

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Joint Application of	)	
Utility Pipeline Ltd., Knox Energy	)	
Cooperative Association, Inc., and The East	)	Case No. 21-0814-GA-ATR
Ohio Gas Company d/b/a Dominion Energy	)	
Ohio for Expedited Approval to Substitute	)	Expedited Ruling Requested
Natural Gas Service and Transfer Assets	)	
and Customers	)	

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

**July 22, 2021**

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

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

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

A2. I am testifying on behalf of Knox.

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

A3. The purpose of my testimony is to support the parties’ Joint Application by explaining Knox’s organizational structure and operations as they relate to the potential acquisition of the Powhatan Point system. As explained in the Joint Application and in the testimony given by other witnesses, the substitution of natural gas service and transfer of assets and customers being contemplated by the parties will result in adequate and uninterrupted service to customers in the Powhatan Point system.

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

A4. Knox was established in April 1998 as a member-owned, not-for-profit natural gas provider operated by a nine-member board of trustees who meet on a regular basis as directed by Knox’s code of regulations. I have been involved with Knox since its inception. I was part of a group of concerned neighbors who wanted to bring natural gas

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

10  
11 As a non-regulated utility operating in Ohio, Knox’s operations are not subject to the  
12 Commission’s general jurisdiction, with the exception of safety regulations. Since its  
13 formation, Knox has contracted with UPL for engineering, construction, and operational  
14 services to manage Knox’s natural gas assets. This allows Knox to take advantage of  
15 UPL’s deep experience in constructing and operating rural natural gas pipeline systems,  
16 often in isolated or underserved areas, while retaining the unique features of a member-  
17 owned, not-for-profit cooperative structure.

18  
19 Knox’s members play an essential role in the governance and management of the  
20 cooperative. Any member in good standing within the cooperative is eligible to run for  
21 election to the board of trustees. Elections are held on an annual basis. All members in  
22 good standing are permitted to vote by mail during the annual election. Board members  
23 are elected for five-year terms. These terms are staggered such that no more than two

1 trustees are elected in any single year. This rule ensures that annual turnover does not  
2 deprive Knox of relevant institutional knowledge or operational experience. The Knox  
3 board of trustees is completely independent. UPL does not have any employees,  
4 representatives, or agents on the board, and UPL does not have any ownership interest in  
5 Knox.

6  
7 An annual meeting of the membership is held once per year, currently in the fall, as  
8 directed by Knox's code of regulations. There is a long-term management agreement  
9 between Knox and UPL, pursuant to which UPL provides certain management and  
10 operation services to Knox, as Knox does not have any employees. This management  
11 agreement ensures that UPL remains accountable to the Knox board for the services  
12 provided under that agreement.

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

14 A5. Beginning with an initial target of 400 members, Knox has brought gas service to  
15 upwards of 21,000 members across Ohio and western Pennsylvania. Knox has a more-  
16 than-20-year record of providing adequate and reliable service to natural gas customers  
17 and of compliance with all applicable federal and state safety requirements. Knox's  
18 board of trustees has historically included individuals with significant natural gas  
19 experience, and Knox's board continues to benefit from the expertise of its members,  
20 who come from diverse professional backgrounds. The Commission has repeatedly  
21 found that Knox has the requisite managerial and financial capabilities to own and  
22 oversee rural natural gas distribution systems like those in Powhatan Point.

23 **Q6. Please explain Knox's ability to assume ownership of the Powhatan Point system**

1       **while ensuring adequate and uninterrupted service to its residential and commercial**  
2       **customers.**

3   A6.   In conjunction with UPL, which manages pipeline operations on Knox's behalf, Knox  
4       has the ability to assume ownership of the Powhatan Point system, as contemplated in the  
5       agreement and under the terms explained in the Joint Application. As a relatively small  
6       addition to the portfolio of natural gas systems owned by Knox and managed by UPL, the  
7       acquisition of the Powhatan Point system will not outstrip Knox's well-established  
8       managerial and financial capabilities, nor will it expand Knox's operations beyond its  
9       core purpose of providing natural gas service to underserved areas. Combined with the  
10      voting rights and other membership rights that belong to all members in good standing,  
11      these features of the transaction show that service will remain adequate and uninterrupted  
12      and that the Joint Application is reasonable and in the public interest.

13   **Q7.   Please explain the nature of the relationship between Knox and UPL.**

14   A7.   Knox is a member-owned cooperative that has its own independent leadership structure,  
15       the board of trustees. UPL is an independent contractor working on Knox's behalf. UPL  
16       works for Knox. Knox has contracted with UPL since 1998 to bring natural gas service  
17       to members in rural communities, lake communities, and underserved areas. Knox is not  
18       the only cooperative that UPL works with, but Knox has a longstanding relationship with  
19       UPL that provides significant value for Knox's members and the communities that UPL  
20       helps Knox to serve.

21  
22       Under the management agreement between Knox and UPL, UPL operates and maintains  
23       systems covered by the management agreement between UPL and Knox, and also

1 handles repairs to those systems. Because the agreement between Knox and UPL has a  
2 fixed cost structure that caps any future increases, UPL assumes the financial risk of  
3 future repairs and maintenance, not Knox. This arrangement confers a major benefit to  
4 Knox's members by ensuring safe and reliable natural gas service relying on UPL's  
5 capital and operational expertise. Further, Knox is able to utilize UPL's financing and  
6 expertise to expand Knox's footprint without relying on Knox's individual members to  
7 contribute additional capital. Knox would not be able to expand in underserved areas  
8 without the ability to rely on UPL to provide capital.

9  
10 While relying on UPL's operational expertise, Knox's board evaluates all proposed  
11 expansions in an independent fashion and always with the best interests of the Knox  
12 membership in mind. With respect to the proposed assignment to Knox of the Powhatan  
13 Point system, UPL has presented information regarding that system to Knox's board, and  
14 the board is currently evaluating that assignment. The board is expected to address the  
15 matter of an approval during a future meeting, and in the meantime has agreed to join in  
16 the Joint Application pending board approval of the assignment. I will supplement my  
17 testimony following the board's decision on the approval of the assignment of the  
18 Powhatan Point system to Knox.

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

20 A8. Yes. However, I reserve the right to supplement my testimony as new information  
21 becomes available.

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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.