**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

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| In the Matter of the Commission’s Investigation into Ohio Rural Natural Gas Co-op and Related Matters | )  )  ) | Case No.16-1578-GA-COI |

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**DIRECT TESTIMONY OF DARRYL KNIGHT**

**ON BEHALF OF OHIO RURAL NATURAL GAS CO-OP**

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**OHIO RURAL NATURAL GAS CO-OP EXHIBIT \_\_\_**

**Filed: August 30, 2016**

**INTRODUCTION**

Q. WHAT IS YOUR NAME AND BUSINESS ADDRESS?

A. My name is Darryl Knight and my business address is 7001 Center Street, Mentor, Ohio 44060.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Ohio Rural Natural Gas Co-op (“ORNG Co-op”) as its General Manager. I am also the President of ORNG Co-op’s Board of Directors.

Q. WHAT ARE YOUR RESPONSIBILITIES AS GENERAL MANAGER?

A. As ORNG Co-op’s General Manager, I oversee its day-to-day operations, including compliance with the Public Utilities of Ohio (“PUCO” or “Commission”) pipeline safety regulations.

Q. WHAT ARE YOUR RESPONSIBILITIES AS PRESIDENT OF THE BOARD OF DIRECTORS?

A. As the President of the Board of Directors of ORNG Co-op, I am ultimately responsible for all aspects of ORNG Co-op’s operations, including its corporate governance, recordkeeping, strategic planning, and all legal matters.

Q. WHAT WAS YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND PRIOR TO JOINING ORNG CO-OP?

A. I hold a high school diploma from Fairport Harding High, located in Fairport Harbor, Ohio. Professionally, from December of 1988 to December of 1996, I was operations manager of Osair, Inc. In that capacity I coordinated with others to run a nitrogen plant located in Mentor, Ohio and managed the construction of industrial spec buildings. From December of 1996 to June of 2002, I was operations manager of Liberty Self-Stor, where I managed a portfolio of 22 self-storage properties located in Ohio, New York, Pennsylvania, Indiana and North Carolina. From June of 2002 to May of 2008 I was Operations Manager of Orwell Natural Gas, a natural gas distribution company, where I assisted with the management of the company’s daily operations. From May of 2008 to February of 2009 I was Vice President of Energy West Resources, a company located in Great Falls, Montana that engages in natural gas trading, supplies wholesale and retail natural gas, and engages in natural gas production and gathering. In that role I assisted with management of the company’s daily operations. From February of 2009 to October of 2012, I was Corporate Director of Purchasing for Gas Natural, Inc., which operates natural-gas distribution and pipeline public utilities in Montana, Ohio, Pennsylvania, Maine, North Carolina, and Kentucky and also engages in natural gas production and marketing. From October, 2012 to September, 2014 I was President of Frontier Natural Gas, LLC, a natural-gas distribution company located in Elkin, North Carolina, with a footprint that covered five counties with approximately 3,000 customers. I was responsible for the overall operation of that company in my role as President. From December of 2012 to November of 2013 I was President of Independence Oil, a propane company located in Independence, Virginia, with a satellite office in West Jefferson, North Carolina. There I was responsible for the overall operation of the company, which served approximately 4,000 customers.

Q. WHEN DID YOU FIRST START WORKING FOR ORNG CO-OP?

A. I actually oversaw the initial formation of ORNG Co-op. I began planning for formation of the cooperative in January of 2015, and ORNG Co-op was registered with the Ohio Secretary of State on February 12, 2015. I left ORNG Co-op in August of 2015 to pursue an opportunity at Melzer’s Fuel, where I was a territory representative of fuel sales. On March 28, 2016, I returned to ORNG Co-op.

**COMPANY HISTORY**

Q. WHAT IS ORNG CO-OP?

A. ORNG Co-op is a local distribution natural gas cooperative organized under Chapter 1729 of the Ohio Revised Code to provide natural gas service to rural customers in Northeast Ohio.

Q. WHO OWNS ORNG CO-OP?

A. As a cooperative, ORNG Co-op is owned by its members.

Q. HOW MANY MEMBERS DOES ORNG CO-OP HAVE?

A. At present, ORNG Co-op has approximately 72 members who receive natural gas service from it. ORNG Co-op has an additional 68 members who have joined the cooperative but have yet to receive service. The majority of the members who have not yet received service reside on Duck Creek and Ellsworth Roads near New Berlin, Ohio.

Q. IN WHICH COUNTIES DOES ORNG CO-OP PROVIDE SERVICE?

A. ORNG Co-op currently provides service to member-customers in Geauga, Lake, Mahoning, Holmes, and Trumbull Counties.

Q. DOES ORNG CO-OP CURRENTLY PROVIDE SERVICE IN ASHTABULA COUNTY?

A. No.

**BACKGROUND TO STAFF’S REPORT**

Q. HAVE YOU EXAMINED THE REPORT THAT STAFF FILED IN THIS CASE?

A. I have.

Q. IN YOUR OWN WORDS, WHAT DOES THE REPORT GENERALLY ALLEGE?

A. The Report alleges that ORNG Co-op’s operations failed to comply with Ohio’s pipeline safety regulations on several occasions.

