

**BEFORE THE
NORTH CAROLINA UTILITIES COMMISSION
TOCCOA NATURAL GAS
DOCKET NO. G-41, SUB 56**

**DIRECT TESTIMONY
OF
RAI TRIPPE**

September 1, 2021

1 Q. Please state your name, your employer, and your business address.

2 A. My name is Rai Trippe. I am employed by the Municipal Gas Authority of Georgia
3 (“Gas Authority”). My business address is 104 TownPark Drive, Kennesaw,
4 Georgia 30144.

5
6 Q. In what capacity are you employed by Toccoa?

7 A. I am employed by the Gas Authority as a Member Support Senior Business Analyst.
8 My duties include retail rate studies and design, budget, contract administration and
9 negotiation, and general activities in support of our members. The Gas Authority
10 serves the City of Toccoa (the “City” or “Toccoa”).

11

12 Q. Please summarize your professional background.

13 A. Please see Exhibit 1, Biographical Sketch.

14

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

16 A. Commission Rule R1-17(k)(6) requires Toccoa to submit to the Commission, on
17 or before September 1, 2021, Toccoa’s actual gas costs and volumes of purchased
18 gas for the twelve-month period ended June 30, 2021, and certain other
19 information as directed by the Commission. This information is contained in this
20 direct testimony and the accompanying exhibits. The Rule provides for a hearing
21 on the first Wednesday of November “in order to compare each LDC’s prudently
22 incurred gas costs recovered from all its customers that it served during the test

1 period.” Toccoa is providing my testimony and schedules in compliance with this
2 Rule. My testimony demonstrates that Toccoa’s gas costs during the test period
3 were prudently incurred and therefore meet the requirement for recovery. This is
4 Toccoa’s twentieth proceeding under Commission Rule R1-17(k)(6) since it
5 began gas operations.
6

7 Q. Please describe Toccoa’s gas supply policy.

8 A. Toccoa is a charter member of the Gas Authority, the largest non-profit joint action
9 natural gas agency in the nation. As a member of the Gas Authority, Toccoa
10 receives all of its gas supply at very competitive rates. The Gas Authority uses a
11 portfolio approach to supply its 81 member cities’ needs, relying on a combination
12 of long-term firm supply arrangements, short-term spot market purchases, seasonal
13 peaking, and contract storage services. Specifically, the Gas Authority bills its
14 Williams Transco supplied members at the first-of-the-month spot market index
15 price for gas delivered into Transco at 50% of Transco Zone 3 index + 50% of
16 Transco Zone 4 index. In addition, Toccoa participates in the Gas Authority’s
17 “Winter Hedge Program” under the Authority’s *Option 2*; that is, Toccoa relies on
18 the Gas Authority’s advisement in locking-in future prices for a portion of their
19 firm load (*Option 3* members make their own decisions, and *Option 1* members do
20 not hedge prices). The Gas Authority’s objective in hedging prices is to achieve
21 price stability at a reasonable level for its members’ retail customers. This was
22 accomplished by locking-in futures prices on approximately 20.2% of their

1 forecasted firm Georgia residential gas sales and all firm North Carolina gas sales
2 for November 2020 through March 2021. See Confidential Exhibit 3 for
3 November through March hedge volumes and to see the hedge volumes as a
4 percentage of firm sales during the review period. At the time that these hedge
5 volume decisions were made, Toccoa chose to adopt more conservative hedge
6 volumes for their participation in the Winter Hedge Program because market and
7 future pricing was significantly less than it had been at the time the previous Winter
8 Hedge Program volumes were put in place. Large industrial customers may make
9 their own hedging decisions if they choose to do so. Because of its participation in
10 Gas Authority, Toccoa's "gas supply policy" is the same as that of the Gas
11 Authority.

12
13 Q. What are some of the challenges in the development and implementation of
14 Toccoa's gas supply strategy, if any?

