

IURC
PETITIONER'S
EXHIBIT NO. 1
DATE 6-25-19 AT
REPORTER

VERIFIED DIRECT TESTIMONY OF DANIEL L. DOUGLAS

1 Q1. Please state your name and business address.

2 A1. My name is Daniel L. Douglas. My business address is 801 East 86th Avenue,
3 Merrillville, Indiana 46410. I am Senior Vice President Gas Operations for
4 Northern Indiana Public Service Company LLC ("NIPSCO").

5 Q2. Please briefly describe your educational and business experience.

6 A2. I received a Bachelor of Arts degree in Finance and Accounting from Cedarville
7 University. I also received a Master of Business Administration degree from the
8 Kellogg School of Management at Northwestern University. I have been
9 employed by NiSource, NIPSCO's parent company, and NIPSCO in various
10 departments for over fifteen years. I began my employment with NiSource in 1997
11 in the unregulated businesses focused on financial budgeting and analysis. I
12 continued to work in finance and strategic roles with increasing responsibility
13 through August 2008. In September 2008, I began working for Exelon Corporation
14 as Manager of Corporate Strategy. In September 2012, I returned to NIPSCO,
15 accepting a position as Director of the Transmission Commercial Operations. In

1 June 2013, I became Executive Director of Strategic Planning for NIPSCO, and in
2 June 2016 I was named as Vice President, Corporate Strategy and Development
3 for NiSource. In January 2019, I accepted my current position as Senior Vice
4 President Gas Operations.

5 **Q3. What are your responsibilities as Senior Vice President Gas Operations?**

6 A3. As Senior Vice President Gas Operations, I am responsible for leadership of all
7 aspects of NIPSCO's gas utility including its field operations and financial
8 performance.

9 **Q4. Have you previously testified before this or any other regulatory commission?**

10 A4. Yes. I previously provided testimony before the Indiana Utility Regulatory
11 Commission (the "Commission") in two of NIPSCO's Regional Transmission
12 Organization tracker filings (Cause Nos. 44156-RTO-3 and RTO-4) as well as in
13 support of NIPSCO's request for approval of and a certificate of public
14 convenience and necessity ("CPCN") for a federally mandated Environmental
15 Compliance Project in Cause No. 44872.

16 **Q5. What is the purpose of your direct testimony in this proceeding?**

17 A5. The purpose of my direct testimony is to explain why the proposed resolution
18 concerning the disposition of civil penalties under the Settlement Agreement

1 between NIPSCO and the Commission's Pipeline Safety Division ("PSD")
2 approved by the Commission in Cause No. 44970 (the "44970 Settlement") is in the
3 public interest and consistent with the policy goals attendant to the 44970
4 Settlement.

5 **PROPOSED RESOLUTION**

6 **Q6. Please explain the proposed resolution for payment of civil penalties under the**
7 **44970 Settlement.**

8 A6. Among the provisions of the 44970 Settlement, NIPSCO agreed on a schedule of
9 civil penalties to be imposed for future violations of federal performance
10 standards associated with performing accurate and timely locates of its
11 underground facilities. The first period covered by that provision was calendar
12 year 2017. Because of the timing of reaching settlement, filing of the 44970
13 Settlement, and issuance of the Order in that Cause, there was ambiguity around
14 the time period to be used in the calculation of civil penalties.

15 As a result of that ambiguity, in a compliance filing filed December 27, 2018 in
16 Cause No. 44970, NIPSCO proposed, and the PSD did not object, that November
17 29, 2017 would be used as the date to begin assessing the civil penalty for each at
18 fault damage resulting in NIPSCO being required to pay \$95,000. However in the

1 interest of increasing public safety, NIPSCO agreed to apply the remaining
2 \$670,000 as calculated from July 1, 2017 to Contribution in Aid of Construction
3 amounts required for Master Meter remediation projects.¹ If approved, the PSD
4 will prioritize the projects that NIPSCO will then remediate. NIPSCO will provide
5 both the PSD and the Indiana Office of Utility Consumer Counselor with work
6 order information to allow review of the projects. NIPSCO also agreed that no
7 part of the \$670,000 will become part of NIPSCO's rate base in any subsequent rate
8 case proceeding.

9 **Q7. Why was there ambiguity concerning that provision of the 44970 Settlement?**

10 A7. While I was not involved in the negotiation of the 44970 Settlement, it is my
11 understanding that the parties had not fully addressed the timing of various
12 procedural aspects of the case would impact the calculation of the civil penalty, as
13 the focus of the lengthy negotiations had been on other provisions of the
14 agreement including the matrix of agreed penalties. It was not until the data from
15 2017 was complete and compiled that the ambiguity became clear.

16 **Q8. When was the data from 2017 considered complete?**

¹ This amount is calculated by subtracting the civil penalty amount required to be paid of \$95,000 from the \$765,000.

