

State of North Carolina
North Carolina Utilities Commission
Raleigh

Docket No. G-40, Sub 171

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, 2022

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, 28621. I am employed by Frontier Natural Gas Company
5 ("Frontier"), as the Controller. Effective December 2, I will become President
6 of Frontier.

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

8 A. I began working with Frontier in March of 2020.

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

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

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

15 A. In my role as controller of the company, I was responsible for all aspects of the
16 accounting function at Frontier. This includes all monthly regulatory and
17 financial reporting, recording the cost of gas, matching monthly revenues and
18 gas costs, reviewing and verifying invoices for natural gas purchases and
19 recording all entries related to Frontier's deferred gas cost account.

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

21 A. The purpose of my testimony is to demonstrate that all of Frontier's gas costs
22 were properly accounted for during the review period ended September 30,
23 2022, and therefore meet the requirement for recovery. North Carolina General

1 Statute § 62-133.4 allows Frontier to track and recover from its customers the
2 cost of natural gas supply and transportation and to adjust customer charges to
3 reflect changes in those costs. Under subsection (c) of the statute, the
4 Commission must conduct an annual review of Frontier's gas costs, comparing
5 Frontier's incurred costs with costs recovered from customers during a twelve
6 month review period. To facilitate this review, Commission Rule R1-17(k)(6)
7 requires Frontier to submit to the Commission, on or before December 1 of each
8 year, certain information for the twelve-month review period ended September
9 30 of that year. In addition to my testimony, Frontier is submitting schedules
10 contained in the accompanying exhibits for the purpose of providing the
11 Commission with the data necessary to true-up Frontier's gas costs during the
12 review period. This is Frontier's 24th proceeding under Commission Rule R1-
13 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, 2022?**

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 **2022?**

1 A. Frontier strategically tries to minimize adjustments in pricing. As of September
2 30, the current balance owed to the Company was \$1,005,001.

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

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

6 Schedule 1 - Summary of Cost of Gas Expense

7 Schedule 2 - Summary of Demand and Storage Charges

8 Schedule 3 - Summary of Commodity Gas Costs

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

10 Schedule 5 – Summary of Demand Rate Changes

11 Schedule 8 – Summary of Deferred Account Activity

12 Schedule 10 - Summary of Gas Supply

13 Schedule 11 – Summary of Natural Gas Hedge Transactions

14 **Q. What activity occurred in the deferred account during the twelve months**
15 **ended September 30, 2022?**

16 A. The activity can be summarized as follows:

17	Beginning balance, October 1, 2021	\$	127,686
18	Commodity Cost vs Collections		959,007
19	Accrued Interest		47,030
20	Transport Balancing		- 126,353
21	Supplier Refund & Corrections		- 2,369
22	Ending balance, September 30, 2022	\$	1,005,001

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

2 A. Frontier's Hedging Program covers the period November through March and
3 the net savings from the hedging program was \$1,173,316 or \$1.37 per
4 dekatherm supplied from November through March. Attached Schedule 11
5 shows a detailed breakout by month of the Hedging Program.

6 **Q. Are you requesting authorization to include these savings in your gas cost**
7 **deferred account?**

8 A. Yes. Frontier only utilizes physical hedges as part of its winter gas procurement
9 plan. As such, the net benefit of those transactions for this period were passed
10 along to the customers on a month-to-month basis through lower cost of gas
11 compared to the pricing that would have been paid if the gas were not hedged
12 in advance of the winter.

13 **Q. In reviewing the monthly schedules that have been filed throughout the**
14 **current review period and the attached annual Prudency Review**
15 **Schedules do you believe that there are any additional adjustments that**
16 **may be required in the Deferred Account in order for Frontier to recover**
17 **all of its natural gas costs incurred as of September 30, 2022?**

18 A. No.

19 **Q. Are you requesting any temporary increments or decrements to Frontier's**
20 **rates in this proceeding?**

21 A. No.

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

3 A. Frontier requests that the Commission approve the September 30, 2022
4 balances and find that the costs incurred for Frontier's gas purchases were
5 properly accounted for during the relevant twelve-month review period.

