

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE APPLICATION)
OF NEW MEXICO GAS COMPANY, INC.)
FOR APPROVAL OF REVISIONS TO ITS)
RATES, RULES, AND CHARGES PURSUANT)
TO ADVICE NOTICE NO. 87)
NEW MEXICO GAS COMPANY, INC.)
Applicant.)

Case No. 21-00267-UT

DIRECT TESTIMONY AND EXHIBITS

OF

MICHAEL K. DECOURCEY

December 13, 2021

**DIRECT TESTIMONY OF
MICHAEL K. DECOURCEY
NMPRC CASE NO. 21-00267-UT**

I. INTRODUCTION

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Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.

A. My name is Michael K. DeCourcey. I am Director of Information Technology and Telecommunications (“IT&T”) for New Mexico Gas Company, Inc. (“NMGC” or the “Company”). My business address is 7120 Wyoming Boulevard NE, Albuquerque, NM 87109.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND, WORK EXPERIENCE AND PRIOR TESTIMONY.

A. I earned a Bachelor of Environmental Science at Bowdoin College, Brunswick, ME; a Bachelor of Geology at the University of Southern Maine, Portland, ME; and a Master’s Degree in Business Administration and Technology Management at University of Phoenix, Albuquerque, NM. I have worked in the field of Information Technology Operations for over 22 years; 20 years of which have been in a leadership role as a supervisor, manager, or director. For more detailed educational background and work experience, please see NMGC Exhibit MKD-1.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE NEW MEXICO PUBLIC REGULATORY COMMISSION (“NMPRC” OR “THE COMMISSION”) OR SIMILIAR REGULATORY AGENCY.

A. No.

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1 **Q. PLEASE DESCRIBE YOUR TESTIMONY.**

2 **A.** My testimony is divided into four sections:

- 3 • Section II describes NMGC's IT&T capital investments placed in service in
4 2022 and 2023. These investments total approximately \$20 million.
- 5 • Section III describes intercompany charges from TEC shared services to
6 NMGC in 2022 and 2023. These costs total approximately \$9.4 million for
7 both years, with \$4.9 million included in this case for recovery in 2023, the
8 future test year.
- 9 • Section IV describes the intercompany IT&T charges from NMGC to its
10 affiliates for the periods 2022 and 2023. For the future test year these charges
11 total approximately \$0.8 million.
- 12 • Section V discusses increased labor costs associated with additional employees
13 in my area of responsibility, which will be added by 2023.

14

15 **II. NMGC'S IT&T CAPITAL INVESTMENT**

16

17 **Q. PLEASE DESCRIBE HOW IT&T INVESTMENTS ARE MADE BY NMGC.**

18 **A.** IT&T related capital projects are part of NMGC's overall capital expenditure
19 optimization program through which projects are compared with other projects (a
20 process called optimization) so that not all projects are approved, but instead, only
21 certain projects proceed within the Company's overall operational strategy and
22 budget. This process is explained in more detail in the testimony of NMGC Witness

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1 Tom C. Bullard who has overall responsibility for the capital budgeting and
2 optimization process.

3

4 The total of the IT&T investments made by the Company and included in this case
5 for 2022 and 2023 is reflected in Table 1 below and then described in greater detail
6 below.

7

8

Table 1 – NMGC IT&T Capital Investment by Year

Timeframe	Capital Investment
2022	\$9,883,730
2023	\$10,155,573
TOTAL	\$20,039,303

9

10

11 The numbers in Table 1 are included within the exhibits to the testimony of NMGC
12 Witness Bullard who provides detail to all NMGC's capital investments, month-
13 by-month throughout the period covered by this case.

14

15 **Q. PLEASE DESCRIBE THE BUSINESS PURPOSE BEHIND THE**
16 **COMPANY'S INVESTMENTS IDENTIFIED IN TABLE 1.**

17 **A.** There are five primary business reasons for most of NMGC's 2022 and 2023 IT&T
18 investment. These are:

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1 **1. Business Continuity and Disaster Recovery:** Business Continuity and
2 Disaster Recovery (“BCDR”) facilities help organizations minimize the risks
3 associated with natural and man-made disasters. During a disaster, BCDR facilities
4 enhance an organization’s ability to continue to function with little to no disruption.
5 NMGC has built a BCDR facility at its Edith location that serves as our BCDR
6 datacenter. The IT&T investments in 2022 and 2023 in BCDR allow NMGC to
7 run its critical applications when needed.

8
9 In addition to keeping the Company operational and having the ability to supply
10 gas to the consumer during an event impacting the main data center at the Wyoming
11 office, this facility and hardware ensures compliance with industry regulations
12 recently enacted by the Transportation Security Administration (“TSA”) to reduce
13 the risk of compliance violations and operational issues related to data loss and
14 downtime. Having a long-term BCDR solution reduces recovery times and
15 provides data security. For our customers, this translates into the ability to provide
16 a cost-effective emergency option for uninterrupted gas flow.

17
18 **2. Refreshed Hardware:** Keeping our employees’ personal computers
19 (“PCs”) updated, reliable, and secure is an essential component to maintaining an
20 efficient workforce. As computers age, their hardware components become
21 outdated and less reliable, their ability to efficiently run updated software programs

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1 diminishes, their downtime increases, the time needed to process data increases,
2 and technical support costs increase. NMGC is on a five-year lifecycle for its PC's
3 and this lifecycle aligns with the common industry standard. Pursuant to this
4 schedule, the Company intends to refresh all employee PCs in 2022. NMGC
5 originally planned to refresh all of its PCs in 2021, however, due to supply
6 disruptions this refresh was delayed and will be done in 2022.

7
8 We do this entire replacement in one year, for the following reasons: it provides for
9 a maximum consumer equipment lifespan, takes full advantage of the hardware
10 warranty, and allows for significant buying power which lowers the PC acquisition
11 costs. Additionally, with manufacturing standardization across the Company's PC
12 fleet, support costs are reduced, repairs are standardized which reduces training
13 costs, and setup costs are minimized. All this translates to lower costs to our rate
14 payers.