Q. IS THERE ANYTHING YOU WOULD LIKE TO ADDRESS ABOUT THE REPORT BEFORE WE TURN TO THE SPECIFIC INSTANCES OF NONCOMPLIANCE THE REPORT ALLEGES?

A. Yes. At page 2 the Report alleges that a company named Ohio Rural Natural Gas, LLC installed natural gas pipelines in the area of Newton Falls, Ohio on February 10, 2015. The Report further alleges that Ohio Rural Natural Gas, LLC was not registered with the Commission as a natural gas distribution company and that upon being contacted by Staff, Ohio Rural Natural Gas, LLC changed its registration with the Ohio Secretary of State to become ORNG Co-op.

Q. IS THIS ALLEGATION ACCURATE?

A. Absolutely not.

Q. COULD YOU PLEASE EXPLAIN WHY THIS ALLEGATION IS NOT ACCURATE?

A. I will need to provide a little bit of background to do so.

Q. PLEASE, GO AHEAD.

A. I formed Ohio Rural Natural Gas, LLC in November of 2014 to operate a municipal natural gas utility for the Village of Waynesfield, Ohio pursuant to a franchise agreement with the village. While Waynesfield did pass an ordinance to enter into a franchise agreement with Ohio Rural Natural Gas, LLC, after further study I determined that it would not be economically feasible for Ohio Rural Natural Gas, LLC to enter into the franchise agreement as passed. Ohio Rural Natural Gas, LLC therefore declined to execute the franchise agreement. At that point in time, Ohio Rural Natural Gas, LLC ceased all operations. Ohio Rural Natural Gas, LLC never laid any pipe and never provided any natural gas service.

In January of 2015 I saw that rural residents and businesses in Northeast Ohio had an unfulfilled need for natural gas service. After much analysis, I determined that forming a cooperative natural gas utility would be the most cost effective means of providing service to these individuals and businesses. I therefore began to take the steps necessary to form ORNG Co-op at that time.

Q. SO, IS THERE ANY SORT OF RELATIONSHIP BETWEEN OHIO RURAL NATURAL GAS, LLC AND ORNG CO-OP?

A. No. ORNG Co-op and Ohio Rural Natural Gas, LLC are completely distinct, and, as I intimated before, Ohio Rural Natural Gas, LLC never actually became a going concern.

Q. WHAT ABOUT STAFF’S ALLEGATION THAT OHIO RURAL NATURAL GAS, LLC CHANGED ITS REGISTRATION WITH THE OHIO SECRETARY OF STATE TO BECOME ORNG CO-OP?

A. I have no idea why the Report makes this allegation because the Ohio Secretary of State’s online, public records demonstrate there is no basis for it. The Ohio Secretary of State’s records show that Ohio Rural Natural Gas, LLC and ORNG Co-op are distinct and separately registered companies with the Ohio Secretary of State. I have attached as Attachment DK-1 to my testimony a printout of the search results of the Ohio Secretary of State’s website for the term, “Ohio Rural Natural Gas.” This website search was generated at my request subject to my supervision. As the search results demonstrate, Ohio Rural Natural Gas, LLC and ORNG Co-op are different entities that have different registration numbers. In addition, Attachment DK-2 and Attachment DK-3 to my testimony are the separate business entity Certificates of Registration that Ohio Rural Natural Gas LLC and ORNG Co-op, respectively, received from the Ohio Secretary of State, which records Ohio Rural Natural Gas LLC and ORNG Co-op maintain in the course of their regularly conducted business activities.

**RESPONSE TO THE ALLEGATIONS OF NONCOMPLIANCE**

**WITH PUCO SAFETY REGULATIONS IN STAFF’S REPORT**

Q. WHAT IS THE FIRST ALLEGATION OF NONCOMPLIANCE WITH PUCO SAFETY REGULATIONS THAT THE REPORT ALLEGES?

A. The Report first references the March 10, 2015, Notice of Probable Noncompliance (the “March 2015 NPN”) Staff issued to ORNG Co-op in which Staff alleged that ORNG Co-op installed pipeline without maintaining procedures for the design, installation, construction, inspection and testing of piping, an O&M manual, emergency response plan, public awareness plan, operator qualification plan, and integrity management plan. The March 2015 NPN also alleged that ORNG Co-op was performing new construction of pipeline without establishing operator qualification requirements.

Q. WERE THE ALLEGATIONS IN THE MARCH 2015 NPN CORRECT?

A. Unfortunately, yes. ORNG Co-op was—and is—a new company that does not have the institutional knowledge that a Columbia Gas or the like has. In our haste to provide natural gas service as quickly and efficiently as possible to our new members, we got ahead of ourselves and did not have in place all of the paperwork we should have had in place prior to beginning operations.