15 A. Because of the experience, expertise, and resources of the Gas Authority, gas
16 supply is not a problem for Toccoa. Through the Gas Authority's efforts, Toccoa
17 is assured adequate, dependable, and economical gas supplies. One of the
18 challenges for Toccoa is explaining to customers swings and spikes in the
19 wholesale cost of natural gas. Although hedging helps manage this volatility, it can
20 create its own challenges. Some customers have unrealistic expectations of the
21 benefits of hedging because a common benchmark for evaluating hedged prices is
22 the actual spot market price. This can be an unfair measure because it is only

1 available after the fact and assumes the goal of hedging is “to beat the market.”

2 The principal goal of hedging is to achieve price stability at a reasonable level for
3 the consuming public. The Gas Authority’s “Winter Hedge Program” helps
4 achieve this goal.

5

6 Q. Has there been any significant change to Toccoa’s gas supply strategy or source
7 during the test year?

8 A. No.

9

10 Q. Please describe Toccoa’s interstate capacity.

11 A. Toccoa currently contracts for firm transportation (“FT”) capacity on
12 Transcontinental Gas Pipeline/Williams (“Transco”), as well as an additional
13 liquefied natural gas storage service. In addition, Toccoa has storage service
14 agreements with Pine Needle LNG Company, LLC. Further, through participation
15 in the Gas Authority, Toccoa has access to other members’ available pipeline
16 capacity.

17

18 Q. With this approach, does Toccoa have the flexibility to meet its market
19 requirements?

20 A. Absolutely.

21

1 Q. How does Toccoa participate in and communicate with the Gas Authority regarding
2 gas supply purchases?

3 A. Toccoa is an active Member of the Gas Authority; therefore, no specific initiative
4 is necessary. Toccoa's management meets with the Gas Authority's staff on a
5 regular and frequent basis.
6

7 Q. Did Toccoa pursue capacity release options to mitigate the cost of extra demand
8 capacity?

9 A. Yes. On behalf of Toccoa, the Gas Authority released a portion of Toccoa's
10 unutilized capacity each month of the fiscal period. Total demand cost savings
11 generated during the period of July 2020 through June 2021 totaled \$22,063. This
12 released capacity that generated the demand savings encompassed production area
13 and market area FT capacity contracted by Toccoa on Transco.
14

15 Q. Did Toccoa follow the gas cost accounting procedures prescribed by Rule R1-17(k)
16 for the year ended June 30, 2021?

17 A. Yes.
18

19 Q. In following Section (5)(c) of the Rule, Toccoa was responsible for reporting gas
20 costs and deferred account activity to the Commission and the Public Staff monthly.

21 Are you aware of any outstanding issues regarding these reports?

22 A. No.

1

2 Q. What schedules have you caused to be prepared?

3 A. Exhibit 2 and Schedules 1 – 10 which include the Deferred Account Summary.

4

5 Q. What activity occurred in the deferred account during the twelve months ended
6 June 30, 2021?

7 A. Toccoa began the review period with a balance of (\$26,478) owed to firm
8 customers. On February 8, 2021 the Commission issued its Order on Annual
9 Review of Gas Costs in Docket No. G-41 Sub 55, authorizing Toccoa to retain the
10 rate decrement of \$0.4397 per dth in the North Carolina firm service rates that
11 previously were approved by Order in G-41 Sub 54. Toccoa desired to rely on the
12 Deferred Account process and tracking method such that the forecasted Deferred
13 Account balance at the end of the current review period would be as close to zero
14 as practical. The Deferred Account balance was closely monitored as each monthly
15 Deferred Account update was filed in anticipation that the effective rate decrement
16 would decrease the balance owed to customers without causing a swing to a balance
17 owed to Toccoa. Although there was a modest decrease in the balance owed to
18 customers from July 2020 through November 2020, the Deferred Account Balance
19 ending June 30, 2020 was (\$46,344). I refer you to Schedule 8 for specific tracking.

