

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DE 23-039

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty
Distribution Service Rate Case

DIRECT TESTIMONY

OF

NEIL PROUDMAN

May 5, 2023



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1 **I. INTRODUCTION**

2 **Q. Please state your full name and business address.**

3 A. My Name is Neil Proudman. My business address is 15 Buttrick Road, Londonderry,
4 New Hampshire.

5 **Q. Please describe your duties at Liberty.**

6 A. I am President of Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty hereinafter
7 referred to as “Liberty” or the “Company” and of Liberty Utilities (EnergyNorth Natural
8 Gas) Corp. d/b/a Liberty (“Liberty EnergyNorth”).

9 **Q. On whose behalf are you submitting this testimony?**

10 A. I am submitting this testimony before the New Hampshire Public Utilities Commission
11 (the “Commission”) on behalf of Liberty.

12 **Q. Please describe your professional background.**

13 A. I have been the President of Liberty and EnergyNorth since 2021, with overall
14 responsibility for all aspects of both Companies’ operations in New Hampshire.

15 Before joining Liberty, I had been with National Grid for over 40 years, from 1979 until
16 my move to Liberty in 2021, working in the natural gas business in the United Kingdom,
17 New York, and New England. My final positions at National Grid were Vice President
18 Capital Programs from 2019 to 2021, Vice President New England Gas Operations from
19 2014 to 2019, and Vice President Operations Support prior to 2014. I began my career as
20 a gas apprentice at age 16.

1 **Q. Have you previously testified in regulatory proceedings before this Commission?**

2 A. No, I have not.

3 **Q. What is the purpose of your testimony?**

4 A. The purpose of my testimony is to provide an overview of the Company and its filing for
5 an adjustment to electric distribution service rates in this proceeding. I also provide an
6 introduction of each witness and the subject matter of their testimony.

7 **II. COMPANY OVERVIEW**

8 **Q. Please provide an overview of Liberty Utilities.**

9 A. Liberty Utilities, Co., (“Liberty Utilities”), is an indirect subsidiary of Algonquin Power
10 & Utilities Corp. (“APUC”), which is publicly traded on the New York and Toronto
11 stock exchanges. APUC owns and operates diversified international generation,
12 transmission, and distribution utilities with over \$17.6 billion of total assets.¹ Through its
13 two business groups, the Regulated Services Group and the Renewable Energy Group,
14 APUC is committed to providing safe, secure, reliable, cost-effective, and sustainable
15 energy and water solutions through its portfolio of electric generation, transmission, and
16 distribution utility investments to over one million customers, largely in the United States
17 and Canada. APUC is a global leader in renewable energy.

18 Liberty Utilities conducts the regulated business of APUC. It owns and operates 30
19 regulated electric, natural gas, water, and wastewater utilities serving more than

¹ Balance sheet as of December 31, 2022.

1 1,000,000 residential, commercial, and industrial customers in 13 states (Arizona,
2 Arkansas, California, Georgia, Iowa, Illinois, Kansas, Massachusetts, Missouri, New
3 Hampshire, New York, Oklahoma, and Texas), one Canadian province (New
4 Brunswick), Bermuda, and Chile.

5 **Q. Are decisions regarding the operation of Liberty's New Hampshire operations being**
6 **made in Canada?**

7 A. No. Liberty Utilities believes that local management, local decision-making, and local
8 operational control are critical. Strategic oversight and financial and administrative
9 support services are provided centrally by Liberty Utilities Canada, APUC, and other
10 entities within Liberty Utilities to supplement and support local operations. This shared-
11 services approach to management, service, and support is intended to ensure efficient and
12 dependable utility services to all of Liberty Utilities' customers. We measure our
13 performance in terms of service reliability, customer experience, and dedication to public
14 and workplace safety. Liberty Utilities considers safety a meta-level value and places the
15 safety of customers, employees, and the community first and foremost.

16 **Q. What are the Company's top priorities and how are they achieved?**

17 A. Our commitment to providing our customers with safe and reliable service at an
18 affordable cost is the first objective in everything we do. Ultimately, it is our employees
19 who allow us to pursue achievements that align with that commitment. Their safety-first
20 mindset, growth orientation, and entrepreneurial spirit is the driving force behind our

1 business. The Company's employees and customers are my first and highest priority and
2 their safety is taken into account in every decision Liberty makes.

3 **Q. Can you please summarize the Company's approach to investing in success in New**
4 **Hampshire**

5 A. Reliability and reasonable rates are a function of the people we hire and the investments
6 we make in the system. The investments Liberty makes are not only in physical assets,
7 but also in recruiting, hiring, and training excellent employees. By improving the
8 reliability of the distribution system, strengthening training methods, improving policies
9 and procedures, and strengthening the local workforce, Liberty is able to meet its many
10 obligations as a public utility in this state.

