

**STATE OF VERMONT
PUBLIC UTILITY COMMISSION**

Case No. 17-3550-INV

Investigation pursuant to 30 V.S.A. §§ 30 and 209 regarding the alleged failure of Vermont Gas Systems, Inc. to comply with the certificate of public good in Docket 7970 by burying the pipeline at less than required depth in New Haven, Vermont	
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**DIRECT TESTIMONY OF
DONALD J. RENDALL
ON BEHALF OF VERMONT GAS SYSTEMS, INC.**

July 10, 2020

SUMMARY OF TESTIMONY

Mr. Rendall addresses questions the Commission has expressed during the course of this proceeding regarding VGS's management and oversight of the ANGP construction, and the corporate culture that drives VGS's decision-making to achieve system integrity and CPG compliance.

**DIRECT TESTIMONY OF
DONALD J. RENDALL
ON BEHALF OF VERMONT GAS SYSTEMS, INC.**

1 **Q1. Please state your name, occupation, and business address.**

2 **A1.** My name is Donald J. Rendall. I am the Chief Executive Officer of Vermont Gas
3 Systems, Inc. (“VGS” or the “Company”), 85 Swift Street, South Burlington, Vermont.

4

5 **Q2. Please describe your educational background and pertinent professional
6 experience.**

7 **A2.** I became CEO of the Company on January 1, 2015. Prior to the beginning of 2015, I
8 held a variety of positions at Green Mountain Power (“GMP”) beginning in 2002, including
9 Vice President and Chief Strategic Planning Officer, General Counsel and Corporate
10 Secretary. Prior to joining GMP, I was in private practice and served as an Assistant United
11 States Attorney in the District of Vermont. I received my undergraduate degree from
12 Dartmouth College in 1978 and my law degree from Duke University in 1981.

13

14 **Q3. Have you previously testified before the Vermont Public Utility Commission (the
15 “Commission”)?**

16 **A3.** Yes. I testified on behalf of VGS in Docket Nos. 7970 and 8710 and Case No. 17-
17 1238-INV, all matters primarily related to the Addison Natural Gas Project (“ANGP” or the
18 “Project”). I also testified on behalf of GMP in Docket No. 7862.

19

20

1 **Q4. What is the purpose of your testimony?**

2 **A4.** The purpose of my testimony is to address the questions the Commission has
3 expressed during the course of this proceeding regarding VGS's management and oversight
4 of the ANGP construction, as well as the corporate culture that drives our commitment to
5 ensure system integrity and compliance.

6 This case was opened after VGS filed a request with the Commission for a
7 determination that VGS's burial of the ANGP on a portion of the VELCO right of way in
8 New Haven constituted a non-substantial change to the approved Project. Since that time, the
9 scope of the proceeding has expanded to include a broad review of "the construction,
10 performance, and safety of the Addison Natural Gas Pipeline" and whether the specifications
11 were stamped prior to construction.¹ VGS has been fully supportive of the Commission's
12 expanded inquiry.

13 As part of this proceeding we have undertaken our own comprehensive review of
14 project construction and compliance. In addition, William Byrd of RCP, Inc., the expert
15 retained by the Commission, has completed an independent review. We appreciate the care
16 and attention that all interested parties have brought to this investigation, including
17 Intervenors, our team at VGS, the Department of Public Service ("DPS" or the
18 "Department"), Mr. Byrd and RCP. The safety and construction issues raised have been
19 thoroughly addressed. The Direct Testimony of John St. Hilaire and VHB's Jeff Nelson
20 address specific issues raised in this proceeding. My testimony addresses the Commission's
21 questions regarding VGS's overall management and culture of compliance on the Project.

¹ See PUC Order of January 10, 2019.

1 **Q5. Have you previously testified regarding VGS's management of the ANGP?**

2 **A6.** Yes. In two proceedings, Docket Nos. 7970 and 8710, I have previously testified at
3 length about this project, specifically addressing VGS's leadership and decisions to make
4 improvements in project management and execution after the first construction season in
5 2014.²

6

7 **Q6. Has the Commission previously considered and resolved several issues relating**
8 **to VGS's management of the ANGP?**

9 **A6.** Yes, in Docket No. 8710, the Commission considered and resolved claims that VGS
10 failed to plan and manage the Project prudently in the early stages of the project. The
11 Commission summarized its conclusions in Docket No. 8710 as follows:

12 "Testimony presented during the hearings raised questions about the Company's
13 management of the Project, the adequacy of its responses to management challenges,
14 and whether it should have acted earlier to address these issues. As described in the
15 MOU and in its testimony in this proceeding, VGS has acknowledged that it did not
16 prudently plan and manage the Project during the early stages. Furthermore, the
17 Company and the Department agree that VGS subsequently put leadership and
18 management systems in place to more effectively manage the Project and the
19 evidence does support that assertion."³

² See *Rebuttal Testimony of Donald J. Rendall on Behalf of Vermont Gas Systems, Inc.* in Docket Nos. 8698 and 8710, dated September 26, 2016 at pp. 3-7; Transcript of December 1, 2015 in Docket No. 7970, technical hearing at 16; Transcript of December 8, 2016 in Docket Nos. 8698 & 8710, technical hearing at 14.