15
16 In addition to the PC Refresh, NMGC is continuing to invest in the refresh of many
17 of its infrastructure components such as servers, load balancers, network routers,
18 switches, and firewalls. Servers host the applications that drive the organization.
19 Load balancers ensure that the data is evenly processed across the application
20 servers for optimum performance. Routers and switches efficiently route data
21 traffic safely throughout the organization. Firewalls protect the organization's data

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1 from outside threats by allowing only trusted transactions into the Network. This
2 infrastructure is critical because over time, increased load and decreased efficiency
3 take their toll on the performance of infrastructure components and they must be
4 replaced in alignment with their useful lifecycle.

5
6 Each NMGC infrastructure component typically has a 5-year lifecycle to ensure
7 that the technology is current, optimal, warranted, and vendor supported.
8 Refreshing each component every five years helps minimize downtime, optimize
9 performance and reliability, and drives workforce productivity and efficiency.
10 Ultimately, this allows NMGC to minimize service disruptions and lower costs, all
11 to the benefit of our rate payers. Unlike PC's, not all infrastructure components are
12 being replaced in 2022 or 2023, each component remains on its own 5-year
13 lifecycle schedule to reduce replacement time and prevent major IT&T service
14 disruptions.

15
16 **3. Replacement or Upgrade of Gas Supply Software:** "Quorum" is
17 NMGC's gas supply and transportation suite of software applications. Quorum is
18 used by NMGC for the critical functions of scheduling and administrating the
19 supply of gas in the pipelines to our customers, negotiating and setting up contracts
20 for supply, accounting for all the above, and reporting on these activities. In other
21 words, Quorum, or a similar program is critical to providing reliable service to our

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1 customers. The estimate of \$2.9M for this project is based on preliminary request
2 for proposal responses. The solution selected will be implemented in 2023.

3

4 It has been over 10 years since NMGC went out to the marketplace and assessed
5 available tools for the functions performed by the Quorum software. In 2022 and
6 2023 we are doing exactly that. Doing so now, while Quorum is still performing
7 well, reduces risks associated with incompatibility with emerging technology and
8 cyber security threats, thus ensuring that we have the safest, most reliable, cost-
9 effective system to meet our gas supply and gas management needs. This market
10 analysis will provide us with the data to determine if a replacement, upgrade, or
11 hybrid approach of combining these programs provides the best benefit for our
12 customers.

13

14 **4. Integrity Management Program (“IMP”) Implementation:** IMP
15 identifies a program for the proactive improvement and replacement of components
16 on our natural gas delivery system to maintain, or enhance system integrity,
17 reliability, and safety. As part of this, the Company’s IT&T team is charged with
18 working with engineering, pipeline safety management, field technicians and their
19 supervisors to implement IT&T solutions to help meet our overall IMP needs. The
20 Company’s IMP investment is ongoing, and there are several IT&T capital

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1 investments that facilitate the Company’s engineering efforts in this regard and help
2 ensure compliance with new and evolving PHMSA regulations:

- 3
- 4 • Inspection Manager is the CFR 192 compliance system of record. There are
5 numerous enhancements to this system to improve or automate common
6 business processes, provide better interfaces for the collection of field data, and
7 improve reporting for more timely and actionable data for our management
8 team, and other internal/external stakeholders.
 - 9 • The Electronic Field Data Collection Project shifts our data collection and
10 retrieval system from paper to electronic records generated as close to the point
11 of measurement as possible. For example, with cathodic protection, we are
12 implementing a solution that allows our field techs to record measurements in
13 the field that are placed automatically into our compliance system of record.
 - 14 • The Geographic Information System (“GIS”) is utilized to identify Company
15 assets and installation locations and store relevant information about those
16 assets including material properties, risk consequence information, and risk
17 indicators. As better tools are developed and available to manage risks
18 associated with pipeline operations, the use of the GIS becomes more integral
19 to support these tools. For example, field data collection tools utilize GPS
20 positioning and data in the GIS to ensure inspections are occurring at the right
21 location and that inspection results are tied to the correct assets for analysis.

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1 This results in the need for increasing licensing to ensure access and an
2 improved systems architecture to enable growth in this space.

3

4 **5. Business Operations Capital Investments:** Additional investments in
5 business operations include:

- 6 • Update to Enterprise Resource Planning (ERP) software: NMGC has valuable
7 assets throughout the State, including our employees, facilities, systems and
8 operations. Since 2014, ERP is the centralized management system that allows
9 all of our employees to communicate effectively about data and information.
10 In short, ERP is the software the Company currently uses to manage day-to-day
11 business activities such as accounting, procurement, risk management and
12 compliance, Human Resources (“HR”), and supply chain operations. In ’22
13 and ’23, NMGC is investing in improvements to this ERP software that will
14 facilitate better communication between all the offices in the State given the
15 increasing complexity the Company is facing. For example, recent
16 improvements in procurement allow for automated invoice delivery and
17 processing, eliminating paper copies and manual data entry required for
18 payments. Upcoming improvements will continue to reduce labor hours
19 required for maintenance and execution of business processes related to
20 financial close, customer billing, and payroll processing among other things.

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- 1 • Updates to the Business Intelligence suite of programs that the Company is
2 currently using to collect, organize, search and use all the data the Company
3 accumulates on a daily basis regarding business operations. As NMGC
4 continues to modernize and digitalize its information technology footprint, the
5 efficient use of the data gathered becomes more important. The forthcoming
6 improvements to Business Intelligence will automate the collection of data from
7 multiple systems; eliminate costs associated with the manual extraction;
8 transformation and analysis of data from these systems; and reduce security
9 risks by having a centralized data store with well-defined user access controls.
- 10 • Enhancements to the Copperleaf C55 software used by NMGC: Since 2018,
11 Copperleaf C55 is the program NMGC uses to evaluate and drive the financial
12 analysis of capital investment decisions made by the Company. The
13 forthcoming enhancements will allow NMGC to ensure that investments better
14 take into account customers' service criteria, and will provide better workflow
15 for these extensive capital investment processes. The enhancements will
16 provide a data interface that will eliminate costs related to vendor created
17 reporting, and will provide additional interface to the centralized reporting tools
18 being developed at NMGC.
- 19