Q. HOW DID ORNG CO-OP RECTIFY THE ISSUES THE MARCH 2015 NPN RAISED?

A. ORNG Co-op purchased an Operating and Maintenance Plan and related manuals from Utilities Technologies International Corporation (“UTI”) to remedy the deficiencies in its paperwork Staff had identified. For the Commission’s reference, I have attached to my testimony these manuals as follows: Operating and Maintenance Plan Manual (Attachment DK-4), Operator Qualification Manual (Attachment DK-5), Distribution Integrity Management Plan (Attachment DK-6), PHMSA Manual (Attachment DK-7), Welding Manual (Attachment DK-8), Public Awareness Plan (Attachment DK-9) and Emergency Procedures Manual (Attachment DK-10). ORNG Co-op maintains these records that were created at its direction as part of its regularly conducted business activities.

Q. DID THIS ACTION SATISFY STAFF’S CONCERNS REGARDING THE DEFICIENCIES IN ORNG CO-OP PAPERWORK?

A. To a great degree. On July 24, 2015, Staff wrote ORNG Co-op acknowledging that it had verified ORNG Co-op had obtained an Operator ID, had registered with an underground utility protection service, and had developed plans and procedures necessary for the operation of a gas pipeline facility. (I have attached a copy of Staff’s letter as Attachment DK-11 to my testimony. That letter is also attached as Appendix B to the Report.) Staff’s letter also stated that ORNG Co-op still had to present Staff with a Drug and Alcohol plan and the operator’s Public Awareness baseline message material. Staff, however, noted that these deficiencies did not prevent ORNG Co-op from commencing operations.

Q. HAS ORNG CO-OP SINCE CREATED A DRUG AND ALCOHOL PLAN AND PUBLIC AWARENESS PLAN?

A. Yes. I have attached those plans to my testimony as Attachment DK-12 (Drug and Alcohol Plan) and Attachment DK-9 (Public Awareness Plan, as noted above), which documents ORNG Co-op keeps in the course of its regularly conducted business activities. I note that employees’ social security numbers have been redacted from the Drug and Alcohol Plan and that other personal confidential information in this document has been redacted, with an unredated version being filed under seal.

Q. DID THE JULY 24, 2015 LETTER RAISE ANY NEW ISSUES NOT INCLUDED IN THE MARCH 2015 NPN?

A. Yes, it did.

Q. WHAT WERE THOSE ISSUES?

A. Staff informed ORNG Co-op that before it could put the lines it had installed in service, it had to conduct pressure testing to establish an MAOP for the pipeline. It also informed ORNG Co-op that it was required to perform a leak survey before it could put the pipeline in service.

Q. HOW DID ORNG CO-OP RESPOND TO THESE ISSUES?

A. Unfortunately, the lines were pressurized before ORNG Co-op had completed the pressure testing and leak survey. Staff discovered ORNG Co-op’s oversight on September 3, 2015. ORNG Co-op then completed the pipeline integrity procedures to Staff’s satisfaction on September 18, 2015, as Staff acknowledges in its Report at page 3.

Q. WHY DID ORNG CO-OP FAIL TO COMPLETE THE PIPELINE INTEGRITY MEASURES STAFF HAD ORDERED BEFORE PRESSURIZING THE LINES?

A. ORNG Co-op’s business records do not reveal why the lines were pressurized before complying with Staff’s directive. Further, because I was not working at ORNG Co-op at the time the lines were pressurized, I have no personal knowledge regarding this matter.

Q. AT THIS TIME DID ORNG CO-OP ADDRESS THE REMAINING DEFICIENCIES IN ITS OPERATOR QUALIFICATION PLAN STAFF HAD IDENTIFIED IN JULY 24, 2015 LETTER?

A. Regrettably, no, it did not.

Q. WHY NOT?

A. Again, because I left ORNG Co-op in August of 2015, I do not have any personal knowledge as to why ORNG Co-op did not rectify the identified deficiencies at that time, and ORNG Co-op business records do not reveal why these issues were not addressed.

Q. HAS ORNG CO-OP SINCE CORRECTED THIS DEFICIENCY?

A. It has, as demonstrated by the Operator Qualification Plan and accompanying appendices, which I previously referenced as Attachment DK-5 to my testimony.

Q. WHAT IS THE NEXT ALLEGATION OF NONCOMPLIANCE THE REPORT MAKES?

A. The Report next references a December 1, 2015 Notice of Probable Noncompliance (the “December 2015 NPN”) and a corresponding Compliance Order (the December 2015 Compliance Order”) that Staff issued to ORNG Co-op regarding ORNG Co-op’s actions in late November, 2015, to switch natural gas service at the Tin Man Storage facility located in Mentor, Ohio, from Orwell Natural Gas to ORNG Co-op.

Q. IS THE REPORT’S DISCUSSION OF ORNG CO-OP’S EFFORTS TO COMPLY WITH THE DECEMBER 2015 COMPLIANCE ORDER ACCURATE?

A. There are some inaccuracies in the Report.

Q. PLEASE ADDRESS THOSE INACCURACIES.

A. First, at page 8 of the Report, Staff asserts that “Staff investigation showed that ORNG only corrected violations that were noted at Tin Man Storage without correcting the violations at other areas where ORNG provides service, or in some cases failed to correct the violations altogether.” This statement is inaccurate because the December 2015 NPN does not allege that ORNG Co-op experienced any violations beyond those Staff had identified at the Tin Man facility. Thus, the Report’s allegation that there were “violations at other areas where ORNG provides service” at the time of the Tin Man incident is without factual basis.

