

State of North Carolina
North Carolina Utilities Commission
Raleigh

Docket No. G-40, Sub 158

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION:

In the Matter of)
)
Application of Frontier Natural Gas)
Company for Annual Review of)
Gas Costs Pursuant to G.S. 62-133.4(c))
and Commission Rule R1-17(k)(6))

DIRECT TESTIMONY

OF

NATHAN BELL

December 1, 2020

1 **Q. Please state your name, business address, by whom you are employed, and**
2 **in what capacity.**

3 A. My name is Nathan Bell. My business address is 110 PGW Drive, Elkin North
4 Carolina, North Carolina, 28621. I am employed by Frontier Natural Gas
5 Company (“Frontier”) as the Controller.

6 **Q. Mr. Bell, how long have you been associated with Frontier?**

7 A. I began working with Frontier in March 2020.

8 **Q. Mr. Bell please summarize your educational and professional**
9 **background.**

10 A. I am a graduate of Appalachian State University with an M.S and B.S degree
11 in Accounting. I am a licensed Certified Public Accountant in the State of
12 North Carolina. Prior to joining Frontier, I was an assurance manager at Dixon
13 Hughes Goodman LLP focused on providing audit services to privately held
14 businesses.

15 **Q. Mr. Bell, what are your current responsibilities with Frontier?**

16 A. I am responsible for all aspects of the accounting function at Frontier. This
17 includes all monthly regulatory and financial reporting, recording the cost of
18 gas, matching monthly revenues and gas costs, reviewing and verifying
19 invoices for natural gas purchases and recording all entries related to Frontier’s
20 deferred gas cost account.

21 **Q. What is the purpose of your testimony in this proceeding?**

22 A. The purpose of my testimony is to demonstrate that all of Frontier’s gas costs
23 were properly accounted for during the review period ended September 30,
24 2020, and therefore meet the requirement for recovery. North Carolina

1 General Statute § 62-133.4 allows Frontier to track and recover from its
2 customers the cost of natural gas supply and transportation and to adjust
3 customer charges to reflect changes in those costs. Under subsection (c) of the
4 statute, the Commission must conduct an annual review of Frontier's gas costs,
5 comparing Frontier's incurred costs with costs recovered from customers
6 during a twelve month test period. To facilitate this review, Commission Rule
7 R1-17(k)(6) requires Frontier to submit to the Commission, on or before
8 December 1 of each year, certain information for the twelve month test period
9 ended September 30. In addition to my testimony, Frontier is submitting
10 schedules contained in the accompanying exhibits for the purpose of providing
11 the Commission with the data necessary to true-up Frontier's gas costs during
12 the review period. This is Frontier's 22nd proceeding under Commission Rule
13 R1-17(k)(6) since we began operations.

14 **Q. Did Frontier follow the gas cost accounting procedures prescribed by Rule**
15 **R1-17(k) for the year ended September 30, 2020?**

16 A. Yes. All accounting was done in accordance with Sections (4) and (5) of Rule
17 R1-17(k) as applied to Frontier in previous Commission prudency review
18 orders. In following Section (5)(c) of the Rule, Frontier is responsible for
19 reporting gas costs and deferred account activity to the Commission and the
20 Public Staff on a monthly basis.

21 **Q. What is Frontier's uncollected deferred account balance at September 30,**
22 **2020?**

1 A. Frontier strategically tries to minimize adjustments in pricing. As of
2 September 30, the current balance owed to the Company was \$43,062. We
3 anticipate that the balance will remain consistent throughout the winter
4 months.