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1 **Q. PLEASE IDENTIFY THE SPECIFIC IT&T PROJECTS/INVESTMENTS**
2 **THAT ARE IN THIS CASE AND EXPLAIN HOW THEY BENEFIT THE**
3 **COMPANY AND ITS CUSTOMERS.**

4 **A.** Attached as Exhibit MKD-2 is a table listing by project/investment all the capital
5 projects in this case for the years 2022 and 2023 in the areas described above. Each
6 of these projects fits into one of the areas identified above, and helps the Company
7 by achieving one of the following objectives for reasonable and prudent IT&T
8 investments. These are the benefits that good IT&T investments bring to the table:

- 9 • Mitigating Risks – means using IT&T solutions to reduce exposure to
10 internal and external threats to our business operations and enhancing our
11 reliability. This includes projects that help monitor critical infrastructure,
12 improve asset up-time, secure NMGC’s data and digital assets, minimize
13 impacts of unfortunate events, and help us to protect against cyber security
14 threats.
- 15 • Driving Efficiency – means using IT&T solutions to reduce costs,
16 streamline and automate processes, or increase collaboration. Projects in
17 this area include application enhancements that improve interfaces so
18 employees can more efficiently interact with various applications,
19 implementation of tools that ease or improve accuracy of data capture, and
20 projects that reduce overall operating costs.

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- 1 • Enhancing the Customer Experience – means using IT&T solutions to
2 improve how customers interact with NMGC. Projects in this area include
3 enhancements to our website to improve customer self-help experiences,
4 empower them to better find information about their bills or about payment
5 centers, facilitate the ability for customers to use their phone to access their
6 accounts, and with the addition of webchat allow customers real-time access
7 to NMGC customer service representatives.
- 8 • Supporting Business Intelligence/Analytics – means using IT&T solutions
9 to supply technologies to analyze our business information. This includes
10 projects to help us explore data from historical, current, and predictive
11 views of business operations to help better understand past business
12 performance and drive business planning, provide budget analytics, and
13 includes tools that help to produce dashboards or snapshots of data that
14 support proactive monitoring and informed business decisions.
- 15 • Maintaining the Company’s Systems – includes the day-to-day activities
16 required to support, maintain, or improve our IT&T assets. This includes
17 IT&T projects that center around break/fix solutions, keeping assets up to
18 date, and proactive hardware replacements and software upgrades.
- 19

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1 **Q** **AT THE BOTTOM OF MKD-2 THERE IS A CATEGORY OF**
2 **INVESTMENTS DESCRIBED AS “AFFILIATE SPLIT CAPITAL**
3 **ASSETS”. PLEASE DESCRIBE THIS CATEGORY.**

4 **A.** The majority of the capital investments required to meet NMGC’s IT&T needs are
5 made directly by NMGC. Alternatively, in situations where IT&T software is
6 acquired or developed for the benefit of and use by multiple TECO affiliates, a
7 portion of the initial cost of the software investment is paid for by each affiliate and
8 reflected as an asset in the affiliate’s books and records. Ultimately, each TECO
9 affiliate records their portion of the software asset in their books and calculates and
10 records the depreciation associated with the asset in depreciation expense. In 2021,
11 it was determined that this method of accounting for these types of investments
12 made more sense from an accounting and regulatory perspective because
13 investments that were capital in nature were properly reflected in each affiliate’s
14 books as an asset and depreciated. Prior to 2021, these assets were reflected on the
15 books of TEC and TEC charged each affiliate an asset usage fee to recover the costs
16 associated with the asset, including depreciation and the rate of return. The asset
17 usage fee charged to NMGC by TEC is included in NMGC’s Operations and
18 Maintenance (“O&M”) expense. These split assets are identified in NMGC Exhibit
19 MKD-2.

20

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1 **Q. HOW IS IT DETERMINED WHAT AMOUNT OF THESE SHARED**
2 **CAPITAL PROJECTS TO ATTRIBUTE TO NMGC?**

3 **A.** The percentage of these capital projects attributable to and paid for by NMGC is
4 equal to the percentage of users of the asset at NMGC in relation to all other
5 affiliates. For example, where NMGC represents approximately 20% of the total
6 affiliate users of the asset, NMGC pays for 20% of the asset and reflects that amount
7 as an asset in its books and records. This percentage may be different for
8 investments that benefit differing mixes of affiliates.

9

10 **Q. WAS NMGC INVOLVED IN THE DECISION TO INVEST JOINTLY AND**
11 **PAY FOR A PORTION OF THE INVESTMENT AS A CAPITAL COST?**

12 **A.** Yes. NMGC was engaged throughout the process and as described below, NMGC
13 operates under the belief that having its portion of shared assets included in its
14 books and records and in its rate base, is the appropriate way to account for the
15 investments.

16

17 **Q. THE “SHARED ASSET” ACCOUNTING TREATMENT WENT INTO**
18 **EFFECT IN 2021 AND IS IN PLACE ON A GOING FORWARD BASIS FOR**
19 **THE ASSETS IDENTIFIED ON MKD-2. AS TO SIMILAR ASSETS THAT**
20 **WERE ACQUIRED BY TEC PRIOR TO THE CHANGE IN THIS**

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1 **TREATMENT WILL NMGC STILL BE CHARGED AN ASSET USAGE**
2 **FEE?**

3 **A.** Yes. The Company was not able to retroactively apply this process of “sharing
4 assets”, so pre-existing assets will continue to depreciate and generate a charge to
5 NMGC for use of the asset and related expense. Pre-existing assets will continue
6 to be treated as before. The affiliate charges for pre-existing assets are included
7 in NMGC’s O&M expense in this case. They total approximately \$1.39 million
8 and \$1.42 million in 2022 and 2023 respectively.

9

10 **III. IT&T INTERCOMPANY O&M CHARGES TO NMGC**

11

12 **Q. HOW IS THIS SECTION OF YOUR TESTIMONY ORGANIZED?**

13 **A.** I will first identify what the affiliate O&M charges to NMGC are, and then I will
14 identify the steps NMGC takes to make sure these affiliate charges are reasonable
15 and appropriately assessed to NMGC.