1 A8. The 2017 data was considered complete when locates constituting violations of the
2 Indiana 811 Statute (Ind. Code Ch. 8-1-26) had been fully adjudicated through the
3 Indiana Underground Plant Protection Advisory Committee (“UPPAC”) and
4 subsequently approved by the Commission. By allowing the state process to play
5 out, any factual disputes about events underlying the violations subject to the civil
6 penalties under the federal performance standards that were the subject of the
7 44970 Settlement were eliminated.

8 **Q9. Was NIPSCO assessed state civil penalties under the 811 Statute?**

9 A9. Yes. A untimely or inaccurate locate is a violation of the 811 Statute. NIPSCO
10 submits full reports on each damage occurring on its system and acknowledges
11 instances when locates are not performed in accordance with the 811 Statute. In
12 each of the instances in 2017, NIPSCO was assessed a civil penalty recommended
13 by the UPPAC and approved by the Commission.

14 **PUBLIC INTEREST**

15 **Q10. Is the resolution of this subdocket in the public interest?**

16 A10. Yes. First, the proposed resolution sought to avoid the cost and delay associated
17 with litigating the intent of the 44970 Settlement. The ambiguity will not recur as
18 the timing issue that gave rise to the ambiguity is unique to 2017 damages. Second,

1 the proposed resolution will allow NIPSCO to dedicate funds toward remediation
2 of master meter systems that are a potential risk to public safety and present a
3 regulatory risk for the PSD.

4 **Q11. What are master meters and why do they present a risk to public safety?**

5 A11. The term “master meter” refers to arrangements whereby gas is delivered through
6 a single, or “master”, meter and is then piped to multiple individual residences
7 via a privately owned and operated distribution system. These facilities are
8 subject to the same pipeline safety requirements as those owned of public utilities
9 like NIPSCO, but are frequently owned and operated by customers with little
10 experience with natural gas distribution, maintenance, or safety practices. Many
11 of the operators of these small systems are also without the resources to adequately
12 operate and maintain them. These systems pose a risk to public safety because if
13 improperly constructed, operated and maintained, they are susceptible to leaks
14 and failure resulting in the release of natural gas. Frequently the solution would
15 be to replace the systems behind the meter with modern distribution facilities and
16 add individual metering for each resident. Depending on the physical layout, this
17 can be a very expensive proposition that the owner is in no position to undertake.

18 **Q12. Why do master meter systems pose a regulatory risk for the PSD?**

1 A12. The PSD is charged with the responsibility of applying minimum pipeline safety
2 standards to master meter operators, but unlike public utilities, master meter
3 operators are not otherwise subject to regulation by the Commission as their
4 facilities are beyond the meter that defines the jurisdictional boundary. In
5 addition, requiring them to be shut down is detrimental to the individual residents
6 behind the master meter, which sometimes consist of low income or other
7 vulnerable populations. In contrast, as a public utility NIPSCO is obligated to
8 provide safe and reliable service to its customers, including the obligation to
9 appropriately operate and maintain its systems. By taking over the ownership and
10 operation of master meter systems, a public utility like NIPSCO is in a better
11 position to undertake the costly upgrade or replacement of master meter systems
12 with modern and appropriately engineered and operated facilities. This is
13 beneficial to the residents of these communities as well as the PSD because it
14 promotes safety and professionalism in the operation of the systems and provides
15 the PSD with an accountable owner with the expertise to operate these systems in
16 accordance with state and federal pipeline safety practices.

17 **Q13. Has NIPSCO worked with the PSD in the past on master meter issues?**

1 A13. Yes. NIPSCO has previously worked with the PSD to take over and remediate
2 high-risk master meter systems. NIPSCO has been in regular contact with the PSD
3 on master meter issues and has also incorporated a master meter program into its
4 7-Year Transmission, Distribution, and Storage System Improvement Charge
5 ("TDSIC") Plan approved in Cause No. 44403. NIPSCO is agreeable to taking on
6 the responsibility to serve these customers, however per NIPSCO's tariff, these
7 type of projects require that Master Meter Operators make a Contribution in Aid
8 of Construction toward the cost of separating the meters.

9 **Q14. Does NIPSCO have the technical, operational, and financial wherewithal to**
10 **comply with the proposed resolution in this case?**

11 A14. Yes. NIPSCO Witness Sylvester addresses NIPSCO's technical and operational
12 capacity to remediate master meter systems in accordance with the proposed
13 resolution, and NIPSCO has the requisite financial wherewithal to comply with
14 the resolution as proposed in addition to its existing obligation to provide safe and
15 reliable gas service to its more than 800,000 customers.

16 **CONCLUSION**

17 **Q15. What is your recommendation in this subdocket?**

1 A15. It is my recommendation that the Commission approve the proposal negotiated
2 between NIPSCO and the PSD whereby NIPSCO will commit \$670,000 to the
3 remediation of master meters in its authorized service territory because that
4 proposal is represents a reasonable resolution to an unforeseen ambiguity and is
5 consistent with the public interest.

6 **Q16. Does this conclude your prefiled direct testimony?**

7 A16. Yes.

VERIFICATION

I, Daniel L. Douglas, Senior Vice President Gas Operations for Northern Indiana Public Service Company LLC, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.



Daniel L. Douglas

Dated: April 22, 2019