20

1 Q. The attached schedules show the gas costs incurred by Toccoa and billed to
2 customers during the period July 1, 2020 through June 30, 2021. In your opinion,
3 were all these gas costs prudently incurred?

4 A. Yes.

5

6 Q. What action does Toccoa request the Commission take regarding the deferred
7 accounts?

8 A. Toccoa requests that the Commission approve the June 30, 2021 balance and find
9 that Toccoa's gas purchases were prudent during the relevant twelve-month period.

10

11 Q. Has Toccoa taken any steps recently to enable it to manage its deferred account
12 more effectively?

13 A. Toccoa has effectively managed the Deferred Account and filed monthly Deferred
14 Account Summary reports in a timely manner as required. No new steps or actions
15 were undertaken.

16

17 Q. Please describe the current requirement for the interest rate applied to Toccoa's
18 Deferred Gas Cost Account.

19 A. On October 1, 2016, Toccoa began calculating interest on its Deferred Gas Cost
20 Account (Deferred Account). The interest rate applied to Toccoa's Deferred
21 Account for amounts over-collected or under-collected from the North Carolina
22 firm sales customers was established in G-41 Sub 0, and approved by the December

1 8, 1998 Order granting Toccoa and the Municipal Gas Authority of Georgia a
2 Certificate of Public Convenience and Necessity (“CPCN”). Toccoa’s Deferred
3 Account interest rate proposed by Public Staff is the overall rate of return. Toccoa
4 has not adjusted its Deferred Account interest rate for known tax changes because
5 it is exempt from federal income tax and it does not pay income taxes in North
6 Carolina since Toccoa is a municipality.
7

8 Q. What is the Company’s authorized overall rate of return?

9 A. The rate is presently 5.83%. The interest rate has been applied to Toccoa’s Deferred
10 Account during the full twelve months of the review period.
11

12 Q. Do you believe a change to the interest rate applicable to the company’s Deferred
13 Account is warranted at this time?

14 A. No.
15

16 Q. Does Toccoa have additional comments or information to provide?

17 A. Yes. Per Order Requiring Reporting Issued in Docket G-100 Sub 91, Toccoa submits
18 the following responses.
19

20 **1.** Please describe any changes in the Company’s customer mix or customer market
21 profiles that it forecasts for the next ten (10) years and explain how the changes will
22 impact the Company’s gas supply, transportation, and storage requirements.

1 **Response:** We do not forecast a significant change in Toccoa's customer mix
2 over the next ten years; however, Toccoa's gas system may experience incremental
3 growth. The general condition of the economy and more recent economic trends
4 will impact the rate at which Toccoa connects and serves new customers. Any
5 additional growth may create a need for additional firm capacity. At the appropriate
6 time, the Gas Authority will assist Toccoa in acquiring the most cost-effective
7 combination of pipeline, storage, and peaking capacity on Transco as needed.
8

9 **2.** Please identify the rate schedules and special contracts that the Company uses to
10 determine peak day demand requirements for planning purposes.

11 **Response:** The Gas Authority evaluates all firm customer classes that are part
12 of Toccoa's total firm load in planning for peak day demand requirements. The
13 Gas Authority's planning is based on the number of customers within each firm
14 rate schedule, and we consider all customer requirements with exception of
15 alternate fuel customers.
16

17 **3.** Please provide the base load demand requirements of the firm market estimated for
18 the review period and forecasted for each of the next five years.

19 **Response:** We expect that Toccoa's base load demand requirements for the next
20 five years will be sufficiently served under the demand contracts, LNG contract,
21 and Pine Needle contract volumes shown in this summary. No Demand or Storage

1 service changes occurred during the review period ending June 30, 2021. Volumes
2 shown are Dth.