16

17 **Q. PLEASE DESCRIBE WHAT IT&T AFFILIATE CHARGES NMGC**
18 **RECEIVES.**

19 **A.** First, it should be noted that many of the IT&T services supporting daily operations
20 at NMGC are provided to NMGC locally by NMGC employees. For example,
21 NMGC provides its own infrastructure and telecommunications support, business

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1 applications support, gas management support, and local desktop services. These
2 costs are included in this case as part of NMGC's normal operations.

3
4 In addition to these locally provided IT&T services, under the shared services
5 model, there are IT&T services and applications (programs) provided by TEC to
6 NMGC and other Emera affiliates. These IT&T affiliate charges are either direct
7 charged or assessed to NMGC consistent with the provisions of the Cost Allocation
8 Manual ("CAM") on file with the NMPRC. As detailed below NMGC analyzes
9 whether these programs are more cost effectively provided through the shared
10 services organization, or here at NMGC, as part of its review of these costs.

11
12 In deciding which services to provide locally and which to receive from its shared
13 service provider, NMGC works with TEC on a service-by-service basis to arrange
14 for the best and most cost-effective method of receiving the IT&T service or
15 program. Consistent with the terms of the Final Order in NMPRC Case No. 15-
16 00327-UT, ("the Emera Stipulation"), if the service can be done in New Mexico
17 more cost effectively, considering both cost and quality of service, then the service
18 is provided in New Mexico by NMGC employees. Alternatively, if the service can
19 be most efficiently provided by TEC (or Emera), then the service is provided as
20 part of the established shared services model. When assessed to the Company from

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1 its shared service provider, these services are charged as O&M expenses to the
2 Company.

3

4 **Q. PLEASE PROVIDE A BREAKDOWN OF THE IT&T AFFILIATED**
5 **CHARGES TO NMGC FOR 2022 AND 2023.**

6 **A.** In 2022 and 2023, the total charges from TEC and other affiliates for IT&T Services
7 are as follows:

8 **Table 2 - IT&T Charges from TEC Shared Services and Emera by Year**

Timeframe	IT&T COSTS CHARGED TO NMGC
2022	\$4,432,213
2023	\$4,944,757

9

10 **Q. PLEASE DESCRIBE THE BUSINESS AREAS WHERE IT&T SERVICES**
11 **ARE CHARGED TO NMGC.**

12 **A.** Generally, TEC provides shared IT&T services in the following areas:

13

14 **Software Maintenance and Support:** IT&T applications cannot be sustained
15 without significant support and ongoing maintenance. Software costs vary
16 depending upon the buying power of the organization which equates to its end-user
17 base in most instances. NMGC participates in Emera Enterprise Software
18 Agreements that support applications and software used at NMGC. The costs that

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1 NMGC incurs under this set up are significantly less than the pricing NMGC could
2 receive as a 700+ employee base.

3
4 An example of how this works, and one of the biggest ticket items we leverage
5 from our Emera/TEC Enterprise Software Agreement arrangement is our Microsoft
6 licensing. In 2020, TECO made a major capital purchase that involved a significant
7 change in the licensing structure and benefits to all affiliates, including NMGC,
8 from the restructuring. Most notable was a shift from licensing based on the device,
9 to a per-user licensing fee. The new agreement permitted each end-user to leverage
10 the ability to access Microsoft products on up to 3 devices that they access whereas
11 the prior agreement allowed access to Microsoft products only on the named device.
12 NMGC will also benefit from the Microsoft Enterprise Software Agreement by
13 eliminating the need to purchase client access licenses on its purchased hardware.

14
15 **Cybersecurity Operations Center (“CSOC”):** As the global economy's
16 dependency on cyber resources becomes more robust, organizations such as
17 NMGC are increasingly being targeted by cyber criminals, cyberterrorists,
18 hacktivists, and nation state actors such as China, Russia, Iran, and North Korea.

19
20 It is critically important for organizations, and especially electric and gas utilities
21 that supply critical utility services, to protect themselves from the threat of scams,

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1 data theft, denial-of-service, malware, ransomware, and other cyber-threats. TEC
2 has a mature, state-of-the-art CSOC that proactively monitors and remediates
3 vulnerabilities, malware, viruses, and configuration changes that could potentially
4 lead to data loss and/or system outages that would directly impact NMGC. By way
5 of example, in the first 10 months of 2021, the CSOC detected over 31.7 million
6 access/probing attempts on NMGC from nation-state/non-nation-state actors.
7 These attempts are blocked via multiple security controls. Also, because of CSOC
8 monitoring, the infection rate for malware on desktops/laptops/servers has been
9 reduced to 0.19% from 1.8%. On an ongoing basis, if there is an issue related to a
10 vulnerability, the CSOC immediately removes or mitigates the threat and then
11 works with us to learn from the event. The support received from the TEC CSOC
12 enables NMGC's data and assets to have fewer disruptions.

13
14 Since TEC's CSOC already contains the infrastructure, process maturity, Security
15 Information and Event Management tools, expertise, and personnel to easily scale
16 its services to support NMGC, the annual charges are provided at a much lower
17 cost than NMGC could achieve if it were to invest in its own local CSOC.

18
19 **Technology Operations Center ("TOC") and Service Desk - Daily Operations**
20 **Support, Monitoring, and Incident Management:** As a critical utility provider,

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1 it is imperative that NMGC has 24-hour technical support for our employees. This
2 is achieved by a combination of the Service Desk and TOC provided by TEC.

3
4 The Service Desk is available 24/7 to assist NMGC users, escalate requests, and
5 route incidents to appropriate support teams. All issues with systems are reported
6 and logged by the Service Desk to ensure that support activity is readily available
7 to our support teams.

8
9 The TOC provides 24-hour monitoring and technical support for issues associated
10 with computer devices and infrastructure by TEC. It ensures that all servers,
11 networks, and storage are available and up to date, provides video/voice
12 conferencing capabilities, and provides advanced expertise for support of NMGC's
13 Data Center, network, gas control system, branch office connectivity, patch
14 management, and backup management operations processes. Also, whenever a
15 major incident occurs that impacts NMGC technology, the TOC leads the major
16 incident response process to get all necessary resources in Florida and New Mexico
17 focused on restoring service. The TOC proactively monitors and alerts on
18 technology issues around the clock. When there is an interruption of service after
19 hours or on weekends, the TOC often resolves the issue during non-business hours
20 to minimize/eliminate impact to the business and/or customers. This service
21 augments NMGC's infrastructure resources to provide additional subject matter

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1 expertise related to firewalls, architectural design, troubleshooting and
2 implementation of servers, network connectivity equipment, storage and any other
3 hardware installed at NMGC. The support provided by the TOC and the Service
4 Desk helps minimize system downtime which translates to fewer and less severe
5 disruptions of services to our customers.

