STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DG 23-067

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty
Distribution Service Rate Case
Regulatory

DIRECT TESTIMONY

OF

TYLER J CULBERTSON

July 27, 2023

Liberty™

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I. INTRODUCTION

Q. Please state your full name, business address, and position.

A. My name is Tyler J Culbertson. Since May 2023, I have been employed by Liberty Utilities Service Corp. ("LUSC") as the Director of Rates and Regulatory Affairs for Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty ("Liberty EnergyNorth" or the "Company") and Liberty Utilities (Granite State Electric) Corp. ("Liberty GSE"). Liberty EnergyNorth and Liberty GSE are direct subsidiaries of Liberty Utilities Co. ("Liberty") that provide natural gas and electric utility services to customers in New Hampshire. My business address is 15 Buttrick Road, Londonderry, New Hampshire.

Q. On whose behalf are you submitting this testimony?

A. I am submitting testimony in this proceeding before the New Hampshire Public Utilities Commission ("Commission") on behalf of Liberty EnergyNorth.

Q. Are you the same Tyler J Culbertson who submitted other direct testimony in this case?

A. Yes. I also submitted testimony in support of Liberty EnergyNorth's temporary rate and permanent rate filing. The temporary rate filing testimony sets forth my educational background and professional qualifications.

II. PURPOSE OF TESTIMONY AND EXECUTIVE SUMMARY

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to propose a cost-recovery mechanism for dynamic costs incurred by the Company for investments related to cybersecurity, support the recovery of certain costs within the Local Distribution Adjustment Charge ("LDAC"), and present the Company's proposed modifications to its tariffs, including changes to certain nonrecurring charges.

III. CYBERSECURITY RECOVERY

Q. Please summarize the cybersecurity program components and costs.

A. As described in the Direct Testimony of Shawn Eck, the cybersecurity program is comprised of various resources including hardware, software, and services. The current outlook for the capital cost is as follows:[1]

Table 1. Company Cybersecurity Program Spending by Rate Year

Recovery Mechanism	Effective Date of Step Increase	Plant In Service Year	$ *in millions*
Step Adjustment 1	August 1, 2024	2023	$3.4
Step Adjustment 2	August 1, 2025	2024	$2.8
Step Adjustment 3	August 1, 2026	2025	$3.7
Total			$9.9

Q. Are the amounts in Table 1 included in the Company's proposed Step Adjustments?

A. Yes. As reflected in the calculations of the Company's proposed Step Adjustments 1 through 3, presented by Company witnesses Clayton and Culbertson, the Company's forecasted cybersecurity investments of $9.9 million for 2023, 2024, and 2025 are included.

[1] Direction Testimony of Shawn Eck, at 18.

Q. Although the Company has estimated its future capital investments for cybersecurity, Mr. Eck addressed the uncertainty surrounding those cost estimates. Can you further elaborate?

A. As Mr. Eck discussed, the nature of the cybersecurity space is dynamic and requires constant evaluation and adaptation. Moreover, the rapid pace of change means that Liberty EnergyNorth is unable to predict its needs with reasonable certainty even a few years into the future. The uncertainty lies entirely beyond the Company's control and cannot be meaningfully hedged in any way. Forcing the Company to operate within a set budget, whose accuracy simply cannot be known in advance, is inherently incompatible with the uncertain nature of the cybersecurity space and the three- to five-year depreciable lives associated with the investments.[2] This creates an unacceptable level of risk that Liberty EnergyNorth would be unable to recover the costs of its investments and spending that are necessary to provide safe, reliable service. For example, if the Company receives authorization to recover costs associated with a cybersecurity investment two years after the investment is purchased, it will already be nearly depreciated.

Q. Could the Company add a contingency allowance to the estimated costs in Table 1?

A. Yes, Liberty EnergyNorth could add contingencies to its planned spending to account for potential variations in cost but doing so would create a different set of problems. The contingency would need to be large in order to ensure the Company's ability to recover

[2] See Docket No. 20-105, Direct Testimony of Catherine A. McNamara and Erica L. Menard, filed April 29, 2022.

its costs. But contingencies large enough to account for expected levels of uncertainty also create the risk of the rates being higher than actual costs.