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

7 A. Yes, at this time.

Schedule 1

Frontier Natural Gas Company
Docket No. G-40, Sub 171
SUMMARY OF COST OF GAS EXPENSE
For the Twelve Months Ended September 30, 2022
Schedule 1

	ITEM	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Total
1	NC Demand and Storage Costs Expensed (Sch 2)	\$113,042	\$109,396	\$113,042	\$113,042	\$102,103	\$113,042	\$109,622	\$113,276	\$109,622	\$113,276	\$113,276	\$109,820	\$1,332,559
2	NC Commodity Costs Expensed (Sch 3)	571,001	830,898	1,019,083	1,365,620	1,294,505	518,560	503,450	427,261	439,993	315,458	862,099	788,983	\$8,936,911
3	Other Gas Costs Expensed (Sch 4)	(206,170)	(68,903)	(374,378)	(142,460)	(506,632)	439,646	210,641	131,900	27,650	38,179	(343,045)	(36,244)	(\$829,816)
4	Total Cost of Gas Expensed (Sum of L1 - L3)	\$477,873	\$871,391	\$757,747	\$1,336,202	\$889,976	\$1,071,248	\$823,713	\$672,437	\$577,265	\$466,913	\$632,330	\$862,559	\$9,439,654

Schedule 2

Frontier Natural Gas Company
Docket No. G-40, Sub 171
SUMMARY OF DEMAND AND STORAGE CHARGES
For the Twelve Months Ended September 30, 2022
Schedule 2

	ITEM	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Total
	Demand and Storage Charges:													
1	Transco Capacity Charge - Frontier Capacity	\$113,042	\$109,396	\$113,042	\$113,042	\$102,103	\$113,042	\$109,622	\$113,276	\$109,622	\$113,276	\$113,276	\$109,820	\$1,332,559
2														
3	Total Demand & Storage Charges	\$113,042	\$109,396	\$113,042	\$113,042	\$102,103	\$113,042	\$109,622	\$113,276	\$109,622	\$113,276	\$113,276	\$109,820	\$1,332,559

Schedule 3

Frontier Natural Gas Company
Docket No. G-40, Sub 171
SUMMARY OF COMMODITY GAS COSTS
For the Twelve Months Ended September 30, 2022
Schedule 3

ITEM		Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Total
Commodity Cost at City Gate														
Supplier #1:														
1	Gas Supply Baseload Purchases	704,208	673,729	851,551	938,027	1,008,254	414,729	647,698	575,783	441,910	364,952	889,954	800,959	8,311,754
2	Daily Delivered Purchases (Zone 3 & 5)	35,075	56,883	1,247	71,245	11,901	33,638	73,936	56,225	102,224	73,976	75,407	140,910	732,667
3	Hedging	-	351,991	586,058	842,698	606,779	406,268	-	-	-	-	-	-	2,793,794
4	Other - Sell Back	(164,489)	(284,295)	(447,537)	(479,103)	(339,726)	(330,072)	(249,495)	(170,642)	(79,998)	(172,163)	(99,044)	(158,210)	(2,974,774)
5	Marketer Cash Out	(3,793)	32,590	27,764	(7,247)	7,297	(6,003)	31,311	(34,105)	(24,143)	48,693	(4,218)	5,324	73,470
6														
7	Total Commodity Cost Expense	571,001	830,898	1,019,083	1,365,620	1,294,505	518,560	503,450	427,261	439,993	315,458	862,099	788,983	8,936,911


Schedule 4

Frontier Natural Gas Company
Docket No. G-40, Sub 171
SUMMARY OF OTHER COST OF GAS CHARGES (CREDITS)
For the Twelve Months Ended September 30, 2022
Schedule 4

