

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Joint Application of	)	
Utility Pipeline, Ltd., Cobra Pipeline	)	
Company, Ltd., and Knox Energy	)	Case No. 21-0803-GA-ATR
Cooperative Association, Inc. to Substitute	)	
Natural Gas Service and Transfer Assets	)	
and Customers	)	

**DIRECT TESTIMONY OF  
RENEE MCDANIEL  
ON BEHALF OF  
KNOX ENERGY COOPERATIVE ASSOCIATION, INC.**

**July 16, 2021**

1 **Q1. Please introduce yourself, including your professional and educational background.**

2 **A1.** My name is Renee McDaniel, and I am President of the board of trustees of the Knox  
3 Energy Cooperative Association, Inc. (“Knox”). I hold a B.A. and an M.B.A. from  
4 Capital University and am also a Certified Public Accountant. Professionally, I have  
5 served as: Controller for Maidware Products, Hebron, OH; Assistant Controller for the  
6 law firm of Emens, Kegler, Brown, Hill, and Ritler; and Director of Finance for the  
7 Builders Exchange of Central Ohio. Currently, I am working as a CPA for the  
8 accounting firm of McDaniel CPA, LLC. I was the first Treasurer of Knox Energy,  
9 serving in that position until I became President of Knox in 2006.

10 **Q2. On whose behalf are you testifying?**

11 **A2.** I am testifying on behalf of Knox.

12 **Q3. What is the purpose of your testimony?**

13 **A3.** The purpose of my testimony is to support the parties’ Joint Application in this matter by  
14 explaining Knox’s organizational structure and operations as they relate to the potential  
15 assignment to Knox of the Holmesville system, the North Trumbull system, the Grain  
16 Dryer Farm/Nursery Customers, and the Churchtown system. As explained in the Joint  
17 Application and in the testimony given by other witnesses, the substitution of natural gas  
18 service and transfer of assets and customers being contemplated by the parties will result  
19 in adequate and uninterrupted service to customers in these systems.

20 **Q4. Please describe Knox’s organizational history and structure.**

21 **A4.** Knox was established in April 1998 as a member-owned, not-for-profit natural gas  
22 provider operated by a nine-member board of trustees who meet on a regular basis as  
23 directed by Knox’s code of regulations. I have been involved with Knox since its

1 inception. I was part of a group of concerned neighbors who wanted to bring natural gas  
2 service to my community (Apple Valley). The regulated utility in the area was not  
3 interested in extending service to our area. Without the cooperative model, and the  
4 expertise and capital provided through our longstanding management agreement with  
5 Utility Pipeline, Ltd. (“UPL”), we would not have been able to procure natural gas  
6 service for our communities and members. I believe that the success of Knox since that  
7 time has demonstrated the valuable role that cooperatives and their operational partners  
8 play in expanding natural gas service throughout Ohio, and that without the model  
9 provided by UPL and Knox, many Ohioans would still need to look to propane as their  
10 only viable option for heating and cooking energy.

11  
12 Since its formation, Knox has contracted with UPL for engineering, construction, and  
13 operational services to manage Knox’s natural gas systems. This allows Knox to take  
14 advantage of UPL’s experience in constructing and operating rural natural gas pipeline  
15 systems, often in isolated or underserved areas, while retaining the unique features of a  
16 member-owned, not-for-profit cooperative structure.

17  
18 Knox’s operations are overseen by a Board of Trustees that acts exclusively on behalf  
19 and in the best interests of its members. The Knox board is comprised of trustees who  
20 are elected by members and who themselves are members of Knox. As such, Knox’s  
21 members play an essential role in the governance and management of the cooperative.  
22 Any member in good standing within the cooperative is eligible to run for election to the  
23 board of trustees. Elections are held on an annual basis. All members in good standing

1 are permitted to vote by mail during the annual election. Board members are elected for  
2 five-year terms. These terms are staggered such that no more than two trustees are  
3 elected in any single year. This rule ensures that annual turnover does not deprive Knox  
4 of relevant institutional knowledge or operational experience. The Knox board of  
5 trustees is completely independent. UPL does not have any employees, representatives,  
6 or agents on the board, and UPL does not have any ownership interest in Knox.

7  
8 An annual meeting of the membership is held once per year, currently in the fall, as  
9 directed by Knox's Code of Regulations. There is a long-term management agreement  
10 between Knox and UPL pursuant to which UPL provides certain management and  
11 operations services to Knox, as Knox does not have any employees. This management  
12 agreement ensures that UPL remains accountable to the Knox Board for the services  
13 provided under that agreement.