5 **Q. What schedules have you caused to be prepared?**

6 A. The following schedules were prepared under my supervision and are attached
7 to this testimony:

8 Schedule 1 - Summary of Cost of Gas Expense

9 Schedule 2 - Summary of Demand and Storage Charges

10 Schedule 3 - Summary of Commodity Gas Costs

11 Schedule 4 - Summary of Other cost of Gas Charges (Credits)

12 Schedule 8 – Summary of Deferred Account Activity

13 Schedule 10 - Summary of Gas Supply

14 Schedule 11 – Summary of Natural Gas Hedge Transactions

15 **Q. What activity occurred in the deferred account during the twelve months
16 ended September 30, 2020?**

17 A. The activity can be summarized as follows:

18	Beginning balance, October 1, 2019	\$	410,265
19	Commodity Cost vs Collections	\$	- 5,539
20	Accrued interest	\$	29,557
21	Transport Balancing	\$	16,212
22	Supplier Refund & Prior Period		
23	Prudency Adjustment	\$	- 407,433

1 Ending balance, September 30, 2020 \$ 43,062

2 **Q. What are the results of Frontier Hedging Program for the period?**

3 A. Frontier's Hedging Program covers the period November through March and
4 the cost of hedging was \$459,230 or \$.06 per therm supplied from November
5 through March. Schedule 11 shows a detailed breakout by month of the
6 Hedging Program.

7 **Q. In reviewing the monthly schedules that have been filed throughout the**
8 **current review period and the attached annual Prudency Review**
9 **Schedules do you believe that there are any additional adjustments that**
10 **may be required in the Deferred Account in order for Frontier to recover**
11 **all of its natural gas costs incurred as of September 30, 2020?**

12 A. No.

13 **Q. What action does Frontier request the Commission to take regarding**
14 **these deferred accounts?**

15 A. Frontier requests that the Commission approve the September 30, 2020
16 balances and find that the costs incurred by Frontier's gas purchases were
17 properly accounted for during the relevant twelve-month period.

18 **Q. Does Frontier have other components of this filing that it would like to**
19 **bring to the Commission's attention?**

20 A. Yes. Frontier is currently working with the Public Staff on proposed changes
21 to our existing tariff. These proposed changes will be consistent with NCUC
22 R1-17(k). The changes will conform Frontier's recovery of LAUF and
23 Company Use to those of other gas companies in the State by allocating a

1 portion of the LAUF and Company Use to transportation customers. This
2 change in allocation would decrease the cost responsibility currently borne by
3 firm sales customers. Frontier expects to file these proposed changes with the
4 Commission for approval in December 2020.

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

6 **A. Yes, at this time.**

SCHEDULE 1

Frontier Natural Gas Company
Docket No. G-40, Sub 158
SUMMARY OF COST OF GAS EXPENSE
For the Twelve Months Ended September 30, 2020
Schedule 1

Frontier Natural Gas Company
 2020 Prudency Review
 Docket No. G-40, Sub 158
 NB - Schedule 1

	ITEM	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Total
1	NC Demand and Storage Costs Expensed (Sch 2)	\$140,444	\$135,914	\$140,444	\$140,444	\$131,383	\$140,444	\$135,849	\$140,377	\$109,555	\$112,502	\$113,207	\$109,555	\$1,550,118
2	NC Commodity Costs Expensed (Sch 3)	233,074	436,403	563,519	795,763	573,132	298,830	134,111	120,636	75,319	55,868	89,866	195,558	\$3,572,079
3	Other Gas Costs Expensed (Sch 4)	(36,639)	53,563	34,075	(295,057)	(122,230)	93,887	145,521	69,333	20,388	23,292	42,638	(43,115)	(\$14,343)
4	Total Cost of Gas Expensed (Sum of L1 - L3)	\$336,879	\$625,880	\$738,038	\$641,150	\$582,285	\$533,161	\$415,481	\$330,346	\$205,262	\$191,662	\$245,711	\$261,998	\$5,107,854

SCHEDULE 2

Frontier Natural Gas Company
 Docket No. G-40, Sub 158
SUMMARY OF DEMAND AND STORAGE CHARGES
 For the Twelve Months Ended September 30, 2020
 Schedule 2

ITEM		Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Total
	Demand and Storage Charges:													
1	Transco Capacity Charge - Frontier Capacity	\$140,444	\$135,914	\$140,444	\$140,444	\$131,383	\$140,444	\$135,849	\$140,377	\$109,555	\$112,502	\$113,207	\$109,555	\$1,550,118
2														
3	Total Demand & Storage Charges	\$140,444	\$135,914	\$140,444	\$140,444	\$131,383	\$140,444	\$135,849	\$140,377	\$109,555	\$112,502	\$113,207	\$109,555	\$1,550,118