Second, under the “Discussion of Violations” section of the Report Staff alleges that ORNG Co-op only partially complied with numerous aspects of the December 2015 Compliance Order’s directives to correct noncompliance issues ***at*** Tin Man Storage. This allegation is not accurate. As the Report itself notes at page 17, “Staff investigated and confirmed that ORNG has met these terms [of the Compliance Order] with the exception of meeting the Public Awareness requirements of 49 CFR 192.616.” Furthermore, Chris Domonkos witnessed the reinstallation of the Tin Man meters and the pressure testing of all consumer piping to verify that all appliances were connected or shut off, as memorialized in the Affidavit of ORNG Co-op’s prior compliance manager, Amy Caunter. I have included Ms. Caunter’s affidavit as Attachment DK-13 to my testimony, which Affidavit ORNG Co-op maintains it in the course of its regularly conducted business activities.

The Report is accurate, however, to the extent that it alleges ORNG Co-op did not implement the December 2015 Compliance Order’s directives to inspect other parts of its system, provide operator qualification records for employees and contractors, or implement its Public Awareness Program within the timeframes the December 2015 Compliance Order required.

Q. COULD YOU PLEASE DISCUSS WHAT EFFORTS ORNG CO-OP HAS UNDERTAKEN TO ADDRESS THE OUTSTANDING ITEMS FROM THE DECEMBER 2015 COMPLIANCE ORDER?

A. Certainly. This section of Staff’s Report that discusses compliance with the December 2015 Compliance Order is structured by bullet point, so I will address each issue by reference to the solid bullet points as applicable.

Under this first bullet point, Staff alleges that other than for Tin Man Storage, ORNG Co-op failed to provide Staff with pressure testing records for all other new meters, although the December 2015 Compliance Order did not instruct ORNG Co-op to produce those records to Staff. To demonstrate compliance with this issue, I have attached as Attachment DK-14 to my testimony the pressure-testing records included on the Service Line Order forms for all other new meter installations.

The next relevant bullet point—the fourth one—corresponds to item 3 of the December 2015 Compliance Order, which directed ORNG Co-op to perform a visual inspection of all regulator stations in its system for correct design and installation and directed that any deficiencies be corrected. ORNG Co-op has complied with this Order, as demonstrated by the Cathodic Protection Reports attached as Attachment DK-15 to my testimony and the Atmospheric Corrosion Inspection Reports attached as Attachment DK-16 to my testimony.

The fifth bullet point alleges that ORNG Co-op failed to provide Staff with any records of pressure testing or establishing an MAOP for the remainder of its systems beyond Tin Man Storage. To address this issue, attached as Attachment DK-17 to my testimony are the records that Staff requested in its December 2015 Compliance Order, which demonstrate pressure testing records for the following systems: Ellsworth Road, Fracci Court, Oak Street, Muzic-LeRoy Center Road, Dowd, Williams Road, Williams Road Barn, Reynolds Road, Hallock Young-Lyntz Road, Ellsworth Road, East Avenue/Os Air Plant, and Sugar Bush Drive.

I note that Attachment DK-17 does not include pressure testing or MAOP records for the Williams Road-Steel Head Run system (but as I just said, we have provided the records for Williams Road-Barn system). The farm tap in this system, which was transferred from Orwell Natural Gas to ORNG Co-op, does not have a valve to isolate it from the Orwell Trumbull Pipeline transmission system. Therefore, ORNG Co-Op cannot perform a pressure test on this system. However, attached as Attachment DK-18 to my testimony are JanX inspection reports for portions of ORNG Co-Op’s system. Page 2 of this attachment includes the Leak Survey Report for the Williams Road-Steel Head Run system. In addition, attached as Attachment DK-19 to my testimony are Leak Survey Reports for ORNG Co-Op’s system. Page 2 of this attachment includes the Leak Survey Report for the Williams Road-Steel Head Run system.

Q. PLEASE ADDRESS THE SIXTH BULLET POINT.

A. The sixth bullet point alleges that ORNG Co-op’s qualification records are incomplete because it has not documented that its employees and contractors are qualified for each task referenced in the “Covered Task Evaluation Form” in our Operator Qualification plan. As I previously testified, Attachment DK-5 to my testimony demonstrates ORNG Co-op is now in compliance with this item.

Q. PLEASE ADDRESS THE SEVENTH BULLET POINT.

A. The seventh bullet point alleges that ORNG Co-op largely failed to implement its Public Awareness Program. To the extent this item of noncompliance may or may not have been addressed during my absence from the company, the item has now been corrected. As demonstrated by Attachment DK-9 to my testimony, ORNG Co-op has sent out the required public awareness notifications to customers, non-customer residents and businesses located in ORNG Co-op’s service territory, public officials, emergency officials, school districts, municipalities, area excavators (who were sent notices in English and Spanish), and area land developers. Attachment DK-20 to my testimony are the form notices that these individuals and entities received. ORNG Co-op created the attached notices and maintains them in the course of its regularly conducted business activities.