11 **III. LIBERTY'S NEW HAMPSHIRE OPERATIONS**

12 **Q. Please provide an overview of Liberty's electric operations in New Hampshire.**

13 A. Liberty serves approximately 6,000 electric distribution customers in the Upper Valley
14 and in the southern regions of New Hampshire.

15 **Q. Since joining Liberty Utilities in 2017, what have been your observations of the**
16 **Company and its New Hampshire workforce?**

17 A. The employees of Liberty that support the New Hampshire operations are cooperative
18 and team-spirited. Although Liberty has built its workforce since the 2012 acquisition of
19 Liberty and EnergyNorth, it is not overly staffed, which means that the employees need
20 to sometimes handle multiple roles. In performing those tasks, the employees necessarily
21 engage with multiple other departments, so clear and effective communication and

1 cooperation are vital. As an example, employees on the gas side of the business have
2 been trained for important roles on the electric side such as “wires down” or damage
3 assessment during electric outage events. Even though those roles are not part of their
4 normal job responsibilities, the employees willingly perform them, thereby allowing
5 employees on the electric side of the business to focus on other critical activities during
6 major outage events. Every day I appreciate the hard-working and dedicated New
7 Hampshire employees.

8 **Q. What are your priorities for Liberty?**

9 A. My priorities align with the Company’s obligations as a public utility in New Hampshire
10 to provide safe and reliable service at just and reasonable rates. The safety of the
11 Company’s employees and customers is my first and highest priority and is taken into
12 account in every decision Liberty makes. Reliability and reasonable rates are a function
13 of the people Liberty hires and the investments made in the system. The investments in
14 Liberty’s employees include recruiting, hiring, and training. Since taking over ownership
15 of the Company in mid-2012, Liberty has significantly improved the reliability of the
16 distribution system, strengthened training methods, improved policies and procedures,
17 and strengthened the local workforce. These investments have yielded measurable results
18 and will allow the Company to meet its many obligations as a public utility in this state.

19 In addition, Liberty works to support state policy goals through collaboration with
20 stakeholders in the public and private sectors. Energy Efficiency programs are very
21 important to lower costs to customers as well as reduce energy consumption and support

1 sustainability. The Company implemented a battery storage pilot program, developed
2 electric vehicle time of use rates, and is the first utility in New Hampshire to propose an
3 alternative to traditional cost of service regulation with a performance-based ratemaking
4 (“PBR”) pilot proposal in this rate case. The PBR pilot will include a multi-year rate plan
5 (“MYRP”), an earnings-sharing mechanism (“ESM”), and performance incentive
6 mechanisms (“PIMs”).

7 **Q. How has Liberty achieved operational excellence in its operations?**

8 A. The delivery of safe and reliable energy coupled with safe and efficient operating
9 parameters allows Liberty to achieve operational excellence. Certain indices capture and
10 indicate overall operational effectiveness. For example, in terms of reliability, the
11 Company has seen a steady improvement in the System Average Interruption Duration
12 Index (“SAIDI”) and System Average Interruption Frequency Index (“SAIFI”)
13 measurements. However, even with these improvements, reliability is still a focus as the
14 Company strives to address its leading cause of outages (trees) through a robust
15 vegetation management program and investment in its aging infrastructure. Investment in
16 upgrades and replacement as well as a robust Vegetation Management program are both
17 important and necessary to continue to see improved reliability metrics.

18 Reliability and customer satisfaction go hand in hand as they support an efficient and safe
19 operation. Recognizing this and reacting to the continually evolving customer needs and
20 expectations is crucial and at the forefront of Liberty’s operations.

1 **Q. Describe ways in which Liberty promotes economic development.**

2 A. Liberty's electric service territory includes the growing areas of Salem/Derry and
3 Lebanon/Hanover. Electric service is an essential service to foster economic
4 development, and Liberty's Business and Community Development team supports these
5 municipalities. Liberty works with State officials and developers to bring safe, reliable
6 power to new customers in our service territory. Liberty's cooperation with the Tuscan
7 Village developer and the Town of Salem are a prime example. I support this effort by
8 serving on the Business & Industry Association Board and Liberty supports local
9 chambers of commerce and participates in industry groups.

10 **Q. How else does Liberty serve its community?**

11 A. Liberty promotes volunteerism by its employees through the Company's "Liberty Days"
12 program allowing employees to volunteer in the community for up to two days per year.
13 Liberty's employees also support charitable organizations such as United Way.