Q. How does the Company propose to address the need for ratemaking flexibility associated with cybersecurity investments?

A. Regarding the cybersecurity investments, the Company proposes that if the amount of cybersecurity investment exceeds the associated amount estimated for inclusion in the annual Step Adjustments, the associated revenue requirement would be deferred to the regulatory asset account, including carry costs. This regulatory asset will then be addressed in Liberty EnergyNorth's next base rate case.

Q. How will the Company provide the Commission with sufficient information on its actual spending to demonstrate its prudence?

A. Prior to implementing the Step Adjustments, the Company will provide the Commission with a reconciliation of its authorized and actual costs. To support the elements of that filing that relate to the Cybersecurity Program, Liberty EnergyNorth would provide calculations of the variance and workpapers to support them; contracts, invoices, and other documentation of actual spending, and narratives that explain why the variances were necessary and how they support the Cybersecurity Program.

Q. Is it important that the Company be granted the flexibility it needs to make appropriate investments and incur the expenses as needed to mitigate cyber threats?

A. Yes, very. Cybersecurity is a critical element of Liberty EnergyNorth's ability to provide safe and reliable service to customers. Due to the unique nature of the assets (i.e., short useful lives) and operational spending associated with cybersecurity, denying the Company the flexibility it needs to address the uncertainties inherent to its program could force the Company to make difficult choices about whether it would need to forego important investments.

IV. LOCAL DISTRIBUTION ADJUSTMENT CHARGE ("LDAC")

Q. What is the LDAC?

A. The LDAC is a recovery mechanism which allows the Company, subject to the jurisdiction of the Commission, to adjust, on an annual basis, its delivery charges in order to recover certain expenses. Expenses and costs recoverable include the energy efficiency charge, environmental surcharges including both manufactured gas plant and gas holder costs and expenses, the revenue decoupling adjustment factor, the property tax adjustment mechanism, rate case expense, reconciliation of temporary rates, and residential low-income gas assistance program costs.[3]

Q. Which customers are billed an LDAC?

A. All Liberty EnergyNorth customers, including those in Keene, are billed the LDAC on a per therm basis.

Q. When was the LDAC last approved?

A. The current LDAC was approved in Docket No. DG 22-045, Order No. 26,715 (October 31, 2022) and 26,737 (November 30, 2022).

[3] Please see the Company's Tariffs, page 33.

Q. Does the Company propose any modifications to the current LDAC cost recovery components?

A. Yes. The Company is proposing to separate the Rate Case Expense and Temporary Rate Recoupment into separate components within the LDAC. Both are currently combined into the Rate Case Expense factor and the Company is proposing two separate factors to allow for ease of tracking and review.

Q. Does the Company propose any additional LDAC cost recovery components?

A. Yes. The Company proposes to include the following additional cost recovery components in the LDAC:

- **Regulatory Reconciliation Adjustment ("RRA"):** The RRA is intended to recover (1) changes in the Commission assessment from the level in base rates, (2) the Department of Energy ("DOE") and the Office of Consumer Advocate ("OCA") consultant expenses, and (3) other Commission-approved consultant costs the Company incurs as directed by the Commission and/or related to consultant expenses incurred to respond to Commission dockets (e.g., revenue decoupling or Least Cost Integrated Resource Plan).
- **Residential Assistance Factor ("RAF"):** The RAF is intended to recover the costs associated with the portions of past due balances forgiven as proposed in the Arrearage Management Program ("AMP") and program implementation costs.
- **Fee Free Adjustment ("FFA"):** The FFA is a component intended to reconcile the estimated Fee Free Payment Program Costs included in base rates with the

actual cost of credit card and debit card fees waived and program implementation costs.

Q. With these modifications, will the recovery mechanism and reporting change?

A. No. The LDAC will continue to be a single volumetric-based rate allocated on an equal cents per therm basis that will recover or refund the costs associated with the LDAC components. Additionally, the LDAC will be filed annually as determined in the ongoing proceeding in Docket No. DG 23-027.

