 introduced was to illustrate that the state
5 regulators, as documented in that survey, the
6 consultant that reviewed the Mass. system, the
7 legislation cited by our witnesses in
8 testimony, all encourage CIBS programs, which
9 include accelerated recovery. And we think --
10 we are not willing to be the first company to
11 say, in this climate, "please discontinue it",
12 and that's why we are objecting to the request.
13 And we think it's not a wise policy move to
14 make at this time.

15 As far as the factors that militate
16 for or against terminating the program, the
17 biggest one, and the one that makes the most
18 sense from Staff's perspective, is if we do
19 follow our usual rate case schedule, we will
20 recover these costs with temporary rates next
21 year, and the next year's costs through a step
22 adjustment. And we have always planned to do
23 that. But those plans aren't final, and they
24 may change. We may file the case at a

1 different date.

2 So, it seems to be a -- it seems to
3 me that an alternative approach is to just not
4 decide the issue now of whether it's terminated
5 or not. Let us figure out exactly when we're
6 going to file the rate case. If it turns out
7 we file it on the same schedule, we will know
8 that certainly early in the year, and we can
9 advise the parties that, by the time we file in
10 April, long before then, we're not going to do
11 a CIBS this year. Or, if the schedule is
12 different, we can notify the parties we're
13 filing, say, in August, and we think CIBS
14 should continue and have the conversation then.
15 So, --

16 CHAIRMAN HONIGBERG: Just before you
17 go further, in that latter scenario where you
18 say it's a delay, and Staff wants to assert
19 "well, you should end it anyway", what are the
20 constraints under your interpretation of the
21 Settlement Agreement as to when it could be
22 terminated? Are you putting -- does your
23 interpretation allow you to put Staff and the
24 Commission in a box, and say "well, we've

1 already started another year, so you can't stop
2 us now"?

3 MR. SHEEHAN: That's a fair question.
4 And I guess the solution would be to -- let me
5 back up. If the Commission were to defer the
6 decision to this kind of conversation, it
7 would -- you could put a deadline on us to
8 decide "yay" or "nay". And if we don't act by
9 that deadline, it's on us. And maybe that
10 deadline, --

11 *[Court reporter interruption.]*

12 MR. SHEEHAN: Brian and his group are
13 now planning for next year, but that's a
14 relatively small piece of it. It's when we
15 start spending money and renewing contracts.
16 So, --

17 CHAIRMAN HONIGBERG: That's okay. I
18 just wanted to make sure --

19 MR. SHEEHAN: That concept.

20 CHAIRMAN HONIGBERG: -- that we heard
21 each other on that. And so, if that is
22 necessary, we could put some language in an
23 order that would create the kind of deadline
24 you suggested.

1 MR. SHEEHAN: And Commissioner Giaimo
2 asked for a quick comment on the factors in Mr.
3 Frink's testimony, and I think we've probably
4 beat most of them. The number one factor, the
5 public safety risks, as you heard our witnesses
6 say, we react to Class I leaks as we have to.
7 Some CIBS leaking pipe do not rise to that
8 level. And we do have those leaks, and we have
9 a process and rules to manage them. So, those
10 pipes can stay in the ground longer with
11 appropriate management and without jeopardizing
12 any safety.

13 So, should the program cease, and
14 should the Company allocate some money
15 elsewhere and slow the program down, we can do
16 so safely. And I reject the assumption that,
17 by slowing the program down, we are somehow
18 putting customers and the public at risk.

19 Remember that the parties to this
20 docket agreed to the accelerated recovery. And
21 to now say that we can't -- well, to now
22 essentially say "we had to do it anyway", seems
23 to run counter to their agreement that they
24 were willing to agree to the accelerated

1 recovery to speed it up.

2 So, Commission Bailey made a
3 suggestion of maybe a different way to build in
4 CIBS recovery through some kind of base rate
5 amount. The concept is attractive. There's a
6 lot of details that have to be worked through.
7 But we would certainly give whatever
8 appropriate mechanism thought when we do file
9 our next rate case. Is there a different way
10 to skin this cat of something other than a CIBS
11 filing?

12 And as you know in our electric rate
13 case, we have proposed a mechanism to allow
14 step -- yearly step recoveries of capital spend
15 for non-growth projects. So, the equivalent of
16 CIBS or the equivalent of spending money that
17 doesn't increase revenue, is there a way to
18 get, you know, adjustments to rates on a yearly
19 basis that could be handled on the gas side as
20 well? And we've asked for that in the electric
21 case, we'll go through the process there.

22 My understanding is other utilities
23 have had similar mechanisms in the past.
24 Again, the purpose is to delay rate cases and

1 to allow companies to just run their business
2 for a few years in between these rate cases.

3 CHAIRMAN HONIGBERG: I guess what I
4 would say about that, if you and the OCA and
5 Staff think, between the time we leave here
6 today and the time we issue an order on this,
7 that maybe there's another way that this could
8 be handled, to finish out what we're doing
9 right now, but then put everything else into
10 discussion as part of the rate case to develop
11 a new mechanism, that would be consistent with
12 what I think Commissioner Bailey had in mind,
13 might be a discussion worth having before we
14 issue an order on this. Because that, you
15 know, that will lock in in stone something that
16 you may not like or Staff may not like or the
17 OCA might not like.

18 So, maybe there's an opportunity to
19 have some further discussion about that,
20 quickly, once we all leave here today. Not
21 literally today, but you know what I mean.

22 MR. SHEEHAN: And thinking out loud,
23 the mechanism to convey that to you would be
24 some agreed letter or filing that says "the

1 parties are suggesting X"?

2 CHAIRMAN HONIGBERG: Yes. And if you
3 think there's promise there, it might be a
4 quick letter or a letter soon that said "You
5 might want to hold off, if you could stay your
6 decision for some period of time". Although I
7 guess we do have a deadline for getting this
8 into rates, don't we?

9 MR. SHEEHAN: Yes, it's at July 1.
10 But you could certainly bifurcate it. Approve
11 the rates, and leave open the continuation
12 issue for another day.

13 CHAIRMAN HONIGBERG: Right. That's
14 right. Because I don't think there's any real
15 dispute about the rate that should go into
16 effect.

17 MR. SHEEHAN: Correct.

18 CHAIRMAN HONIGBERG: Okay.

19 MR. SHEEHAN: I think anything else I
20 would say would be repetitive. So, I have
21 nothing further. Thank you.

22 CHAIRMAN HONIGBERG: All right.

23 Thank you, Mr. Sheehan.

24 All right. If there's nothing else,

1 then we will close the record, except holding
2 it open for Exhibit 9, adjourn the hearing,
3 take the matter under advisement, and issue an
4 order as quickly as we can. Thank you.

5 **(Whereupon the hearing was**
6 **adjourned at 1:50 p.m.)**

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