Description of Service	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21
Cherokee - FT	2,070	2,070	2,070	2,070	2,070	2,070	2,070	2,070	2,070	2,070	2,070	2,070
Sunbelt 1997 - FT	518	518	518	518	518	518	518	518	518	518	518	518
SouthCoast - FT Mainline	2,105	2,105	2,105	2,105	2,105	2,105	2,105	2,105	2,105	2,105	2,105	2,105
Converted Firm Trans. - CFT	294	290	346	1,381	1,898	2,300	2,300	2,300	1,898	1,381	346	346
							-	-	-	-	-	-
LNG Capacity	3,105	3,105	3,105	3,105	3,105	3,105	3,105	3,105	3,105	3,105	3,105	3,105
LNG Daily Demand	1,035	1,035	1,035	1,035	1,035	1,035	1,035	1,035	1,035	1,035	1,035	1,035
							-	-	-	-	-	-
Pine Needle Capacity	2,898	2,898	2,898	2,898	2,898	2,898	2,898	2,898	2,898	2,898	2,898	2,898

3
4 **4.** Please provide the one-day design peak demand requirements used by the Company
5 for planning purposes for the review period and forecasted for each of the next five
6 winter seasons. The peak demand requirement amounts should set forth the
7 estimated demand for each rate schedule or priority with peak day demand. All
8 assumptions, such as heating degree-days, dekatherms per heating degree-day,
9 customer growth rates, and supporting calculations used to determine the peak day
10 requirement amounts should be provided.

1 **Response:** Toccoa's peak day and peak demand requirements are evaluated
2 annually by the Gas Authority staff, and an updated Winter Service Plan is
3 produced and submitted to Toccoa each year prior to the winter season. Please see
4 Exhibit 4, "Municipal Gas Authority of Georgia Winter Service Plan –2020 -
5 2021". Gas Authority analysis uses 51 HDD's to forecast design day usage.
6

7 **5.** Please describe how Toccoa determines which type of resources should be acquired
8 or developed for meeting the Company's deliverability needs. Also, please
9 describe the factors evaluated in deciding whether the Company should acquire
10 pipeline transportation capacity, acquire a storage service, or develop additional on-
11 system storage deliverability.

12 **Response:** The Gas Authority makes these determinations based on least cost and
13 operational flexibility of the options available at the time new pipeline, storage, or
14 peaking capacity is forecasted to be necessary to meet TNG's firm needs. No new,
15 additional capacity or storage opportunities are being considered at this time.
16

17 **6.** Please describe how the Company determines the amount of pipeline capacity that
18 should be acquired for (a) the whole year, (b) the full winter season, and (c) less
19 than the full winter season. Also, please describe the factors evaluated in
20 determining the appropriate amount and mix of service period options.

21 **Response:** Each year Toccoa's capacity needs are met by their existing capacity
22 agreements. Most of these contracts are in place for 15 years or more. If Toccoa

1 exceeds their contract, the least expensive option will be chosen to cover that
2 particular period. Options include shifting capacity from another MGAG Member
3 city, acquiring a delivered service, incurring “penalty gas” charges, etc. However,
4 Toccoa has the capability to interrupt several large gas users to prevent the potential
5 cost of exceeding their contract. No additional capacity needs are anticipated, and
6 no new capacity opportunities are being considered at this time.

7

8 7. Please describe each new capacity and storage opportunity that the Company is
9 contemplating entering during the next five (5) year period beginning with the –
10 2021 - 2022 winter season.

11 **Response:** No new, additional capacity or storage opportunities are being
12 considered at this time.

13

14 8. Please provide a computation of the reserve or excess capacity estimated for the
15 review period and forecasted for each of the next five (5) winter seasons.

16 **Response 1-8:** Please see Exhibit 4, “Municipal Gas Authority of Georgia Winter
17 Service Plan –2020 - 2021”.

18

19 9. Please describe any significant storage, transmission, and distribution upgrades
20 required for the Company to fulfill its peak day requirements during the next five
21 (5) years.

22 **Response:** No upgrades are anticipated at this time.

1

2 Q. Does that conclude your testimony?

3 A. Yes.