A. Utility Assessments and Consultant Costs

Q. Please provide an explanation of utility assessments incurred since the last rate case.

A. Pursuant to RSA chapter 363-A, Liberty EnergyNorth is responsible for a share of the Commission's annual expenses. In 2014, RSA chapter 363-A was amended to provide that the amounts assessed to utilities, such as Liberty EnergyNorth, are recoverable through distribution rates. See RSA 363-A:6, I[4]. In accordance with RSA 363-A:6, Liberty EnergyNorth may request a rate recovery mechanism to refund or recover variances between actual annual assessment costs and amounts included in base distribution rates. Liberty EnergyNorth does not currently have a mechanism in place to reconcile assessment costs. The level of annual assessment costs in base rates as established in DG 20-105 rate case is $777,036. The 2022 adjusted test year amount is $1,177,287, which is based on the Fiscal Year 2022 quarter 3 and quarter 4 and Fiscal

[4] The commission shall by order establish rate recovery mechanisms for any public utility that is not either an excepted local exchange carrier, as defined in RSA 362:7, I(c), or a rural electric cooperative for which a certificate of deregulation is on file with the commission. Such rate recovery mechanisms shall adjust annually to recover any change in a utility's annual assessment.

Year 2023 quarter 1 and quarter 2 invoice amounts. Liberty EnergyNorth has not deferred any costs above the amount in base rates and has not requested a cost recovery mechanism between the last rate case and this rate case. However, the 2022 test year assessment level has increased by approximately 50 percent over the amount in base distribution rates as shown in the table below. As a result of this significant increase, Liberty EnergyNorth is now proposing an annual rate recovery mechanism going forward.

Table 2: Utility Assessment Fees

Fiscal Year	Assessment	Gas Pipeline Safety Assessment
FY 2020 (July 2019 – June 2020)	$729,076	$47,522
FY 2021 (July 2020 – June 2021)	$748,567	$109,140
FY 2022 (July 2021 – June 2022)	$824,747	$132,682
FY 2023 (July 2022 – June 2023)	$963,258	$156,884

Q. Provide the total amount of the assessments and proposed recovery of these assessments.

A. The annual assessment included in permanent distribution base rates for the rate year is $1,177,287. On a calendar year basis, the Company will compare actual annual assessment costs to the amount approved in base distribution rates. Any variances will be refunded or recovered from customers through the LDAC on an equal cents per therm basis with interest applied at the prime rate.

Q. Provide an explanation of Commission, DOE, and OCA expert outside services charges incurred since the last rate case.

A. Since the last rate case and through the 2022 test year which forms the basis of this current rate case, Liberty EnergyNorth has not incurred any charges associated with Commission, DOE, or OCA expert outside services. However, in 2023 Liberty EnergyNorth has received invoices for DOE expert outside services associated with the revenue decoupling and least cost integrated resource plan proceedings.

Q. Please explain what other Commission-approved costs would be recovered through the LDAC that have not been discussed.

A. The Company may incur incremental costs associated with investigations or changes to rules or laws that require the Company to incur incremental costs outside of a general distribution rate case. The Company is proposing to recover incremental costs incurred with interest at the prime rate on an annual basis through the LDAC with interest calculated on any over or under recoveries at the prime rate.

B. Arrearage Management Plan ("AMP")

Q. Please explain why the AMP is being included for recovery in the LDAC as the RAF.

A. The Company is proposing to implement an AMP for eligible low-income customers. The AMP provides payment assistance for qualifying residential customers struggling with past-due utility bills. Eligible customers participating in the AMP will receive $100 in monthly arrearage forgiveness for each timely payment of their current monthly bill, unless the remaining arrearage balance is less than $100, for a total forgiveness of up to $1,200. More discussion of this proposed program can be found in the Direct Testimony of Lauren Preston.