6
7 **Enterprise E-mail Support:** E-mail is a vital component of business
8 communication and requires a significant front-loaded investment to implement
9 and maintain the infrastructure, application licensing, and maintenance fees. To
10 this end, NMGC leverages TEC's e-mail infrastructure and enterprise licensing to
11 enable e-mail delivery at NMGC at a fraction of the cost we could achieve on our
12 own. Additionally, as stated earlier, NMGC benefits from the CSOC's e-mail
13 filtering, perimeter protection, identity access management, threat intelligence, and
14 insider threat management.

15
16 **Business Process Automation/Digitalization:** Digitalization is a term that
17 describes the conversion of paper-based processes to computer/electronic processes
18 which allows a company to compete better in an economic environment that is
19 constantly changing because of technology innovations. Digitalization aligns an
20 organization's business needs with available process automation capabilities to
21 produce a more cost-effective and efficient workforce. NMGC participates in

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1 TEC’s Digital Support program, which promotes digitalization, and benefits from
2 lessons learned and consulting expertise that will be essential to the development
3 and growth of our own digital strategy.

4
5 **Q. WITH THIS GENERAL BACKGROUND IN MIND, PLEASE IDENTIFY**
6 **THE SPECIFIC IT&T SHARED SERVICES IN THIS CASE.**

7 **A.** The IT&T services and associated charges assessed to NMGC for the years 2022
8 and 2023 are identified in Table 3. NMGC is only seeking the Affiliate Charges for
9 the year 2023.

10 **Table 3 - IT&T Affiliate Charges to NMGC by Category**

IT&T Function	2022	2023
High Performance Computing & Business Partner Support including Technical Operations, Cyber Security Operations, and Compute and Storage	\$ 1,520,054	\$ 1,550,455
Business Innovation Solutions: IT&T & Corporate	\$ 1,126,336	\$ 1,148,862
Technology Delivery, Performance Optimization & Compliance	\$ 1,034,110	\$ 1,054,792
IT&T Admin	\$ 653,974	\$ 667,053
IT&T Maintenance (Microsoft Enterprise Agreement)	\$ -	\$ 423,900
IT&T Allocable Costs (Telecom/Facilities Overhead)	\$ 235,018	\$ 239,718
Advance Digital Solutions	\$ 179,775	\$ 183,370
Strategy, Solutions, Security & Governance	\$ 148,097	\$ 151,059
Subtotal	\$ 4,897,363	\$ 5,419,210
IT&T Allocable Costs (Telecom/Facilities Overhead) Budget Challenge	(\$465,150)	(\$474,453)
Total	\$4,432,213	\$4,944,757

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1 **Q. PLEASE IDENTIFY THE SPECIFIC SERVICES NMGC RECEIVES**
2 **UNDER THE CATEGORIES OF SHARED SERVICES IDENTIFIED IN**
3 **TABLE 3 ABOVE.**

4 **A.** I will take these in Order:

5 **“High Performance Computing and Business Partner Support”:** This category
6 of shared services includes:

- 7 • **Technical Operations:** This group of employees at TEC provides 24/7
8 coverage by TEC of NMGC’s IT&T infrastructure and includes security,
9 support of firewalls, and Service Desk Support.
- 10 • **Cyber Security Operations:** This group of employees at TEC provides 24/7
11 centralized cyber security service to NMGC.
- 12 • **Compute & Storage:** This group of employees at TEC provides support for
13 several IT&T programs used to support storage and data management for
14 NMGC. These programs include the Storage Area Networks, and Infrastructure
15 Architecture which manage the framework of the network’s physical
16 components and their organization and configuration, as well as communication
17 protocols used to create and maintain hardware standards and configurations.
- 18 • In addition to the three primary groups identified above, there is support
19 provided by TEC in the areas of digital collaboration which supports solutions
20 that allow workgroups to work together regardless of location; compliance
21 operations which assures compliance with the on-going and evolving cyber

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1 security obligations, both internal and external; database management which
2 supports various databases underlying almost all applications used throughout
3 NMGC and across the affiliates; network engineering which includes routing,
4 switching, enterprise Wi-Fi, web application and firewalls; and TEC’s Service
5 Desk.

6
7 **“Business Innovation Solutions: IT&T and Corporate”:** In this category of
8 shared services, there are four groups of employees at TEC that support business
9 functions at NMGC. These groups provide the following services to NMGC:

- 10 • **IT&T Corporate Operations:** This group at TEC provides overarching
11 support of the SAP program used at NMGC for various functions throughout
12 our organization.
- 13 • **Identity and Access Management (“IAM”):** This group at TEC provides
14 support for IT&T programs that leverage TEC’s Active Directory and IAM to
15 provide proper security and role-based access controls many systems utilize at
16 NMGC including badge security systems and other security programs
17 throughout our facilities.
- 18 • **Finance and Supply Chain:** This group at TEC supports the SAP program
19 used at NMGC for various functions within NMGC including HR/payroll,
20 supply chain, and various finance functions.

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- 1 • **Corporate Technology Solutions:** This group at TEC supports the IT&T and
2 corporate technology solutions for NMGC including SharePoint, OpenText,
3 and 62 other applications.

4

5 **“Technology Delivery, Performance Optimization and Compliance”:** There
6 are three groups of employees at TEC that provide these services:

- 7 • **Business Operations - IT&T Maintenance:** This is the largest group of
8 employees at TEC in this category of shared services and this group provides
9 maintenance, licensing and services for all IT&T infrastructure, cyber security,
10 and IT&T applications.