³ See *Investigation into petition of Vermont Gas Systems, Inc.*, Docket No. 8710 (Vt. Pub. Serv. Bd. Apr. 14, 2017) at 11-12.

1 In Docket No. 8710 the PUC approved a three-year penalty on VGS's authorized return on
2 equity as a penalty for poor planning and management.⁴ Similarly, in Docket No. 7970, the
3 PUC also approved a Memorandum of Understanding that VGS would take a charge of over
4 \$30 million against earnings as a result of the Project construction cost cap, which the PUC
5 also recognized as a significant penalty.⁵

6

7 **Q8. Since the PUC's decision in Docket No. 8710, and its conclusion that the**
8 **Company put leadership and management systems in place to manage the Project more**
9 **effectively, what conclusions should the Commission draw about VGS's management of**
10 **the Project and culture of safety and compliance?**

11 **A8.** Beginning with the ANGP's reset and reorganization in 2015, VGS's actions and
12 behavior in managing construction of the ANGP have consistently demonstrated a strong
13 ethic of safety and compliance, a management approach that focuses on safety and
14 compliance, and a commitment to high standards of performance.

15 As I have testified in prior proceedings, after an admittedly troubled early start, VGS
16 implemented disciplined project management and governance, retained qualified contractors
17 and assigned capable VGS personnel to oversee and monitor contractor compliance.
18 Internally, VGS leadership, including me, devoted extraordinary time and effort to ensure
19 safe, effective and efficient construction in compliance with an extensive array of safety and
20 environmental requirements, conditions and goals. VGS provided regular updates to the PUC

⁴ *Id.* at 3.

⁵ *See id.* at 2-3.

1 on relevant construction and compliance matters. VGS responded promptly and appropriately
2 to issues raised by DPS and other stakeholders. Our VGS team and contractors maintained
3 their focus on safety and compliance while at the same time managing numerous challenges
4 and interruptions in the field associated with opposition to the Project.

5 Mr. St. Hilaire describes VGS's commitment to high standards in the design,
6 construction, and maintenance of the ANGP pipeline. Mr. Byrd's report validates that VGS
7 designed and built the pipeline to exceed (be better than) industry standards and regulatory
8 requirements;⁶ that VGS used construction methods that were appropriate for this pipeline
9 and in compliance with the CPG;⁷ that VGS used appropriate project management and
10 governance in overseeing contractors and construction methods.⁸ Mr. Byrd concluded, for his
11 part, that VGS has committed to safety and integrity measures that exceed (are better than)
12 industry standards for ensuring the continuing safety of the pipeline.⁹ All of these findings
13 are consistent with my evaluation of the Company's execution of the ANGP project since I
14 became CEO of VGS.

15 Likewise, Mr. Byrd concluded that VGS's execution in constructing the ANGP was
16 not perfect.¹⁰ Based on my evaluation of the Company's performance, I agree with this
17 conclusion as well. Where we faced challenges, many typical of a large construction project,
18 or the project team made mistakes, our VGS team directed appropriate remedial steps and
19 implemented appropriate improvements. In those instances where we disagreed with

⁶ See Final Report from the Independent Investigation of the Vermont Gas Systems Addison Natural Gas Project, dated January 8, 2020 ("Independent Report") at 72.

⁷ Independent Report at 61-62.

⁸ Independent Report at 64.

⁹ Independent Report at 16.

¹⁰ Independent Report at 62.

1 criticisms or concerns, we openly made our case to the PUC and accepted responsibility for
2 our actions and the consequences. Every VGS leader, starting with me, considered all safety,
3 compliance, environmental, and stakeholder issues that arose during the Project to be
4 important and worthy of serious attention. We self-reported those issues that we discovered.
5 We responded promptly and seriously to every concern raised by DPS. We promptly self-
6 reported to the landowner the blasting incident underlying Case No. 17-4630-INV. We
7 cooperated with each inquiry or investigation. We instituted prompt, appropriate remedial
8 actions and took measures to prevent re-occurrences where we or our contractors were not
9 meeting our standards. We set high standards and, in most instances, achieved them.

10

11 **Q9. How should the Commission put the Company's culture of safety and**
12 **compliance in context of the entire Project?**

13 **A9.** As VGS's CEO, I am accountable for the quality of the ANGP's project
14 management, execution, safety and compliance. In my judgment, there are several important
15 factors to consider in evaluating the quality of project management and execution in the
16 context of errors and issues that typically arise on a project of this magnitude:

- 17 1. First and foremost, did Company management and contractors exhibit a strong culture
18 of safety and compliance?
- 19 2. Did Company management and contractors have measures in place to minimize
20 errors, identify issues early, report them promptly and resolve them appropriately,
21 including a culture that encouraged reporting, both internally and to appropriate
22 regulatory authorities or other stakeholders?

