

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

DIRECT TESTIMONY

OF

NEIL PROUDMAN

July 27, 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. By whom are you employed and in what capacity?**

6 A. I am employed by Liberty Utilities Service Corp. (“LUSC”) as the President of Liberty
7 Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty (“Liberty EnergyNorth” or the
8 “Company”) and of Liberty Utilities (Granite State Electric) Corp. (“Liberty GSE”).

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

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

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

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

15 Before joining Liberty, I was with National Grid for over 40 years, from 1979 until 2021.

16 At National Grid I worked in the natural gas business in the United Kingdom, New York,

17 and New England holding a variety of positions. Most recently, before my departure

18 from National Grid, I was the Vice President of Capital Programs from 2019 to 2021,

19 Vice President of National Grid’s New England Gas Operations from 2014 to 2019, and

20 Vice President Operations Support prior to 2014. I began my career as a gas apprentice

21 at age 16.

1 **Q. Are you part of any industry organizations?**

2 A. Yes. I serve on the Executive Board of the New Hampshire Business and Industry
3 Association and the Managing Committee of the American Gas Association. I am also a
4 member of the Institution of Gas Engineers and Managers.

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

6 A. Yes, I recently sponsored written testimony in Docket No. DE 23-039, Liberty GSE's
7 Request for Change in Distribution Rates.

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

9 A. The purpose of my testimony in this proceeding is to provide an overview of the
10 Company and its filing for an adjustment to natural gas distribution service rates. I also
11 provide an introduction of each Company witness and the subject matter of their
12 testimony.

13 **II. COMPANY OVERVIEW**

14 **Q. Please provide an overview of Liberty.**

15 A. Liberty is an indirect subsidiary of Algonquin Power & Utilities Corp. ("APUC"), which
16 is publicly traded on the New York and Toronto stock exchanges. APUC owns and
17 operates diversified international generation, transmission, and distribution utilities with
18 over \$17.6 billion of total assets. Through its two business groups, the Regulated
19 Services Group and the Renewable Energy Group, APUC is committed to providing safe,
20 secure, reliable, cost-effective, and sustainable energy and water solutions to over one

1 million customers, largely in the United States and Canada. APUC is a global leader in
2 renewable energy.

3 Through the Regulated Services Group, APUC owns and operates 30 regulated electric,
4 natural gas, water, and wastewater utilities serving more than one million residential,
5 commercial, and industrial customers in 13 states (Arizona, Arkansas, California,
6 Georgia, Iowa, Illinois, Kansas, Massachusetts, Missouri, New Hampshire, New York,
7 Oklahoma, and Texas), one Canadian province (New Brunswick), Bermuda, and Chile.

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

10 A. Liberty believes that local management, local decision-making, and local operational
11 control are critical. Strategic oversight and financial and administrative support services
12 are provided through the shared services model to supplement and support local
13 operations, but I remain responsible for the financial and operational performance of the
14 company. This shared services approach to management, service, and support is intended
15 to ensure efficient and dependable utility services to all of Liberty's customers. We
16 measure our performance in terms of service reliability, customer experience, and
17 dedication to public and workplace safety. Liberty places the public safety of customers,
18 employees, and the community first and foremost in everything we do.

1 **Q. Can you please summarize the Company’s approach to investing in success in New**
2 **Hampshire?**

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

9 **III. LIBERTY ENERGYNORTH’S NEW HAMPSHIRE OPERATIONS**

10 **Q. Please provide an overview of Liberty EnergyNorth’s gas operations in New**
11 **Hampshire.**

12 A. Liberty EnergyNorth is a regulated gas distribution utility providing service to over
13 98,000 customers in New Hampshire. The Company’s service area covers the
14 Merrimack River valley from Nashua to the Lakes Region, and a small portion of Berlin.
15 Liberty EnergyNorth also owns and operates Compressed Natural Gas (“CNG”) and
16 propane air systems that serve approximately 1,250 customers in Keene. The Company
17 is managed as part of Liberty’s East Region, which has a regional corporate operations
18 center in Londonderry and natural gas operations facilities in Nashua, Manchester, Tilton,
19 and Keene.

1 **Q. Since joining Liberty EnergyNorth in 2021, what have been your observations of the**
2 **Company and its New Hampshire workforce?**

3 A. The employees of Liberty EnergyNorth are cooperative and team spirited. Although
4 Liberty EnergyNorth has built its workforce since the 2012 acquisition of Liberty
5 EnergyNorth and Liberty GSE, it is not overly staffed, which means that employees often
6 need to serve multiple roles. In performing those tasks, the employees necessarily
7 engage with multiple other departments, so clear and effective communication and
8 cooperation are vital. As an example, employees on the gas side of the business have
9 been trained for important roles on the electric side such as “wires down” or damage
10 assessment during electric outage events. Even though those roles are not part of their
11 normal job responsibilities, the employees willingly perform them, thereby allowing
12 employees on the electric side of the business to focus on other critical activities during
13 major outage events. Every day I appreciate the hard-working and dedicated New
14 Hampshire employees.