	ITEM	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Total
	Deferred Account Activity													
1	Gas Cost True-up (excluding interest)	(210,886)	(74,047)	(391,954)	(162,403)	(509,655)	441,989	201,074	126,473	10,962	38,652	(357,839)	(71,372)	(959,007)
2	Transportation Cust Balancing True-up	4,717	4,512	17,577	19,943	3,023	(2,343)	9,567	5,427	16,688	(473)	12,587	35,129	126,353
3	Gas Cost Adjustment	-	631	-	-	-	-	-	-	-	-	2,206	-	2,838
4														
5	Total Other Cost of Gas	(206,170)	(68,903)	(374,378)	(142,460)	(506,632)	439,646	210,641	131,900	27,650	38,179	(343,045)	(36,244)	(829,816)

Schedule 5

Frontier Natural Gas Company
Docket No. G-40, Sub 171
SUMMARY OF DEMAND RATE CHANGES
For the Twelve Months Ended September 30, 2022
Schedule 5

							North Carolina Utilities Commission Action		
	Effective Date of Change	FERC Docket No.	Description of Service	New Rate	Old Rate	Increase (Decrease)	Effective Date	Docket No.	Order Date
1							Approved via Benchmark Gas Adjustments 		
2	4/1/2022	RP22-669-000	TRANSCO FT DZ5, RZ4	0.38202	0.38126	0.00076			
3	4/1/2022	RP22-669-000	TRANSCO FT DZ5, RZ1	0.48335	0.48232	0.00103			
4	4/1/2022	RP22-669-000	TRANSCO FT DZ5, RZ2	0.46988	0.46885	0.00103			
5	4/1/2022	RP22-669-000	TRANSCO FT DZ5, RZ3	0.43451	0.43362	0.00089			
6	4/1/2022	RP22-669-000	TRANSCO FT DZ5, RZ3	0.43451	0.43362	0.00089			
7	4/1/2022	RP22-669-000	TRANSCO FT DZ5, RZ1	0.48335	0.48232	0.00103			
8	4/1/2022	RP22-669-000	TRANSCO FT DZ5, RZ2	0.46988	0.46885	0.00103			
9	4/1/2022	RP22-669-000	TRANSCO FT DZ5, RZ3	0.43451	0.43362	0.00089			
10	4/1/2022	RP22-669-000	TRANSCO FT DZ5, RZ3	0.43451	0.43362	0.00089			
11	4/1/2022	RP22-669-000	TRANSCO FT DZ6, RZ2	0.54718	0.54595	0.00123			
12	4/1/2022	RP22-669-000	TRANSCO FT DZ6, RZ3	0.51181	0.51072	0.00109			
13	4/1/2022	RP22-669-000	TRANSCO FT DZ5, RZ4	0.38202	0.38126	0.00076			
14	4/1/2022	RP22-669-000	TRANSCO FT DZ5, RZ1	0.48335	0.48232	0.00103			
15	4/1/2022	RP22-669-000	TRANSCO FT DZ5, RZ2	0.46988	0.46885	0.00103			
16	4/1/2022	RP22-669-000	TRANSCO FT DZ5, RZ3	0.43451	0.43362	0.00089			
17	4/1/2022	RP22-669-000	TRANSCO FT DZ5, RZ3	0.43451	0.43362	0.00089			

Schedule 8

Frontier Natural Gas Company
Docket No. G-40, Sub 171
SUMMARY OF DEFERRED ACCOUNT ACTIVITY
For the Twelve Months Ended September 30, 2022
Schedule 8

Month	Beginning Balance	Gas Cost True-Up	Adjustments	Transportation Balancing True-Up DB (CR)	Interest	Ending Balance
Oct-21	\$127,686.14	210,886.35		(4,716.75)	702.27	\$334,558.01
Nov-21	\$334,558.01	74,046.56	(631.45)	(4,512.02)	1,840.07	\$405,301.17
Dec-21	\$405,301.17	391,954.16		(17,576.57)	2,229.15	\$781,907.91
Jan-22	\$781,907.91	162,402.91	118.81	(19,942.84)	4,300.50	\$928,787.29
Feb-22	\$928,787.29	509,655.47		(3,023.40)	5,108.33	\$1,440,527.69
Mar-22	\$1,440,527.69	(441,989.13)		2,342.77	7,922.90	\$1,008,804.24
Apr-22	\$1,008,804.24	(201,074.31)		(9,566.80)	5,351.59	\$803,514.72
May-22	\$803,514.72	(126,472.68)	(4,062.48)	(5,426.85)	4,263.59	\$671,816.30
Jun-22	\$671,816.30	(10,961.63)		(16,688.00)	3,565.78	\$647,732.45
Jul-22	\$647,732.45	(38,651.73)		473.02	3,438.71	\$612,992.45
Aug-22	\$612,992.45	357,838.69	2,206.14	(12,587.16)	3,255.10	\$963,705.22
Sep-22	\$963,705.22	71,372.22		(35,128.56)	5,052.23	\$1,005,001.11
TOTALS		\$959,006.88	(\$2,368.98)	(\$126,353.16)	\$47,030.23	