1 3. Did Company management and contractors take seriously errors that occurred and
2 issues raised?

3 4. Did Company management and contractors apply an appropriate “lessons learned”
4 approach to errors and issues, to ensure appropriate remedies, prevent re-occurrence,
5 manage prospective risk, minimize errors and issues, and demonstrate continuous
6 improvement?

7 My assessment is that VGS, our project managers and our contractors from 2015 forward
8 performed strongly under each of these factors. This includes the issues and errors raised
9 over the course of the Project, as well as the matters raised during the course of this
10 investigation. To be clear, I do not minimize the seriousness of any of our issues or errors. I
11 viewed each as serious at the time of occurrence, and expected both VGS management and
12 our contractors to respond appropriately. I believe they did so. My overall assessment of
13 VGS’s performance on the ANGP is informed by the context of these errors and issues in
14 relation to the care undertaken in designing the Project and construction activities over four
15 construction seasons, involving hundreds of field personnel and hundreds of thousands of
16 construction labor hours.

17

18 **Q10. Do you have concerns about the depth of cover of the ANGP?**

19 **A10.** No. I was confident we constructed the ANGP to adequate depth at the conclusion of
20 construction, in early 2017, based on the regular reports I received from the project team, and
21 my own regular communications with project personnel at all levels, my field visits, and the
22 performance assurance we received from the contractor. In the Clay Plains Swamp area, I

1 was satisfied with the Project team's reporting, decisions in the field, and follow up work
2 with VELCO, and in reporting to the PUC. The subsequent intensive reviews undertaken
3 both by VGS, led by John St. Hilaire, and independently by Mr. Byrd confirm and validate
4 my early confidence. I consider the Project team's judgment and conduct in addressing
5 difficult construction conditions in the Clay Plains Swamp to be evidence of a strong culture
6 of compliance and effective project field management.

7

8 **Q11. The Commission has ordered VGS to show cause why the ANGP should be**
9 **permitted to continue to operate. As VGS's Chief Executive Officer, why do you**
10 **consider continued operation to be necessary and appropriate?**

11 **A11.** The ANGP has been safely operating to serve customers since its completion in early
12 2017 – over three years. As Mr. St. Hilaire's testimony makes clear, VGS has constructed,
13 operated and maintained the ANGP to high standards of safety and compliance, and
14 continues to do so. The ANGP was thoroughly and safely designed, constructed and
15 inspected during construction by VGS and DPS. Mr. Byrd has thoroughly reviewed the
16 ANGP's design, construction and compliance and determined it to be safe and in compliance
17 with our commitment and CPG requirements. There are no legitimate reasons why the ANGP
18 should be shut down.

19 The ANGP is a key resource for families and businesses in Addison County, who
20 now rely on our safer, cleaner, and more affordable service and have made the shift from fuel
21 oil and expensive propane. Major businesses and institutions like Agri-mark, Middlebury
22 College, and Porter Hospital have converted to natural gas saving thousands of dollars all

1 while reducing their carbon footprint. A growing number of homes and businesses –
2 currently over 900 – rely on VGS to heat their homes and many of them are taking
3 advantage of our energy efficiency programs, reducing their energy bills even more.

4 The ANGP also provides the backbone for a key renewable initiative and our VGS
5 Climate Plan. We are supporting the development of a Renewable Natural Gas (“RNG”)
6 facility near Middlebury that will deliver in-state RNG through the Middlebury distribution
7 network.

8 The ANGP expansion has been a rigorous test; not only of the Company’s project
9 management abilities, but our broader culture. I am confident that the important and
10 systematic improvements we have implemented, both on the ANGP and throughout the
11 Company’s operations, have resulted in a safe and reliable ANGP and will continue to
12 support the on-going safe operation of our pipeline system and the rebuilding of trust and
13 confidence from our regulators.

14 The ANGP pipeline must, of course, be safe and in compliance with safety standards
15 to operate. VGS has demonstrated, after multiple years of intense scrutiny, that it is safe to
16 operate, and it is operating safely. I am also confident that VGS can be expected to continue
17 to operate it safely under Neale Lunderville’s leadership. Mr. Lunderville’s history of public
18 and private leadership, and his commitment to the highest standards of integrity, transparency
19 and performance, will guide the Company to continued success across the Company’s core
20 values of safety, customers, culture and climate. This will include, of course, continued safe
21 operation, maintenance and continuous improvement of VGS’s entire physical system, of
22 which ANGP is now an integrated part.

1 **Q12.** Does this conclude your testimony?

2 **A12.** Yes.