- 11 • **Quality Assurance and Compliance:** This group at TEC provides the labor
12 for IT&T’s assurance and compliance function supporting Sarbanes Oxley
13 (“SOX”), Payment Card Information, regulatory requirements, such as the TSA
14 Security Guidelines/Directives, and is the liaison for internal and external audit
15 activities.

- 16 • **Business Operations – Assets & Vendor Management:** This group at TEC
17 provides support tracking software license compliance, response to license
18 audits, and telecom billing.

19

20 **“IT&T Administration”:** This category of shared service includes the managerial
21 oversight associated with the services that NMGC utilizes at TEC. IT&T

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1 Administration provides strategic direction and corporate governance and also
2 includes support of the financial aspects of IT&T, providing budgeting and
3 planning services preparation of detailed management reports on affiliate costs.
4 Such managerial oversight and the day-to-day administration of the IT&T
5 department is required for NMGC to avail itself of the other services.

6

7 **“IT&T Maintenance Microsoft Enterprise Agreement (“MEA”):** This category
8 of shared service, through the use of the MEA offers organizations with 500 or
9 more users or devices a licensing program that gives them the flexibility to buy
10 cloud services and software licenses under one agreement. The MEA provides
11 substantial volume discounts and licensing manageability to NMGC. Software
12 products licensed under the contract include Windows 10, Microsoft Office,
13 Windows Server, Exchange, System Center and SharePoint. The three-year MEA
14 calls for an initial payment and then allows for annual true-ups for adding or
15 subtracting users, devices, products, or services from the original MEA
16 numbers. The MEA gives NMGC rights to new software releases during the term
17 of the agreement at no additional cost. NMGC employees utilize this software
18 daily.

19

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1 **“IT&T Allocable Costs (Telecom/Facilities Overhead)”**: This category of shared
2 service reflects the overhead costs associated with managing the telecommunications and
3 IT&T facilities.

4
5 **“Advance(d) Digital Solutions”**: This group of employees at TEC supports the
6 data and analytics needs of the entire TECO organization, including NMGC and
7 includes support across several platforms. In addition, this group also supports the
8 governance of cloud-based solutions and cloud application management.

9
10 **“Strategy Solutions, Security and Governance”**: This group of employees at
11 TEC provides support for the IT&T system architecture design supporting business
12 strategy and delivery of service in a cost-effective way. This group is also
13 responsible for all IT&T related disaster recovery and business continuity plans
14 including the development of procedures and exercise planning.

15
16 **Q. TABLE 3 CONTAINS A CATEGORY DESCRIBED AS “IT&T**
17 **ALLOCABLE COSTS (TELECOM FACILITIES OVERHEAD) BUDGET**
18 **CHALLENGE”. WHAT IMPACT DOES THIS HAVE ON NMGC’S**
19 **AFFILIATE CHARGES?**

20 **A.** TEC seeks to ensure that it is providing service in an efficient and effective manner.
21 To drive efficiencies, TEC imposes a “budget challenge” on its shared service

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1 organizations and then passes these budgetary savings on to its affiliates, including
2 NMGC. This line reflects these savings.

3

4 **Q. DOES NMGC ANTICIPATE ANY DIRECT CHARGES FOR IT&T
5 SERVICES IN 2023?**

6 **A.** Yes. NMGC anticipates direct charges of \$118,850 in 2023 for IT&T services
7 provided by an affiliate. These costs are for Quality Assurance and Compliance
8 and High-Performance Computing and Business Partners.

9

10 **Q. GENERALLY, HOW ARE IT&T SHARED SERVICES CHARGED TO
11 NMGC?**

12 **A.** Pursuant to the CAM, costs generally are collected and charged using three
13 different methods. Costs are either charged as direct costs (“Direct Charges”),
14 assessed to more than one affiliate using one or more formulas for assessment
15 (“Assessed Charges”), or allocated to multiple affiliates (“Allocated Charges”) using the Modified Massachusetts Method (“MMM”). IT&T charges are typically
16 assessed to affiliates from the shared services provider on a per capita basis of users.
17 As described in detail in NMGC Witness Jimmie L. Blotter’s testimony and in
18 NMGC Exhibit JLB-5, the affiliate charges to NMGC in the IT&T area are mostly
19 charged to NMGC under an assessed formula based on the number of employees,
20 or users of the service. This assessed charge ranges from 10% of the charge to 20%

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1 of the charge depending on the specific charge and the basis for the assessed
2 calculation is described in NMGC Exhibit JLB-5.

3

4 **Q. WHAT DOES NMGC DO WHEN REVIEWING IT&T CHARGES FROM**
5 **TEC OR ANY OTHER AFFILIATE?**

6 **A.** NMGC evaluates the cost effectiveness of the IT&T shared service, and also
7 ensures it is complying with the terms of the Emera Stipulation (discussed below).
8 This evaluation entails consideration of the alternative costs and qualities of the
9 service to determine if it should be provided locally or from an affiliate. Each
10 service is reviewed independently to make this determination.

11

12 **Q. APPLYING THIS GENERAL FRAMEWORK, HAVE YOU MADE THE**
13 **DETERMINATION THAT THE IT&T SHARED SERVICES IT RECEIVES**
14 **FROM TEC ARE MORE COST EFFECTIVELY RECEIVED FROM TEC**
15 **THAN IF NMGC PROVIDED THE SAME SERVICES?**

16 **A.** Yes. First, without recourse to these shared services, NMGC would have to either
17 provide these services, or contract with third parties for these services. Since TEC
18 has resources on hand, and provides these services to NMGC and other affiliates,
19 it can do this more effectively with better expertise than NMGC could do on its
20 own or by contracting with a third party. Economies of scale work in favor of TEC
21 acquiring the equipment, program, or service, and then assessing a share of that

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1 cost to each affiliate. It is more efficient to stand these common support capabilities
2 up once, along with the software and processes necessary to deliver the services,
3 and then spread the costs across affiliates. Creating a separate infrastructure and
4 functionality to provide the capabilities of the shared services company would not
5 be cost effective to a company like NMGC. For all these reasons, we have
6 determined that we cannot provide these same services cost effectively.