15 **Q. As the President of Liberty EnergyNorth, what are your priorities for the**
16 **Company?**

17 A. My priorities align with the Company’s obligations as a public utility in New Hampshire
18 to provide safe and reliable service at just and reasonable rates. The safety of the
19 Company’s employees and customers is my first and highest priority and is taken into
20 account in every decision Liberty EnergyNorth makes. Their safety-first mindset, growth
21 orientation, and entrepreneurial spirit is the driving force behind our business. The
22 provision of natural gas and propane service to the Company’s customers is extremely

1 important given the uses of these fuels for heating, cooking, manufacturing, and
2 industrial purposes. Each day, the Company faces decisions related to the operation and
3 maintenance of the distribution system as well as maintaining reliable and cost-effective
4 courses of supply.

5 **Q. How has Liberty EnergyNorth achieved excellence in its operations?**

6 A. Since taking over ownership of the Company in mid-2012, Liberty EnergyNorth has
7 significantly improved the reliability of the distribution system, improved policies and
8 procedures, and strengthened the local workforce through improvements including
9 enhanced training. These improvements have yielded measurable results and will allow
10 the Company to meet its many obligations as a public utility in this state. For example,
11 the Company has maintained an average arrival time of 18–20 minutes for emergency
12 responses from 2019 through 2022, averaged 98–99% success rate for meter reading, and
13 continued to reduce the number of Grade 3¹ leaks.

14 In addition, Liberty EnergyNorth works to support state policy goals through
15 collaboration with stakeholders in the public and private sectors. Energy efficiency
16 programs are very important to lower costs to customers, reduce energy consumption,
17 and support sustainability.

¹ A Grade 3 leak is deemed to be non-hazardous to life or property and must be either repaired or monitored annually.

1 Recognizing that safe, reliable, and efficient operations go hand in hand with customer
2 satisfaction and reacting to continuously evolving customer needs and expectations is
3 crucial and at the forefront of Liberty EnergyNorth's operations.

4 **Q. Can you please provide an overview of key initiatives for Liberty EnergyNorth?**

5 A. Liberty EnergyNorth takes pride in the improvements and growth of its system in recent
6 years. The Company is committed to the removal of the cast iron and bare steel mains
7 and services in its system and to replacing the remaining identified 33 miles of cast iron
8 and bare steel through the end of 2028 at an approximate cost of \$69.5 million.

9 The Company is also committed to providing safe and reliable gas service to new
10 customers while providing opportunities for economic development in the communities it
11 serves. With respect to such commitments, Liberty EnergyNorth has a significant
12 number of planned future capital projects, as described in the Capital Investment Panel's
13 Direct Testimony. These future capital projects target things such as the Company's
14 Distribution Integrity Management Program, the replacement of leak-prone pipe that was
15 formerly included in the Company's Cast Iron/Bare Steel ("CIBS") program, reliability
16 projects to reinforce the gas system, and supply enhancement projects that will provide
17 benefits to customers in the short-term and the long-term.

18 With respect to its Keene Division, the Company has completed a methodical approach to
19 converting the system, over time, from propane-air to natural gas, as provided in the
20 Direct Testimony of the Keene Panel.

1 Lastly, as the Company grows, it will continue to pursue modern and more reliable means
2 to ensure continued supply for both the short and near terms. The Company's long-term
3 contract with Tennessee Gas Pipeline for additional capacity on the Concord Lateral and
4 its approach to converting its Keene system to natural gas and providing for a modern
5 and more reliable fuel source illustrates how the Company takes a long-term view of the
6 need to provide for its customers.

7 **Q. How else does Liberty EnergyNorth serve its community?**

8 A. Liberty EnergyNorth promotes volunteerism by its employees through the Company's
9 "Liberty Days" program which allows employees to volunteer in the community for up to
10 three days per year. Liberty EnergyNorth's employees also support charitable
11 organizations such as United Way.

12 **Q. Does Liberty EnergyNorth offer assistance to low-income customers?**

13 A. Yes. Qualifying Liberty EnergyNorth customers receive assistance through the
14 Residential Gas Assistance Program. This program offers eligible low-income residential
15 customers who use gas as the principal household heating fuel a discounted meter and
16 volumetric charge during the winter period. Liberty EnergyNorth also supports Neighbor
17 Helping Neighbor through financial contributions, and Company employees serve on the
18 organization's board of directors. 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 has prompted the filing of this application?**

3 A. This filing recognizes that Liberty EnergyNorth's present base rates are no longer
4 sufficient to provide the Company an opportunity to earn a fair return on its investments.
5 Since the Company's last rate case², Liberty EnergyNorth has invested over \$179.1
6 million in its distribution system, of which \$123.1 million of capital investments are not
7 reflected in current rates.

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

9 A. Yes. In addition to the increased capital investments, operation and maintenance
10 expenses have increased since Liberty EnergyNorth's last rate case. Despite robust
11 internal cost control efforts, many operating expenses are increasing. Many of the factors
12 leading to these increases are beyond the Company's control and include constraints on
13 the supply chain, inflationary pressures, and increasing labor costs.