14 **Q. Explain how Liberty assists low-income customers.**

15 A. Qualifying Liberty customers are eligible to receive low-income assistance through the
16 Electric Assistance Programs funded through the System Benefits Charge. Liberty also
17 supports Neighbor Helping Neighbor through financial contributions; Company
18 employees also serve on the board. Neighbor Helping Neighbor is a non-profit
19 organization that provides emergency relief to utility customers that do not qualify for
20 government-funded energy assistance programs.

1 **IV. RATE CASE OVERVIEW**

2 **Q. What conditions have prompted the filing of this application?**

3 A. This filing recognizes that our present base rates are no longer sufficient to enable the
4 Company to continue furnishing adequate, efficient, and reasonable service. It also
5 reflects the declining returns, which are largely due to investments the Company has
6 made in its distribution system since its last rate case before the Commission, Docket No.
7 DE 19-064.

8 **Q. Do increasing expenses also contribute to the need for a rate increase?**

9 A. Yes. In addition to the increased capital needs, operation and maintenance expenses have
10 increased significantly. Even with robust internal cost control efforts, many operating
11 expenses are increasing. Many of the factors leading to these increases are beyond the
12 Company's control and include constraints on the supply chain and the resulting high
13 inflationary pressure, increased costs for vegetation management, and increased labor
14 costs.

15 **Q. What revenue increase does the Company require?**

16 A. As is discussed in detail by other Liberty witnesses, Liberty is proposing to implement a
17 Multi-Year Rate Plan ("MYRP"). For the first year, which begins on July 1, 2023, the
18 Company's proposal will increase revenues by \$15.5 million, an increase in our
19 distribution revenues of about 33%, which would increase the average residential
20 customer's total bill by about 6.2%. For subsequent years, the required increases are
21 much smaller. Company Witnesses Jardin and Dane explain the calculation of the

1 required rate increase for each year in their Direct Testimony and Company Witness

2 Therrien explains the customer bill impacts.

3 **Q. Is the Company doing anything to mitigate the impact of the increase on its**
4 **customers?**

5 A. Yes. The Company is seeking the Commission's permission to defer the recovery of
6 roughly \$6.2 million of the proposed first-year rate increase to future years. By doing so,
7 the increase in a typical residential customer's bill will be limited to 3.3%.

8 **Q. Is the deferral of a revenue increase typical in New Hampshire?**

9 A. Not to my knowledge.

10 **Q. In that case, why is the Company proposing a deferral?**

11 A. The Company's proposal is motivated by both need and opportunity. Liberty is keenly
12 aware of the financial pressures our customers face when their energy costs go up and
13 that sudden increases can be especially impactful. Deferring some of the first-year
14 revenue requirement addresses the need that changes in bills materialize gradually and
15 that customers will be able to better plan for rising costs. The opportunity lies in the fact
16 that the phase-in of a rate increase is an option that would not have been available under
17 past practices. The flexibility that will come with multi-year ratemaking, if the
18 Commission approves the proposed MYRP, gives the Company a new tool with which it
19 can lessen somewhat the effects of a significant rate increase.

1 **Q. Is the Company seeking to recover the costs of any major investments?**

2 A. Yes. Of the various investments being proposed, the largest is its investment in Customer
3 First, a new enterprise system that will allow the Company to replace obsolete
4 infrastructure, help us plan for and operate our system more efficiently, and offer new
5 services to our customers.

6 **Q. What other proposals is the Company making in this proceeding?**

7 A. Liberty is proposing a number of operational, financial, and regulatory innovations,
8 including the following:

- 9 • PBR including a MYRP, ESM, and PIMs, the first to be proposed in New
10 Hampshire. If approved, the new mechanics will change the way utilities are
11 regulated in New Hampshire and create an opportunity for Liberty to modernize
12 more quickly while creating benefits for customers through savings and targeted
13 performance goals.
- 14 • Updated Time of Use (“TOU”) rates that will give customers the ability to lower
15 their rates when they change their usage patterns facilitate further customer
16 investments in DERs and decarbonization while also lowering bills.
- 17 • Pilot programs for battery storage.
- 18 • Ratemaking assistance for our low-income customers.
- 19 • Several initiatives that will simplify the Company’s ratemaking while also
20 increasing the transparency of our tariffs.