In addition, on August 11, 2016, ORNG Co-op launched its website, [www.orngco-op.com](http://www.orngco-op.com). The website provides a company 24 hour emergency contact number and a link to ORNG Co-op’s Public Awareness Flyer, which can be accessed at this website address: <http://nebula.wsimg.com/6c71c130dd31e0dabe3bfbba0c43ee8b?AccessKeyId=2C8879C906001761FECC&disposition=0&alloworigin=1>. The homepage of ORNG Co-op’s website also prominently displays a “Gas Safety” button on its menu bar which, when clicked, opens a window for safegasohio.org to provide additional information regarding natural gas safety to the public.

Q. HAS ORNG CO-OP NOW COMPLIED WITH ALL DIRECTIVES OF THE DECEMBER 2015 COMPLIANCE ORDER?

A. Yes.

Q. COULD YOU PLEASE NEXT ADDRESS THE NOTICE OF PROBABLE NONCOMPLIANCE THAT STAFF ISSUED ON APRIL 5, 2016?

A. Yes. The April 5, 2016 Notice of Probable Noncompliance (the “April 2016 NPN”) and corresponding Compliance Order (the “April 2016 Compliance Order”) relate to ORNG Co-op’s systems along Duck Creek Road and Ellsworth Road. The April 2016 NPN alleges that on March 16, 2016, Staff observed ORNG Co-op personnel improperly fusing pipeline in the area of the Ellsworth and Duck Creek Road intersection (the “Duck Creek Road System”). The April 2016 NPN also alleges that the personnel fusing the pipe were not properly qualified and that written procedures for joining plastic pipe were not available to the personnel making the joints.

Staff alleges that the result of these noncompliance issues was the improper installation of 3400’ of piping in the Duck Creek Road system. In the April 2016 NPN Staff also speculated that 5,400’ of pipe along Ellsworth Road (the “Ellsworth Road System”) was installed using improper techniques, but it offered no evidence to substantiate its belief.

Finally, the April 2016 NPN alleged some deficiencies regarding the equipment that ORNG Co-op personnel to fuse pipe; specifically, that ORNG Co-op personnel (a) were fusing pipe with damaged faceplates; (b) were not cleaning the pipe ends and heating elements with non-synthetic cloth; and (c) were fusing pipe without proper wind shielding.

Q. COULD YOU FIRST TELL US HOW ORNG CO-OP RESPONDED TO THE APRIL 2016 NPN’S ALLEGATION THAT ORNG CO-OP’S PERSONNEL AND CONTRACTORS WERE NOT PROPERLY QUALIFIED AND THAT WRITTEN PROCEDURES FOR JOINING OF PIPE WERE NOT AVAILABLE TO THEM?

A. Yes. As Staff’s Report acknowledges at page 19, ORNG Co-op immediately requalified its personnel for fusion of plastic joint, as demonstrated in ORNG Co-op’s Operator Qualifications manual, Attachment DK-5 to my testimony. In addition, copies of ORNG Co-op’s Welding Manual are now maintained on all ORNG Co-op vehicles as well as at ORNG Co-op’s main office.

Q. COULD YOU PLEASE TELL US HOW ORNG CO-OP RESPONDED TO THE APRIL 2016 NPN’S ALLEGATIONS REGARDING THE EQUIPMENT DEFICIENCIES IT IDENTIFIED?

A. Yes. First, rather than simply replacing the damaged faceplates, ORNG Co-op purchased a completely new pipe-fusing machine, known as a “Pit bull.” Attachment DK-21 to my testimony is a picture I took of the new Pit Bull ORNG Co-op purchased along with its Operator’s Manual, which document ORNG Co-op keeps in the course of its regularly conducted business activities. ORNG Co-op has also purchased appropriate lint free cloth to be used in fusing. Attachment DK-22 to my testimony is a picture I took of a bundle of this cloth purchased. Finally, ORNG Co-op purchased wind shielding equipment as shown Attachment DK-23 to my testimony.

In addition, ORNG Co-op purchased a pyrometer to be used during pipe fusing to ensure that pipe is fused at the appropriate temperature. Attachment DK-24 to my testimony is a picture I took of the pyrometer ORNG Co-op purchased.

Q. COULD YOU NOW RESPOND TO THE ALLEGATIONS THE DUCK CREEK SYSTEM PIPE JOINTS WERE IMPROPERLY FUSED?

A. Yes. I agree that the joints that Staff observed ORNG Co-op’s personnel making at the Duck Creek Road System were not compliant with PUCO regulations.

Q. WHAT HAS ORNG CO-OP DONE TO CORRECT THIS INSTANCE OF NONCOMPLIANCE?

A. At the time Staff discovered this noncompliance issue, 1,400’ of the 3,400’ stretch of pipeline in the Duck Creek Road System had been buried while the remaining 2,000’ was still above ground. As Staff acknowledges in its Report, ORNG Co-op personnel, under Staff supervision, cut out and replaced the defective joints in the 2,000’ of pipeline that were still above ground.

Q. WHAT ABOUT THE 1,400’ OF PIPELINE THAT WAS BURIED?

A. Through its April 2016 Compliance Order, Staff directed ORNG Co-op to excavate all plastic joints buried along the Duck Creek Road System (which is approximately 1,400’ feet), cut out all defective joints and replace them with Staff present prior to putting the system in service.