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

15 A. As discussed in detail by other Liberty EnergyNorth witnesses, the Company requests an
16 increase in annual natural gas distribution revenues of \$27.6 million based on a historical
17 test year ending December 31, 2022, and certain known and measurable adjustments. In
18 addition, the Company proposes the continuation of step adjustments as a mechanism to
19 recover capital investments from 2023 through 2025. The Company's first proposed step
20 adjustment seeks recovery of \$46.4 million of non-growth capital investments to be

² Docket No. DG 20-105

1 completed in 2023, which will further increase revenues by \$6.4 million. As discussed
2 by Company witness Kenneth Sosnick, the average R-3 residential customer's total bill is
3 estimated to increase 22.54% as a result of the proposed base rate revenue increase and
4 first capital step adjustment. Company witnesses Tyler J. Culbertson and C. Drew
5 Cayton further explain the calculations of the proposed rate increases for each year in
6 their Direct Testimony.

7 **Q. Does the Company's proposed rate increase include any major investments?**

8 A. Yes. In addition to the Company's typical investments in plant to deliver natural gas
9 service to customers, Liberty EnergyNorth is also seeking recovery of its investment in
10 Customer First, a new enterprise system that will allow the Company to replace obsolete
11 systems, help us plan for and operate our system more efficiently, and offer new services
12 to our customers. Company witness Lauren Preston discusses the Customer First
13 investment in her Direct Testimony. Furthermore, Company witness Shawn Eck
14 discusses significant and ongoing cybersecurity investments made by APUC which are
15 aimed to meet and address the evolving cybersecurity landscape and secure the
16 Company's facilities and information. Finally, as discussed by Company witnesses
17 Heather Tebbetts, Morgan MacGregor, and Jacob Drouse, the Company is also proposing
18 to replace the obsolete propane-air facility that provides service to Liberty EnergyNorth's
19 Keene Division. This project will replace one of the last known propane-air distribution
20 facilities in the United States with a modern and reliable installation delivering a more
21 economic and safe energy commodity to an increased number of customers.

1 **Q. Has the Company included any other proposals in this case?**

2 A. Yes. Liberty EnergyNorth is proposing a program to assist customers with arrearages
3 and to continue its existing low-income discount.

4 **V. INTRODUCTION OF WITNESSES**

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

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

- 7
- 8 • Tyler J. Culbertson, Director of Rates and Regulatory Affairs, supports Liberty
9 EnergyNorth's revenue requirement for permanent base distribution rates and
10 proposed step increases, as well as the Company's request for temporary rates.
11 Mr. Culbertson also addresses Liberty EnergyNorth's proposed recovery of
12 cybersecurity investments and operating costs, recovery of certain costs through
13 the Local Distribution Adjustment Charge, modifications to the Company's
14 tariffs, and changes to certain nonrecurring charges.
 - 15 • C. Drew Cayton, of Black and Veatch Management Consulting, LLC ("B&V"),
16 further supports Liberty EnergyNorth's revenue requirement calculation,
17 proposed step increases, and the Company's request for temporary and permanent
18 rate increases. Mr. Cayton also discusses the functional cost of service study and
19 how it is used as support for the rates proposed by Liberty EnergyNorth in this
20 proceeding.
 - 21 • Brad Marx, Manager of Engineering, and Tracy Musto, Manager of Construction
("Capital Investment Panel"), provide joint testimony to support the Company's

1 investments of utility plant since the Company's last rate case, as well as the
2 request for step adjustments to recover the cost of non-growth plant additions in
3 2023, 2024, and 2025. Their testimony also describes the factors driving the need
4 for increased capital investment and outlines the Company's proposal to
5 implement and fund an integrated capital improvement plan to maintain system
6 safety and reliability and to address asset condition.

- 7 • Lauren Preston, Vice President of Customer Care for Liberty, addresses the
8 implementation of Customer First, Liberty's proposal to eliminate credit card
9 fees, and a new arrearage management program.
- 10 • Heather Tebbetts, Director of Business Development, Morgan MacGregor,
11 Manager of Business Development, and Jacob Drouse of Engineering ("Keene
12 Panel") provide joint testimony explaining the details behind the Company's
13 proposed facility conversion to CNG in the City of Keene.
- 14 • Shawn Eck, Director IT Security, Risk and Compliance, provides testimony in
15 support of upgrades to the Company's cybersecurity programs to fortify the
16 protections against constant attempts to breach the Company's systems.
- 17 • Dr. Albert W. Bremser of B&V presents the Company's lead-lag study used to
18 determine the cash working capital requirement included in the Company's rate
19 base.
- 20 • Kenneth Sosnick of B&V describes the development of the Marginal Cost of
21 Service Study ("MCS") and the proposed customer class revenue targets, rates for
22 each class, and bill impacts.

- 1 • Ann E. Bulkley and Christopher Wall of The Brattle Group recommend the
2 appropriate cost of capital and capital structure for the Company.

3 **VI. CONCLUSION**

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

5 **A. Yes.**

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