Schedule 10

Frontier Natural Gas Company
Docket No. G-40, Sub 171
SUMMARY OF GAS SUPPLY
For the Twelve Months Ended September 30, 2022
Schedule 10

	ITEM	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Total
	Sources of Supply at City Gate: (dts)													
	Supplier #1:													
1	Gas Supply Baseload Purchases	117,800	105,660	122,977	141,143	113,596	87,482	120,000	77,500	48,000	49,600	62,000	78,000	1,123,758
2	Daily Delivered Purchases (Zone 3 & 5)	6,320	11,094	266	6,325	1,722	6,211	10,841	6,671	11,050	6,863	7,556	17,284	92,203
3	Hedging Purchases	-	91,080	137,826	165,354	128,184	108,066	-	-	-	-	-	-	630,510
4	Other - Buy Back	(30,606)	(54,749)	(119,032)	(59,711)	(68,529)	(68,602)	(37,675)	(21,088)	(8,465)	(16,952)	(10,516)	(20,187)	(516,112)
5														
	Gas Supply Current													
6	Period Delivery	93,514	153,085	142,037	253,111	174,973	133,157	93,166	63,083	50,585	39,511	59,040	75,097	1,330,359

Schedule 11

Frontier Natural Gas Company
Docket No. G-40, Sub 171
SUMMARY OF NATURAL GAS HEDGE TRANSACTIONS
For the Twelve Months Ended September 30, 2022
Schedule 11

Month	Hedged dts	Actual dts	Projected dts	Percent of Projected dts Hedged	Hedged Cost \$/dth 1/	Baseload \$/dth 1/	(Savings) Excess \$/dth	Hedge (Gain) Loss	Delivery Zone
Oct-21	-	NO HEDGES		0%			\$0.000	\$0	
Nov-21	90,000	153,085	153,847	59%	3.863	\$6.190	(\$2.33)	(\$209,439)	Z3
Nov-21	1,080				4.006	\$6.500	(\$2.494)	(\$2,693)	Z5
Dec-21	93,000	142,037	219,268	63%	3.982	\$5.470	(\$1.488)	(\$138,412)	Z3
Dec-21	44,826				4.813	\$8.260	(\$3.447)	(\$154,506)	Z5
Jan-22	93,000	253,111	244,830	68%	4.048	\$4.060	(\$0.012)	(\$1,135)	Z3
Jan-22	72,354				6.444	\$8.580	(\$2.136)	(\$154,541)	Z5
Feb-22	84,000	174,973	198,109	65%	3.974	\$6.350	(\$2.376)	(\$199,618)	Z3
Feb-22	44,184				6.179	\$11.180	(\$5.001)	(\$220,982)	Z5
Mar-22	93,000	133,157	163,580	66%	3.720	\$4.570	(\$0.850)	(\$79,050)	Z3
Mar-22	15,066				4.003	\$4.850	(\$0.847)	(\$12,764)	Z5
Apr-22	-	NO HEDGES		0%			\$0.000	\$0	
May-22	-	NO HEDGES		0%			\$0.000	\$0	
Jun-22	-	NO HEDGES		0%			\$0.000	\$0	
Jul-22	-	NO HEDGES		0%			\$0.000	\$0	
Aug-22	-	NO HEDGES		0%			\$0.000	\$0	
Sep-22	-	NO HEDGES		0%			\$0.000	\$0	
Total	630,510	856,363	979,634					(\$1,173,139)	