Q. HOW DID ORNG CO-OP RESPOND TO THIS PORTION OF THE ORDER?

A. ORNG Co-op has not charged the line nor placed it in service. ORNG Co-op did ask Staff to consider a counterproposal to dig up one-quarter of the joints and, if any were defective to dig up the remainder and replace all defective joints. Staff did not respond to ORNG Co-op’s counter proposal.

Q. IS ORNG CO-OP STANDING ON ITS COUNTERPROPOSAL REGARDING THIS ISSUE?

A. Well, ORNG Co-op has received no response to its counterproposal. Assuming that response is “no,” ORNG Co-op will excavate all joints in the buried portion of the Duck Creek Road System to determine if they are defective and replace them as necessary before charging the system. ORNG Co-op will contact Staff to arrange a time convenient to Staff to supervise ORNG Co-op’s implementation of this action.

Q. WHAT OTHER ACTIONS DID STAFF DIRECT ORNG CO-OP TO PERFORM IN ITS APRIL 2016 COMPLIANCE ORDER?

A. Staff directed ORNG Co-op to take the Ellsworth Road System out of service, to excavate all joints along the 5,400’ of pipeline in the Ellsworth Road System, and to cut out and replace all joints under Staff supervision.

Q. HAS ORNG CO-OP COMPLIED WITH THIS PORTION OF THE ORDER?

A. Again, ORNG Co-op wrote to Staff with a counterproposal to a) pressure test the Ellsworth Road System with air at 160 psi for a 24 hour period; b) gas and purge the system with Staff present; c) perform an immediate leak survey; and d) perform a leak survey on the system on a quarterly basis. Staff has not responded to ORNG Co-op’s counter proposal, as acknowledged in its Report.

Q. IS ORNG CO-OP STANDING ON ITS COUNTERPROPOSAL REGARDING THIS ISSUE?

A. While ORNG Co-op would again appreciate a response from Staff, assuming that response is “no,” ORNG Co-op has decided to propose an even more comprehensive response to this issue—to uprate the system as it did with the Hallock-Young Lintz Road System and the perform a leak survey of the system with Staff present.

Q. WHY DOES ORNG CO-OP BELIEVE THIS NEW COUNTERPROPOSAL IS SUFFICIENT TO MEET STAFF’S CONCERNS THAT THE JOINTS IN THE ELLSWORTH ROAD SYSTEM MIGHT HAVE BEEN IMPROPERLY FUSED?

A. As I testified previously, Staff has presented no evidence that the joints in the Ellsworth Road System were improperly fused. Staff’s allegation is pure speculation. In fact, the available evidence supports the conclusion that the joints in the Ellsworth Road System were properly fused. This evidence, Attachment DK-25 to my testimony, includes inspection and testing records for the Ellsworth Road System. ORNG Co-op created these documents and maintains them in the course of its regularly conducted business activities.

First, Attachment DK-25 at page 2 shows that the Ellsworth Road System was pressure tested beginning on December 9, 2015. The test demonstrated that the Ellsworth Road System maintained a psi of 130 without incident for over 24 hours. Next, on December 14, 2015, the Ellsworth Road System’s MAOP was calculated at 60 psi, as demonstrated by page 23–24 and 27–30 of Attachment DK-19. The system was then charged on January 7, 2016, without incident as shown on page 8 of Attachment DK-25.

As demonstrated on the pages 1, 11, 31, and 32 of Attachment DK-25, on February 5, 2016, ORNG Co-op performed a leak survey of the Ellsworth Road System and found no issues. Annual valve inspections have been performed as shown on pages 4, 7, and 10 of Attachment DK-25. Regulator station records are included at pages 15, 25, 26, 34, and 35 of Attachment DK-25 showing normal operation. Another leak survey was performed on August 29, 2016, as shown on pages 36 to 37 of Attachment DK-25. Finally, page 38 of Attachment DK-25 shows the regulator station of Ellsworth Road.

In sum, these records demonstrate that the Ellsworth Road System has been pressurized since January 4, 2016, without incident. If the Ellsworth Road System had been installed with defective joints, the system would have failed by now. Therefore, we feel ORNG Co-op’s new counterproposal to Staff’s April 2016 Compliance Order is more than adequate to address Staff’s unsubstantiated concerns.

Q. COULD YOU NEXT ADDRESS THE PORTION OF STAFF’S REPORT THAT DISCUSSES THE COMPLIANCE DEFICIENCIES THAT STAFF’S MAY 2016 AUDIT OF ORNG CO-OP ALLEGEDLY FOUND?

A. Yes. Staff’s May 2016 audit of ORNG Co-op’s pipeline safety records did unfortunately find several instances of noncompliance, although in one instance Staff’s allegation of noncompliance is not supported. I will address these audit items by reference to the numbers Staff used in its Report to list them. Please allow me to also point out that the failure to maintain many of these records appears to have resulted from turnover within ORNG Co-op during my absence. With my return, we have acted to correct not only the specific deficiencies Staff identified, but also to train personnel on these obligations. With that having been said:

1. The first audit item identified a failure to maintain Welding Procedures and qualifications of welders. The items have now been remedied as demonstrated by the Welding Procedure Manual attached as Attachment DK-8 to my testimony and the operator qualification records attached as Attachment DK-5 to my testimony. In addition, copies of the Welding Manual are now maintained on all ORNG Co-op trucks and are therefore accessible to ORNG Co-op personnel at all times to ensure they follow proper procedures.