7

8 **Q. CAN YOU PROVIDE SOME EXAMPLES OF THE VALUE OF SHARED**
9 **SERVICES TO NMGC?**

10 **A.** Yes. E-mail and Active Directory, which controls user access, are services where
11 economies of scale are important. One main centralized system is more
12 economical, and better, than smaller stand-alone systems for each affiliate.
13 Additionally, network monitoring and alerting services such as the TOC and CSOC
14 can often, and quickly, add sites to their monitoring oversight without the need for
15 additional hardware or support personnel, and at a fraction of the cost for an affiliate
16 to build out their own TOC or CSOC services. For these same reasons, NMGC
17 cannot economically replicate the cyber security services we receive, the benefits
18 of the Service Desk, and around-the-clock technology operations monitoring
19 services we receive. This is true for each of the many areas identified above where
20 TEC has a “group” of employees providing some shared service to NMGC – and

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1 other TECO affiliates. These groups provide experience that we cannot replace at
2 a similar cost.

3
4 Recently, TEC included NMGC circuits in the scope of its services contract with
5 AT&T and because of TEC's buying power, NMGC received a discount on its
6 monthly circuit costs of approximately 25%. Additionally, in relation to the PC
7 refresh, NMGC's computers were acquired as part of a larger order that includes
8 computers for Tampa Electric, Peoples Gas, and other TECO affiliates. This
9 translated into savings to all affiliates. Our next five-year refresh of computers is
10 scheduled for 2022, and the savings from participating with the other affiliates are
11 reflected in a lower estimate of the capital needs for the PC refresh. These
12 acquisition cost savings lower the overall cost of service revenue requirement as
13 part of this rate case. While these are two of the larger discounts that we have
14 received due to the benefits of increased buying power, we have also received
15 savings on many other purchases of hardware, software, and maintenance services.

16
17 Another example of benefits to NMGC involves the ERP system which entails
18 software that Emera and its affiliates (including NMGC) leverage to manage day-
19 to-day business activities such as accounting, procurement, risk management and
20 compliance, and supply chain operations. When NMGC had its own ERP system,
21 we were spending over \$2.5 million a year for software maintenance, hosting

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1 services, and support. Currently, TEC is embarking upon a major initiative
2 refreshing its ERP in 2022 and 2023 that will result in new server and infrastructure
3 hardware, improved cyber security standards, improved performance, and
4 significant enhancements in functionality all with a cost savings of \$100,000 per
5 year. In addition to cost savings compared to us doing this on our own, we will
6 benefit from the diversity of experience at TEC that allows for more productivity,
7 integration, and process efficiencies from the more robust ERP system.

8
9 In contrast to all these shared services, in other areas such as application support,
10 desktop support, business analysis, and support of New Mexico based
11 infrastructure, it is more cost effective for services to be provided locally by
12 NMGC. In these and many other IT&T areas, NMGC provides a better-quality
13 service than can be obtained from the shared services company and these services
14 are provided locally – albeit sometimes with backup from TEC. NMGC and its
15 affiliates continue to evaluate the balance between shared and local services
16 including consideration of cost and quality of services provided.

17
18 **Q. AS IT RELATES TO IT&T SHARED SERVICES CHARGES, PLEASE**
19 **DESCRIBE HOW NMGC HAS COMPLIED WITH THE STIPULATION**
20 **ENTERED INTO IN NMPRC CASE NO. 15-00327-UT (“EMERA**
21 **STIPULATION”).**

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1 **A.** In paragraphs 28a, 28b, and 28c of the Emera Stipulation in NMPRC Case No 15-
2 00327, NMGC agreed to 3 commitments related to the affiliate charges. First, in
3 paragraph 28a of the Stipulation NMGC agreed to “control and annually determine
4 which if any services it will obtain from [the Shared Services Company].” In
5 compliance with 28a, all proposed IT&T shared services and shared service charges
6 are first reviewed and approved by the appropriate IT&T management team
7 members, and then by the executive team. Then, throughout the year, as charges
8 are billed to NMGC by affiliates, each invoice is reviewed before being approved
9 and paid.

10
11 In paragraph 28b of the Stipulation NMGC agreed, consistent with good
12 governance, to show a preference for services to be performed in New Mexico. In
13 compliance with paragraph 28b, NMGC considers what IT&T services can be
14 provided in-house as opposed to being provided by an affiliate. We provide
15 services within New Mexico where feasible and cost effective. The services
16 provided by the TEC are those that are common to affiliates and for which there
17 are economies associated with a central provision of those services. Rather than
18 developing redundant systems and resources to provide these services, NMGC has
19 chosen to participate in the cost-sharing benefits and receive the value of a deeper
20 resource pool. NMGC still retains a large and active IT&T presence in New
21 Mexico.

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1 In paragraph 28c of the Stipulation, we agree to make shared service charges,
2 assessments, or allocations transparent, and to the greatest extent possible, use
3 direct charges, as opposed to assessments or allocations. In compliance with
4 paragraph 28c, as reflected in detail in this testimony and in the attached exhibits,
5 we are providing transparency and detail as to all assessed shared service charges
6 to NMGC for IT&T services. In most instances with regard to IT&T charges,
7 assessments under the CAM as opposed to direct charges are more cost effective
8 for NMGC and a better way for NMGC to receive value while still receiving high
9 quality services.

10
11 **IV. IT&T SERVICES PROVIDED BY NMGC TO AFFILIATES**

12
13 **Q. DOES NMGC PROVIDE SERVICES TO AFFILIATES?**

14 **A.** Yes. As described below, NMGC has expertise in areas that has allowed us to
15 provide IT&T related services to our affiliates and to charge these affiliates for
16 these services. These charges have reduced the cost of service to NMGC
17 customers.