Q. What costs related to the AMP is the Company seeking to recover?

A. The Company is seeking to recover the costs associated with the portions of the past due balance that will be forgiven (as described above) and the program implementation costs. As discussed in Ms. Preston's testimony, the Company estimates that it will cost approximately $1.2 million to implement the AMP, which includes the forgiven past due balance amounts and communication costs.[5]

Q. Please explain the Company's proposal for recovering the AMP costs.

A. The Company is seeking to recover 100 percent of the forgiven past due balance amount for customers enrolled in the AMP through the LDAC. As part of the LDAC filing, the Company will submit the tracked costs for inclusion in the next LDAC rate adjustment. The RAF would also include an estimate of AMP costs for the next 12-month period which would be reconciled with actual costs in the following year's LDAC filing. Any variances will be refunded to or recovered from customers through the LDAC on an equal cents per therm bases from all rate classes with interest applied at the prime rate.

[5] Direct Testimony of Lauren A. Preston at 16.

C. Fee Free Adjustment ("FFA")

Q. Please explain why the FFA is being included for recovery in the LDAC.

A. The Company is proposing to implement a Fee Free program to eliminate convenience fees assessed for payments made with credit and debit cards.

Q. What costs related to the FFA is the Company seeking to recover?

A. The FFA is intended to reconcile the estimated Fee Free Payment Program costs included in base rates with the actual costs of credit card, debit card and electronic check payment fees waived. As discussed in the testimony of Ms. Preston, the Company included estimated annual waived fees of $136,364 in base rates.[6] This amount assumes up to 7 percent of residential customers and 5 percent of commercial customers use the Fee Free Payment Program.

Q. Please explain the Company's proposal for reconciling the FFA costs.

A. The Company is seeking to recover 100 percent of the waived fees. Since the proposed base rates include an estimate of $136,364, the Company seeks to reconcile the estimate to actual costs through the LDAC. Any variances will be refunded or recovered from customers through the LDAC on an equal cents per therm basis from all rate classes with interest applied at the prime rate.

[6] Direct Testimony of Lauren A. Preston at 21.

V. OTHER TARRIF REVISIONS

Q. Please describe any other proposed changes to Liberty EnergyNorth's current tariff.

A. In addition to the changes described above related to the LDAC, the Company is proposing changes to certain non-recurring charges, and an overall streamlining of the tariff to improve readability. A redlined version of the tariff is being provided with the Company's application.

Q. Please describe the Company's proposed reformatting.

A. The Company submits the following revisions:

- General Terms and Conditions:
  - Corrected various typographical errors.
  - Combined Sections 3 and 3A for a streamlined presentation.
  - Added the definition of normal business hours.
  - Added a Seasonal Disconnection Fee.
- Cost of Gas:
  - Page 18: Removed dated material.
  - Page 33: Added Section H – Approved Cost to the Keene COG, consistent with the presentation of approved costs in Section F on page 18.
- Reconnection Language: Currently each rate schedule states that a meter account charge is incurred when the Company establishes or re-establishes a gas service account. The Company submits that the language be revised to when the

Company connects or reconnects a gas service account. The Company also revised the mutually convenient hours language surrounding the timing of the connection or reconnection to clarify normal business hours and after hours, and added a Seasonal Reconnection charge.

- Rate Schedules: Edited to generalize reference to Firm Rate Schedules as opposed to specific tariff page.
- Pages 91 – 98: Amended to state that these are sample calculations consistent with NH Puc 1603.02(p)(2).
- Removed pages 99 – 101: The supporting calculations presented in these pages is information readily available in the filings made by the Company in support of all rate changes.
- Removed reference to specific general ledger accounts throughout the tariff as that information is outside the scope of the tariff (See Section 17 and 19).

Q. Are there any ongoing proceedings in which the proposed redlines included herein are being considered?

A. Yes. The Cost of Gas ("COG") and LDAC procedures are currently under review in Docket No. DG 23-027. Part of that review involves proposed tariff changes. The tariff changes proposed in that docket are also shown in the redline tariff filed here and include Sections 18 and 19. However, the Department of Energy stated in its July 14, 2023, status report that "only those changes essential to mechanically separating the COG and LDAC should be made [in that docket]". It is therefore unclear at this time which proposed changes will ultimately be included therein.