SCHEDULE 3

Frontier Natural Gas Company
Docket No. G-40, Sub 158
SUMMARY OF COMMODITY GAS COSTS
For the Twelve Months Ended September 30, 2020
Schedule 3

Frontier Natural Gas Company
2020 Prudency Review
Docket No. G-40, Sub 158
NB - Schedule 3

ITEM	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Total
Commodity Cost at City Gate													
Supplier #1:													
1 Gas Supply Baseload Purchases	279,569	200,281	294,701	391,539	145,694	148,094	198,864	112,220	82,968	76,951	117,905	195,338	2,244,124
2 Daily Delivered Purchases (Zone 3 & 5)	10,990	72,723	5,336	18,318	14,752	8,450	3,980	27,535	12,427	12,367	4,203	25,670	216,751
3 Hedging	-	196,257	423,305	574,059	486,542	220,682	-	-	-	-	-	-	1,900,845
4 Other - Sell Back	(56,181)	(37,580)	(177,703)	(181,323)	(74,519)	(73,046)	(64,338)	(16,116)	(18,012)	(32,063)	(34,423)	(20,812)	(786,116)
5 Marketer Cash Out	(1,304)	4,722	17,880	(6,911)	663	(5,350)	(4,395)	(3,003)	(2,064)	(1,387)	2,181	(4,638)	(3,606)
6 Other Commodity Costs	-	-	-	81	-	-	-	-	-	-	-	-	81
7													
8 Total Commodity Cost Expense	233,074	436,403	563,519	795,763	573,132	298,830	134,111	120,636	75,319	55,868	89,866	195,558	3,572,079

SCHEDULE 4

Frontier Natural Gas Company
Docket No. G-40, Sub 158
SUMMARY OF OTHER COST OF GAS CHARGES (CREDITS)
For the Twelve Months Ended September 30, 2020
Schedule 4

Frontier Natural Gas Company
2020 Prudency Review
Docket No. G-40, Sub 158
NB - Schedule 4

	ITEM	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Total
	Deferred Account Activity													
1	Gas Cost True-up (excluding interest)	(40,479)	49,498	19,944	(291,305)	(123,558)	111,943	153,061	73,297	31,204	25,003	39,865	(42,934)	5,539
2	Transportation Cust Balancing True-up	246	4,065	14,132	(3,752)	1,328	(18,056)	(7,540)	(3,964)	(3,948)	(1,710)	2,773	215	(16,212)
3	GAS COST ADJUSTMENT	47	-	-	-	-	-	-	-	(6,867)	-	-	(397)	(7,217)
4	Miscellaneous Adjustments	3,546	-	-										3,546
5														
6	Total Other Cost of Gas	(36,639)	53,563	34,075	(295,057)	(122,230)	93,887	145,521	69,333	20,388	23,292	42,638	(43,115)	(14,343)

SCHEDULE 8

Frontier Natural Gas Company
Docket No. G-40, Sub 158
SUMMARY OF DEFERRED ACCOUNT ACTIVITY

Frontier Natural Gas Company
 2020 Prudency Review
 Docket No. G-40, Sub 158
 NB - Schedule 8

For the Twelve Months Ended September 30, 2020
 Schedule 8

Month	Beginning Balance	Gas Cost True-Up	Adjustments	Transportation Balancing True-Up DB (CR)		Interest	Ending Balance
Oct-19	\$410,265.35	40,478.62	(47.36)	(246.47)		2,256.47	\$452,706.61
Nov-19	\$452,706.61	(49,497.77)		(4,064.96)		2,489.88	\$401,633.76
Dec-19	\$401,633.76	(19,943.85)		(14,131.63)		2,208.98	\$369,767.26
Jan-20	\$369,767.26	291,305.06		3,751.65		2,033.72	\$666,857.69
Feb-20	\$666,857.69	123,557.57		(1,327.62)		3,667.71	\$792,755.35
Mar-20	\$792,755.35	(111,943.17)		18,056.10		4,360.16	\$703,228.44
Apr-20	\$703,228.44	(153,060.57)		7,539.53		3,867.75	\$561,575.15
May-20	\$561,575.15	(73,296.83)		3,964.16		3,088.66	\$495,331.14
June-20	\$495,331.14	(31,203.76)	6,867.00	3,948.29		2,724.32	\$477,666.99
Jul-20	\$477,666.99	(25,002.63)	(414,650.19)	1,710.44		2,627.17	\$42,351.78
Aug-20	\$42,351.78	(39,865.38)		(2,772.55)		232.93	(\$53.22)
Sep-20	(\$53.22)	42,933.61	397.00	(215.26)		(0.27)	\$43,061.86
TOTALS		(\$5,539.10)	(\$407,433.55)	\$16,211.68	\$0.00	\$29,557.48	