18
19 **Q. PLEASE PROVIDE A BREAKDOWN OF THE CHARGES FROM NMGC
20 TO AFFILIATES WHICH ARE INCLUDED IN O&M.**

21 **A.** The following table summarizes the charges from NMGC to affiliates during the
22 2022 and 2023:

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1

Table 4 – Breakdown of charges from NMGC to affiliates

Description	Charged to Affiliate	2022	2023	Amount
Quorum Application Licensing & IT&T Support	Emera Brunswick Pipeline	\$37,000	\$37,000	\$74,000
SCADA Licensing and IT&T Support	Emera Brunswick Pipeline	\$30,000	\$30,000	\$60,000
Inspection Manager Licensing and IT&T Support	Emera Brunswick Pipeline	\$15,000	\$16,000	\$31,000
Database Administration, Infrastructure, Development and Service Desk Support	TECO Affiliates	\$331,000	\$338,000	\$669,000
Total		\$413,000	\$421,000	\$834,000

2

3 **Q. PLEASE DESCRIBE THE SERVICES PROVIDED TO TECO**
4 **AFFILIATES BY NMGC.**

5 **A.** NMGC assists in providing support to employees of affiliates who call the Service
6 Desk by providing a local Service Desk Analyst who takes calls and provides
7 technical support to those affiliates. Additionally, affiliates use a common
8 document management system (called OpenText). NMGC has an employee with
9 OpenText Experience who supports NMGC and the other affiliates who use this
10 tool. In addition, affiliates benefit from the network connectivity provided in New
11 Mexico so they can send/receive e-mail, make phone calls, and collaborate with

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1 employees at NMGC, so they receive a share of the costs to support the NMGC
2 network. NMGC provides local IT&T security support which benefits all affiliates.

3

4 **Q. PLEASE DESCRIBE THE IT&T SERVICES PROVIDED BY NMGC TO**
5 **EMERA BRUNSWICK PIPELINE (“EBP”).**

6 **A.** NMGC provides gas control system (SCADA), compliance management system
7 (Inspection Manager) and gas supply and transportation system (Quorum) services
8 to EBP. NMGC charges EBP for the use, support and maintenance of the systems
9 providing these services.

10

11 **Q. HOW DOES NMGC DETERMINE THE AMOUNT OF IT&T RELATED**
12 **CHARGES TO BE ASSESSED TO AFFILIATES?**

13 **A.** Consistent with the CAM, NMGC’s IT&T related charges are calculated to
14 determine the cost of providing the services to affiliates. Since there are more
15 affiliates for the Shared Services Company, the costs are assessed based on
16 headcount. As EBP is a single affiliate, the costs are assessed directly to EBP.

17

18 **V. ADDITIONAL IT&T POSITIONS BEING ADDED BY 2023.**

19

20 **Q. PLEASE IDENTIFY THE EMPLOYEES THAT YOU ARE ADDING IN**
21 **YOUR AREA OF RESPONSIBILITY.**

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1 **A.** By 2023, NMGC will be adding the following two employees to the IT&T group
2 at the Company:

- 3 • Cyber Security Specialist - This position will be responsible for development
4 and maintenance of NMGC cyber security processes and execution of the newly
5 received TSA directives. Responsibilities include the development of
6 management responses to internal/external stakeholders, government and
7 regulatory audits, and data requests (TSA/SOX); assistance in identification,
8 containment, eradication and recovery actions related to cyber security;
9 compliance with standards overseeing digital forensics and malware analysis;
10 and oversight of IT&T support of NMGC internal systems (e.g., SCADA) and
11 other local networks.
- 12 • Infrastructure Specialist – This employee will be responsible for the design,
13 integration, management, and stability of NMGC’s network and
14 telecommunications infrastructure. This position will also oversee the
15 documentation of all NMGC infrastructure assets.

16

17 **Q. WHY ARE YOU ADDING THESE EMPLOYEES?**

18 **A.** NMGC is adding these employees in response to the uptick in cyberattacks that are
19 occurring. Recent cyber incidents reveal vulnerabilities throughout the energy
20 industry including a need for improved knowledge of the operational technology
21 environment and its integration with IT&T systems, insufficient password and

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1 privileged account management practices, poor security patching practices, and
2 insufficient monitoring and alerting of security logs. As a result of recent
3 ransomware incidents, TSA implemented directives to address the identified
4 exposures. The addition of the Infrastructure Specialist and Cyber Security
5 Specialist will help provide capacity and expertise to execute the corrective
6 measures mandated by the TSA and to continue forward with the corporate-wide
7 cyber security standards established by Emera and throughout the industry. These
8 employees will also help identify and explore new digital technologies and
9 automation to drive efficiencies, streamline business processes, and improve
10 customer experience.

11

12 Currently NMGC lacks a cyber security/TSA specialist dedicated to driving the
13 Company's cyber security and TSA remediation and compliance programs.
14 Initiatives to align NMGC with the cyber security industry standards are important
15 to protect the Company from malicious malware and ransomware attacks. Such
16 initiatives require significant coordination to assess current risk, identify key
17 stakeholders, prepare action plans, execute, monitor, and sustain. This employee
18 would add resource capacity and specialization to drive both security initiatives
19 forward. This position will work with the groups at TEC, to better coordinate
20 NMGC's response to outside security threats.

21

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1 NMGC is adding the Infrastructure Specialist because NMGC needs additional
2 support to ensure that NMGC can provide timely execution of network and
3 telecommunications infrastructure maintenance and deployments, timely execution
4 of data center equipment refresh activities, and adequate infrastructure design and
5 integrations to support NMGC’s project portfolio and cyber security initiatives.

6

7 **Q. HOW DOES ADDING THESE EMPLOYEES BENEFIT NMGC AND ITS**
8 **CUSTOMERS?**

9 **A.** Adding the Cyber Security Specialist will improve NMGC’s ability to implement,
10 sustain, and advance corporate cyber security and TSA standards thereby
11 increasing customer trust and reducing risks related to cyber-attacks. By
12 overseeing the execution of proactive security measures, the Cyber Security
13 Specialist will also help reduce the risk of malware and ransomware attacks, protect
14 customer information, and reduce the risk of disruption of service.

15

16 Adding the Infrastructure Specialist will add the capacity required to help NMGC
17 identify and explore new digital technologies and automation to drive IT&T and
18 business efficiencies, advance processes, and improve customer experience. For
19 example, the implementation of the Banner customer relationship management
20 platform upgrade will greatly improve customer experience by improving customer
21 service desk capabilities. Additional benefits include improved knowledge transfer

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1 through the creation of a greater number of infrastructure knowledge base articles,
2 and a reduction in cyber security risk through the execution of Emera and TSA
3 cyber security directives.

4

5 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

6 **A. Yes, it does.**