1 **V. INTRODUCTION OF WITNESSES**

2 **Q. Please list the Company's witnesses and the topics of their testimony in this case.**

3 A. The following witnesses are filing testimony in support of this distribution rate case:

- 4 • Kristin Jardin, Director, Rates and Regulatory Affairs for Liberty Utilities, and
5 Daniel S. Dane, Executive Vice President of Concentric Energy Advisors
6 ("Concentric"), sponsor the calculation of Liberty's revenue requirement and the
7 request for a permanent rate increase. They also provide separate joint testimony
8 in support of the Company's request for temporary rates.
- 9 • Matthew DeCoursey, Vice President, Rates and Regulatory Strategy for Liberty
10 Utilities, and Gregg Therrien, Vice President, Concentric Energy Advisors,
11 describe the Company's proposal for PBR and MYRP.
- 12 • Erica Menard, Senior Director of Rates and Regulatory Affairs for the East
13 Region for Liberty, provides testimonies addressing Liberty's PBR plan,
14 describes the PIMs selected for inclusion in the PBR plan, proposed tariff changes
15 including revisions related to the Company's line extension policy, changes to
16 reconciling mechanisms, and changes to other existing tariff provisions.
- 17 • Philip Hanser, Principal emeritus of The Brattle Group, provides testimony
18 supporting the scope and application of the MYRP, ESM, and PIM aspects of the
19 proposed PBR pilot.
- 20 • Anthony Strabone, Senior Director of Electric Operations for Liberty, describes
21 the capital additions that Liberty has made since the Company's last rate case in
22 addition to capital investments that will be made in the upcoming years. Witness

1 Strabone discusses the reliability and resiliency of Liberty’s system and provides
2 details regarding the reliability and resiliency challenges the Company is facing
3 with its aging infrastructure. Mr. Strabone further discusses Major Event Day
4 Storms and proposes modifications to how a Major Event Day Storm is defined
5 and recovered.

- 6 • Heather Green, Manager Vegetation Management, and J.M. Sparkman, Jr.,
7 Manager, Consulting Services – Lakeside Environmental Consultants, LLC,
8 present testimony on Liberty’s Vegetation Management Program, including
9 enhancements and proposed changes to the program.
- 10 • Lauren Preston, Vice President of Customer Care for Liberty Utilities, presents
11 testimony describing the implementation of Customer First. The Customer First
12 business platform is being launched across Liberty Utilities’ entire footprint in
13 phases, with New Hampshire going live in November 2022. Essentially,
14 Customer First is putting our customers at the center of everything we do. The
15 platform allows for consistency around Finance, Customer Service, and
16 Operations. The new platform will allow for flexibility in billing, new and
17 improved services, and efficiency through e-billing, e-payment, and advanced
18 communications. This innovative and modern system will enhance the customer
19 experience and provide efficiencies throughout the Liberty Utilities footprint. Ms.
20 Preston also discusses Liberty’s proposal to eliminate credit card fees. Currently,
21 Liberty’s customers pay a per transaction fee to utilize credit cards, debit cards, or
22 electronic checks. The requirement for a customer to pay a transaction fee when

1 paying their utility bill is one of the largest frustrations customers experience
2 because customers are accustomed to paying for other products and services with
3 a credit card or debit card without a separate, additional fee. Finally, Ms. Preston
4 addresses a new arrearage management program addressing arrearages and low-
5 income assistance.

- 6 • Dmitry Balashov, Senior Director of Grid Modernization, along with Anthony
7 Strabone, Senior Director of Electric Operations, discuss Liberty’s plan to replace
8 its aged population of meters with modern Advanced Metering Infrastructure
9 (“AMI”) meters. The testimony also describes the Company’s efforts to secure
10 non-rate funding aimed at hardening the system. Mr. Balashov also presents
11 testimony supporting the continuation and expansion of the Company’s Battery
12 Storage Pilot Program.
- 13 • Shawn Eck, Director IT Security, Risk and Compliance, provides testimony in
14 support of upgrades to the Company’s cybersecurity programs to fortify the
15 protections against the constant attempts to breach the Company’s systems.
- 16 • Todd Schavrien, Analyst III, Regulatory Projects, provides testimony in support
17 of the lead/lag study that was performed as part of the revenue requirement
18 analysis.
- 19 • Melissa F. Bartos, Vice President, Concentric Energy Advisors, presents the
20 marginal cost of service study and results.
- 21 • Gregg Therrien, Vice President, Concentric Energy Advisors, provides testimony
22 in support of Liberty’s proposed rate design and rate calculations.

- 1 • Greg Tillman, Senior Manager, Rate Design, provides testimony in support of the
2 Company’s proposed TOU rates and explains how they offer an opportunity to
3 lower electric bills by shifting electric consumption patterns. Mr. Tillman also
4 proposes modifications to the Company’s existing electric vehicle charging rates.
- 5 • Ann E. Bulkley, Principal, and Christopher Wall, Senior Associate at The Brattle
6 Group, recommend an appropriate cost of capital and capital structure for the
7 Company.
- 8 • Finally, John J. Spanos, President, Gannett Fleming Valuation and Rate
9 Consultants, LLC, describes the results of a depreciation study he undertook at the
10 Company’s request.

11 **VI. CONCLUSION**

12 **Q. Does this conclude your testimony?**

13 **A. Yes.**