ADJUSTMENTS

Oct-19

(47.36) Refund Received from Transco

Jun-20

6,867.00 Prudency Review Adjustment

Jul-20

(414,650.19) Transco rate case refund

Sep-20

397.00 Interest correction for Prudency Review Adjustment

SCHEDULE 10

Frontier Natural Gas Company
 Docket No. G-40, Sub 158
SUMMARY OF GAS SUPPLY
 For the Twelve Months Ended September 30, 2020
 Schedule 10

	ITEM	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Total
	Sources of Supply at City Gate: (dts)													
	Supplier #1:													
1	Gas Supply Baseload Purchases	111,600	73,680	103,478	115,351	65,859	77,190	120,000	62,000	48,000	51,150	62,000	75,000	965,308
2	Daily Delivered Purchases (Zone 3 & 5)	4,738	24,247	2,164	5,064	7,445	4,535	2,356	15,989	7,634	6,648	1,807	11,036	93,663
3	Hedging Purchases	-	76,320	144,522	160,146	136,764	80,910	-	-	-	-	-	-	598,662
4	Other - Buy Back	(26,767)	(14,708)	(82,791)	(88,450)	(40,515)	(44,671)	(40,337)	(9,826)	(11,359)	(18,038)	(15,492)	(10,406)	(403,360)
5														
6	Gas Supply Current Period Delivery	89,571	159,539	167,373	192,111	169,553	117,964	82,019	68,163	44,275	39,760	48,315	75,630	1,254,273

SCHEDULE 11

Frontier Natural Gas, LLC
Docket No. G-40, Sub 158
SUMMARY OF NATURAL GAS HEDGE TRANSACTIONS
For the Twelve Months Ended September 30, 2020
Schedule 11

Month	Hedged dts	Actual dts	Projected dts	Percent of	Hedged Cost \$/dth	Baseload \$/dth 1/	(Savings) Excess \$/dth	Hedge (Gain) Loss
				Projected dts Hedged				
Oct-19	-	NO HEDGES		0%			\$0.000	\$0
Nov-19	76,320	159,539	152,550	50%	2.5715	2.6793	(0.107)	(\$8,166) Z3
Dec-19	107,322	167,373	214,729	67%	2.7497	2.5461	0.204	\$21,894 Z3
Dec-19	37,200				3.4463	3.3950	0.051	\$1,897 Z5
Jan-20	122,946	192,112	245,858	65%	2.8597	2.2386	0.621	\$76,349 Z3
Jan-20	37,200				5.9805	3.4050	2.580	\$95,976 Z5
Feb-20	101,964	169,553	203,961	67%	2.8230	1.9517	0.871	\$88,811 Z3
Feb-20	34,800				5.7097	2.4150	3.295	\$114,666 Z5
Mar-20	80,910	117,963	161,899	50%	2.7275	1.8902	0.838	\$67,803 Z3
Apr-20	-	NO HEDGES		0%			\$0.000	\$0
May-20	-	NO HEDGES		0%			\$0.000	\$0
Jun-20	-	NO HEDGES		0%			\$0.000	\$0
Jul-20	-	NO HEDGES		0%			\$0.000	\$0
Aug-20	-	NO HEDGES		0%			\$0.000	\$0
Sep-20	-	NO HEDGES		0%			\$0.000	\$0
Total	598,662	806,540	978,997					\$459,230