14 **Q5. Please describe Knox's current operations.**

15 **A5.** Beginning with an initial target of 400 members, Knox has brought gas service to  
16 upwards of 21,000 members across Ohio and western Pennsylvania. Knox has a more  
17 than 20-year record of providing adequate and reliable service to natural gas customers  
18 and of compliance with all applicable federal and state safety requirements, through its  
19 management agreement with UPL. Knox's board of trustees has historically included  
20 individuals with significant natural gas experience, and Knox's board continues to benefit  
21 from the expertise of its members, who come from diverse professional backgrounds.

1 **Q6. Please explain Knox's ability to ensure adequate and uninterrupted service to the**  
2 **Holmesville system, the North Trumbull system, the Grain Dryer Farm/Nursery**  
3 **Customers, and the Churchtown system, in connection with the proposed transfer of**  
4 **service.**

5 **A6.** In conjunction with UPL, which manages pipeline operations on Knox's behalf, Knox  
6 has the ability to assume ownership of the Holmesville system, the North Trumbull  
7 system, the Grain Dryer Farm/Nursery Customers, and the Churchtown system. The  
8 systems will be integrated into Knox's ownership and supported by Knox's well-  
9 established managerial capabilities, and will complement Knox's core mission of  
10 providing natural gas service to underserved areas. Combined with the voting rights and  
11 other membership rights that belong to all members in the cooperative, these features  
12 establish that service will remain adequate and uninterrupted in the transition of the  
13 systems to Knox.

14  
15 Currently, 2,760 Knox cooperative members receive service from the Holmes County  
16 loop area that is part of Cobra's Holmesville system. This existing overlap, and the  
17 presence of cooperative members in the areas of the North Trumbull and Churchtown  
18 systems, creates synergies that would be beneficial to the continued strengthening of  
19 Knox and its mission of expanding service to rural and underserved communities.

20 **Q7. Please describe the relationship between UPL and Knox.**

21 **A7.** Knox is a member-owned cooperative that has its own independent leadership structure,  
22 the board of trustees. UPL is an independent contractor working on Knox's behalf. UPL  
23 works for Knox. Knox has contracted with UPL since 1998 to bring natural gas service

1 to members in rural communities, lake communities, and underserved areas. Knox is not  
2 the only cooperative that UPL works with, and Knox has a longstanding relationship with  
3 UPL that provides significant value for Knox's members and the communities that UPL  
4 helps Knox to serve.

5  
6 Under the management agreement between Knox and UPL, UPL operates and maintains  
7 systems covered by the management agreement between UPL and Knox, and also is  
8 responsible for repairs to those systems. Because the agreement between Knox and UPL  
9 has a fixed cost structure that caps any future fee increases, UPL assumes the financial  
10 risk of future repairs and maintenance, not Knox. This arrangement confers a major  
11 benefit to Knox's members by ensuring safe and reliable natural gas service relying on  
12 UPL's financial capital and operational expertise. Further, Knox is able to utilize UPL's  
13 financing and expertise to expand Knox's footprint without relying on Knox's individual  
14 members to contribute additional capital. Knox would not be able to expand in  
15 underserved areas without the ability to rely on UPL to provide capital.

16  
17 While relying on UPL's operational expertise, Knox's board evaluates all proposed  
18 expansions in an independent fashion and always with the best interest of the Knox  
19 membership in mind. With respect to the proposed assignment to Knox of the Cobra  
20 systems, UPL has presented information regarding those systems to Knox's board, and  
21 the board is currently evaluating that assignment. The board is expected to address the  
22 matter of an approval during its next regularly scheduled meeting on July 27, 2021, and  
23 in the meantime has agreed to join in the Joint Application pending board approval of the

1 assignment. I will supplement my testimony following the board's decision on the  
2 approval of the assignment of the Cobra systems to Knox.

3 **Q8. Does this conclude your testimony?**

4 **A8.** Yes. However, I reserve the right to supplement my testimony as new information  
5 becomes available.

**This foregoing document was electronically filed with the Public Utilities**

**Commission of Ohio Docketing Information System on**

**7/16/2021 3:42:41 PM**

**in**

**Case No(s). 21-0803-GA-ATR**

Summary: Testimony of Renee McDaniel on Behalf of Knox Energy Cooperative Association, Inc. electronically filed by Mr. David F. Proano on behalf of Knox Energy Cooperative Association, Inc. and Cobra Pipeline Company, Ltd. and Utility Pipeline, Ltd.