2. The second audit item alleges that ORNG Co-op failed to issue 49 CFR § 192.16 customer notices to inform customers of their responsibility to maintain service lines. ORNG Co-op, however, maintains the pipeline up to entrance into the customer’s building. ORNG Co-op is therefore not required to provide the customer notification referenced in 49 CFR § 192.16 by the regulation’s own language. This alleged noncompliance issue is therefore the one that I stated is not supported.

3. Like item one, item three alleges that ORNG Co-op was unable to provide qualified welding procedures to Staff. As demonstrated by Exhibit \_\_, ORNG Co-op has corrected this issue.

4. Item four alleges that ORNG Co-op failed to perform nondestructive testing of two welds into a Cobra Pipeline at its Newton Falls System and welds at ORNG Co-op’s Hallock-Young and Ellsworth Road Town Boarder Stations. ORNG Co-op is still in the process of attending to this item, and I will supplement my testimony when this has been completed.

5. Item five alleges that ORNG Co-op failed to nondestructively test 12 taps into steel lines. ORNG Co-op has now rectified this noncompliance issue as demonstrated in Attachment DK-18 to my testimony.

6. Item six alleges the inlet risers at Fracci Court and Tin Man Storage need to be reinstalled because the PE pipe is exposed above ground level and is helping to support the regulator stations. ORNG Co-op has buried the PE piping at issue so reinstallation of the riser is no longer required.

7. Item seven alleges that excess flow values were not installed on ORNG Co-op’s Muzic, Down and Williams Road-Steel Head Run systems. ORNG Co-op has now rectified these noncompliance issues as demonstrated in Attachment DK-14 to my testimony.

8. Item eight alleges that ORNG Co-op installed numerous farms taps and new main line steel piping without cathodic protection systems. ORNG Co-op has now rectified these noncompliance issues as also demonstrated Attachment DK-14 to my testimony.

9. Item nine alleges that ORNG Co-op has no cathodic protection monitoring records for 2015. Unfortunately, ORNG Co-op is unable to locate these records. The employee who was custodian of those records was terminated due to her extreme disorganization.

10. Item ten alleges that the steel main line pipe supplying gas to Os Air is in poor condition. ORNG Co-op has taken that pipeline out of service. In its place, ORNG Co-op has running new, traditional-underground pipeline, as documented by Attachment DK-32 to my testimony, which records ORNG Co-op maintains in the course of its regularly conducted business activities.

11. Item eleven alleges that the outlet riser at the Hallock-Young station has corrosion present. This station has been replaced in its entirety as demonstrated by in Attachment DK-26 to my testimony, which is a picture of the new Hallock-Young station taken at my direction, which record is maintained as part of ORNG Co-op’s regularly conducted business activities. This item also alleges that the Fracci Court System farm tap is not properly protected from corrosion. This issue has been corrected as demonstrated by Attachment DK-27 to my testimony, which are pictures of the Fracci Court tap taken at my direction which are maintained as part of ORNG Co-op’s regularly conducted business activities..

12. Item twelve alleges that ORNG Co-op does not have any records showing the location of cathodically protected piping or test points, or records of any tests, surveys, or inspection to demonstrate that a corrosive condition does not exist. ORNG Co-op has now rectified this noncompliance issue as demonstrated in Attachment DK-28 (Continuing Surveillance Reports), Attachment DK-16 (Atmospheric Corrosion Inspection Report) and Attachment DK-19 (Leak Survey Reports) to my testimony.

13. Item thirteen alleges that ORNG Co-op was unable to produce pressure testing records for the majority of its systems’ farm taps. Co-op has rectified this noncompliance issue as demonstrated in Attachment DK-17 to my testimony.

14. Item fourteen alleges that ORNG Co-op does not have appropriate written emergency procedures, that ORNG Co-op personnel do not have access to necessary gas leak detection equipment, and that ORNG Co-op does not have any record of training its personnel in emergency procedures. Again, ORNG Co-op has remedied these deficiencies. First, Attachment DK-10 to my testimony is ORNG Co-op’s Emergency Procedure Manual that has been updated with current contact information for ORNG Co-op emergency response personnel and for appropriate emergency and public officials. ORNG Co-op has also now provided its supervisors with a copies of its Emergency Procedures Manual. ORNG Co-op has also purchased atmosphere leak detection equipment and an and S-lock locator, as demonstrated by the invoices for that equipment and the pictures I took of the same included in Attachment DK-29 to my testimony, which records ORNG Co-op maintains in the course of its regularly conducted business activities.

15. Item fifteen relates to the deficiencies in ORNG Co-op’s implementation of its Public Awareness Program, which issues ORNG Co-op has now rectified as I testified to previously.