Q. Is the Company changing any processes or procedures as a result of removing detailed calculations or references to general ledger accounts?

A. No. The Company is not proposing to make any changes to its accounting practices or calculations as part of removing the references to the general ledger accounts. The detailed calculations supporting all rates will continue to be publicly available within the Company's filings, and the general ledger account information is provided through data requests and audits.

Q. Is the Company proposing any changes to its current miscellaneous charges?

A. Yes. Liberty EnergyNorth reviewed several non-recurring charges in the Company's tariff and proposes changes to more accurately reflect the Company's actual costs incurred for connections, reconnections, and meter tests. The Company proposes revisions to the following nonrecurring charges as illustrated below in Table 3:

Table 3. Miscellaneous Charges

	Current Charge	Revised Charge
Connection/Reconnection Fee	$20.00	$50.00
Connection/Reconnection Fee – After Hours	$30.00	$80.00
Meter Test	$20.00	$50.00
Meter Test – After Hours	$30.00	$80.00

Q. What information is used to support the proposed nonrecurring charge revisions?

A. The Company calculated the nonrecurring charges based upon actual expenses incurred. The labor calculations use a fully loaded labor rate for craft labor and estimated labor hours to complete the request. The estimated completion times are based on management expertise. The estimated mileage is based on the average round trip and the most current published Internal Revenue Service business standard mileage rate.

Q. Why is the Company requesting to revise these charges?

A. It has been some time since the Company last evaluated these charges. Increases in labor wages and benefit costs, transportation costs, and material charges are not reflected in the current charges. The Company believes that the costs should be borne by the cost causer and therefore should reflect as such and not be overly subsidized by base rates.

Q. Do the changes to the nonrecurring charges result in a change in the miscellaneous revenue?

A. Yes. The proposed nonrecurring charges will result in an increase in miscellaneous revenues and corresponding increase in rate revenue of $799,100, as illustrated below in Table 4 and Attachment TJC-1.

Table 4. Nonrecurring Charge Revenue

	Current Charge	2017-2019 Average Occurrences	Test Year Revenue	Revised Charge	Adjustment	Test Year
Connection/Reconnection Fee	$ 20	20,149	208,350.00	50.00	$ 799,100	$ 1,007,450
Connection/Reconnection Fee - After Hours	$ 30			80.00	$ -	$ -
Meter Tests	$ 20			50.00	$ -	$ -
Meter Tests - After Hours	$ 30			80.00	$ -	$ -
			208,350.00		$ 799,100	$ 1,007,450

Q. Why do the number of occurrences represent the average between 2017 and 2019 and not the test year?

A. Due to the conversion to Customer First, the Company placed a halt on most nonrecurring charges in October 2022. Therefore, the Company believes the test year revenue and occurrences are understated.

Q. Why did the Company choose to use the average between 2017 and 2019?

A. Liberty EnergyNorth believes a three-year average is an appropriate proxy for the annual number of nonrecurring charges. The Company did not include Years 2020 and 2021 as they are not representative of a typical year due to the COVID-19 moratorium.

Q. Is the Company requesting to implement any new nonrecurring charges?

A. Yes. The Company is proposing to add an additional Seasonal Reconnection Fee to be assessed to those customers that request that service be discontinued, and then at the same premise the same Customer requests to be reconnected within five (5) months. This fee will be calculated as the current monthly meter charge times 5 months.

Q. Why is the Company requesting this additional reconnection fee?

A. The intent of this fee is to eliminate an unintended incentive to engage in seasonal disconnection of service by virtue of a reconnect fee that is less than the aggregate minimum monthly charge. The fee is a fixed amount determined as Liberty EnergyNorth's minimum monthly charge for each applicable customer class times five.

Q. Will the seasonal customer also be charged the standard connection and reconnection fee?

A. No, the seasonal customer will only be charged the seasonal disconnect fee.

VI. <u>CONCLUSION</u>

Q. Does this conclude your pre-filed testimony?

A. Yes.

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