16. Item 16 alleges that ORNG Co-op has failed to establish an MAOP for its Sugar Bush, Hallock-Young, Ellsworth Road, Reynolds Road, Williams Road, Steel Head Run, or Os Air systems or steel service lines off the Fracci, Oak, Dowd, Muzic, Williams Road Barn, and Williams Road Steel Head Run fed from farm taps. ORNG Co-op has now rectified this noncompliance issue as demonstrated in Attachment DK-17 to my testimony.

17. Item 17 alleges that ORNG Co-op is operating an exposed steel main with no line markers at its Os Air system. As I testified before, ORNG Co-op has abandoned the exposed system. This item is therefore no longer an issue.

18. Item 18 also related to the Os Air system which is being replaced, and is therefore no longer an issue.

19. Item 19 alleges that ORNG Co-op cannot demonstrate that PE plastic piping installations in 2015 were performed by qualified individuals. Attachment DK-30 to my testimony are the 2015 operator qualification cards that ORNG Co-op maintains as part of its regularly conducted business activities.

20. Item 20 alleges that ORNG Co-op fails to document sufficient information to meet 49 CFR 192.1007’s requirements for an integrity management plan. To the contrary, the system inspection and testing items I have just testified to establish, in part, that ORNG Co-op is properly implementing its integrity management plan. Further records which demonstrate that ORNG Co-op has adequately documented and implemented its integrity management plan are found in ORNG Co-op DIMP manual and records, Attachment DK-6 to my testimony. These records demonstrate that ORNG Co-op has identified threats through incident and leak history, corrosion control records, continuing surveillance records, patrolling records, maintenance history, and excavation damage experience; that ORNG Co-op has evaluated the risks associated with its distribution pipeline determining the relative importance of each threat and estimate and rank the risks posed to its pipeline; has implemented a leak management program; and has developed performance measures to evaluate the effectiveness of its integrity management program through appropriate metrics.

21. Item 21 alleges that two leaks were observed at the Hallock-Young town board station. ORNG Co-op has rectified this noncompliance issue by replacing the station as documented in Attachment DK-26. In addition, as I previously just testified, ORNG Co-op has now purchase atmospheric leak detection equipment.  
Q. HAVE YOU ADDRESSED ALL NONCOMPLIANCE ISSUES THE REPORT RAISES?

A. Yes, I believe I have.

Q. IS THERE ANYTHING ELSE THE REPORT DISCUSSES THAT YOU WOULD LIKE TO ADDRESS?

A. Yes. It is true that we stumbled out-of-the-gate. At the April 2016 meeting with Staff and our attorneys, I told Staff that we recognize this, we are correcting this, and we are embarrassed by this. Still, at page 20 the Report alleges that “ORNG Co-op is a willful and persistent violator of the Pipeline Safety Regulations” and that ORNG Co-op disregards safety regulations unless Staff is present to directly observe its personnel. These allegations are not true. I have conceded that ORNG Co-op has experienced multiple noncompliance issues. However, I want to assure the Commission that when I have been in charge of ORNG Co-op’s operations, I have done everything in my power to safely and expeditiously correct all instances of noncompliance. At no time have I directed ORNG Co-op personnel not to fully cooperate with Staff or to ignore any pipeline safety regulations. While it is true that ORNG Co-op failed to fully implement its Public Awareness Program and its Welding Manual, to complete its Operator Qualification plan for all covered tasks, and to complete a visual inspection of all regulator stations for a period of time, these failures were not willful and were simply oversights that ORNG Co-op made as a new cooperative utility that has been building and educating its staff over the past eighteen months. Further, as I testified to before, I was absent from ORNG Co-op from August of last year to March of this year. During that period ORNG Co-op’s compliance efforts unfortunately failed to advance, and, ORNG Co-op experienced what I believe were the most concerning noncompliance issues that I have devoted my full attention to correct.

I want the Commission to know that so long as I am in charge of ORNG Co-op, every possible effort will be made to ensure that ORNG Co-op is in compliance with PUCO pipeline safety regulations and that ORNG Co-op will fully cooperate with Staff in all matters. I also want the Commission to know that I have made personnel training a company priority, so that when the day comes that I step away from ORNG Co-op, there will be no reoccurrence of the events that took place in my absence.

Q. FINALLY, AS YOU KNOW STAFF IS SEEKING A $600,000 FORFEITURE IN ITS REPORT. CAN ORNG CO-OP PAY THIS FORFEITURE IF IT IS ULTIMATELY ASSESSED?

A. No. The fact of the matter is that ORNG Co-op is operating at a deficit, and the only capital assets it has are its pipeline systems and equipment. Attachment DK-31 to my testimony is ORNG Co-op balance sheet as of July 31, 2016, which demonstrates this fact. The balance sheet shows that ORNG Co-op owes $628,201.85 of long-term debt and $279,749.74 of current liabilities, such as accounts payable. In addition, ORNG Co-op shows a *negative* net income of $302,969.43 and *negative* retained earnings of $350,426.89.

Given ORNG Co-op’s financial state, a forfeiture of the magnitude that Staff seeks will put ORNG Co-op out-of-business, leaving numerous Northeast Ohio rural customers without the ability to obtain natural gas service.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes. I reserve the right to supplement my testimony.