



**NORTH CAROLINA  
PUBLIC STAFF  
UTILITIES COMMISSION**

January 16, 2024

Ms. A. Shonta Dunston, Chief Clerk  
North Carolina Utilities Commission  
4325 Mail Service Center  
Raleigh, North Carolina 27699-4300

Re: Docket No. G-41, Sub 59 – Application of Toccoa Natural Gas for Annual Review of Gas Costs Pursuant to N.C. Gen. Stat. § 62-133.4(c) and Commission Rule R1-17(k)(6)

Dear Ms. Dunston,

Attached for filing on behalf of the Public Staff – North Carolina Utilities Commission (Public Staff) in the above-referenced docket is the testimony of Charles A. Akpom, Public Utilities Regulatory Analyst with the Accounting Division of the Public Staff.

By copy of this letter, we are forwarding a copy to all parties of record by electronic delivery.

Sincerely,

Electronically submitted  
/s/ Elizabeth D. Culpepper  
Staff Attorney  
[elizabeth.culpepper@psncuc.nc.gov](mailto:elizabeth.culpepper@psncuc.nc.gov)

/s/ James Bernier, Jr.  
Staff Attorney  
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cc: Parties of Record

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**CERTIFICATE OF SERVICE**

I certify that I have served a copy of the foregoing Testimony on all parties of record, the attorney of record of such party, or both in accordance with Commission Rule R1-39, by United States mail, postage prepaid, first class; by hand delivery; or by means of facsimile or electronic delivery upon agreement of the receiving party.

This the 16th day of January, 2024.

Electronically submitted  
/s/ Elizabeth D. Culpepper



**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

**DOCKET NO. G-41, SUB 59**

In the Matter of  
Application of Toccoa Natural Gas for )  
Annual Review of Gas Costs Pursuant )  
to N.C. Gen. Stat. § 62-133.4(c) and )  
Commission Rule )  
R1-17(k)(6) )

**TESTIMONY OF  
CHARLES A. AKPOM ON  
BEHALF OF THE PUBLIC  
STAFF – NORTH CAROLINA  
UTILITIES COMMISSION**

**JANUARY 16, 2024**

1 **Q. Please state your name, business address, and present**  
2 **position.**

3 A. My name is Charles A. Akpom, and my business address is 430  
4 North Salisbury Street, Raleigh, North Carolina. I am a Public  
5 Utilities Regulatory Analyst with the Accounting Division of the  
6 Public Staff – North Carolina Utilities Commission (Public Staff).

7 **Q. Briefly state your qualifications and experience.**

8 A. My qualifications and experience are included in Appendix A.

9 **Q. What is the mission of the Public Staff?**

10 A. The Public Staff represents the concerns of the using and  
11 consuming public in all public utility matters that come before the  
12 North Carolina Utilities Commission (Commission). Pursuant to  
13 N.C. Gen. Stat. § 62-15(d), it is the Public Staff's duty and  
14 responsibility to review, investigate, and make appropriate  
15 recommendations to the Commission with respect to the following  
16 utility matters: (1) retail rates charged, service furnished, and  
17 complaints filed, regardless of retail customer class; (2) applications  
18 for certificates of public convenience and necessity; (3) franchise  
19 transfers, mergers, consolidations, and combinations of public  
20 utilities; and (4) contracts of public utilities with affiliates or  
21 subsidiaries. The Public Staff is also responsible for appearing

1 before state and federal courts and agencies in matters affecting  
2 public utility service.

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

4 A. The purpose of my testimony is to: (1) present the results of my  
5 review of the gas cost information filed by Toccoa Natural Gas  
6 (Toccoa or Company) in accordance with N.C.G.S. § 62-133.4(c)  
7 and Commission Rule R1-17(k)(6); (2) provide my conclusions  
8 regarding whether the gas costs incurred by Toccoa during the 12-  
9 month review period ended June 30, 2023, were properly  
10 accounted for; (3) discuss any changes to the deferred account  
11 reporting during the review period; and (4) provide my conclusions  
12 regarding the prudence of Toccoa's hedging activities during the  
13 review period.

14 **Q. Please explain how you conducted your review.**

15 A. I reviewed the testimony and exhibits of the Company's witnesses,  
16 the Company's monthly Deferred Gas Cost Account reports, the  
17 monthly operating reports, and the Company's responses to Public  
18 Staff data requests.

19 **Q. Based on your review, has the Company properly accounted  
20 for its gas costs during the review period?**

21 A. Yes.

## ACCOUNTING FOR AND ANALYSIS OF GAS COSTS

- 1   **Q.    How does the Accounting Division conduct its review of the**  
2       **Company’s accounting for gas costs?**
- 3    A.    Each month the Public Staff reviews the Deferred Gas Cost  
4        Account reports filed by the Company for accuracy and  
5        reasonableness, and performs several audit procedures on the  
6        calculations, including the following:
- 7        (1)   Gas Cost True-Up – The actual commodity and demand gas  
8        costs are verified by reviewing data supporting the gas costs on  
9        invoices received from the Municipal Gas Authority of Georgia (Gas  
10       Authority) and checking the overall calculations for mathematical  
11       accuracy.
- 12       (2)   Temporary Increments and/or Decrements – Calculations  
13       and supporting data are verified by the review of Commission  
14       orders regarding the collections from and/or refunds to customers  
15       that have occurred through the Deferred Gas Cost Account.
- 16       (3)   Hedging Transactions – The hedged cost of gas prices is  
17       traced to Gas Authority invoices and consequently verified for  
18       mathematical accuracy.
- 19       (4)   Supplier Refunds – In Docket No. G-100, Sub 57, the  
20       Commission held that, unless it orders refunds to be handled

1 differently, supplier refunds should be flowed through to ratepayers  
2 through a company's deferred account. The documentation  
3 received by the Company from its suppliers is reviewed to ensure  
4 that any amount received by the Company is credited to  
5 ratepayers.

6 (5) Interest Accrual – Toccoa began calculating interest on its  
7 Deferred Gas Cost Account in October 2016. Calculations of the  
8 interest accrued on the account balance during the month are  
9 verified in accordance with N.C.G.S. § 62-130(e).

10 **Q. How do the Company's filed gas costs for the current review**  
11 **period compare with those for the prior review period?**

12 A. Toccoa's total company gas costs for the current review period  
13 were \$8,782,876, compared to the prior year's costs of \$7,673,669.  
14 The North Carolina portion of gas costs incurred during the current  
15 review period was \$728,140, compared with \$648,225 for the prior  
16 period. The components of gas costs incurred for the two periods  
17 are as follows:



	12 Months Ended		Increase (Decrease)	% Change
	June 30, 2023	June 30, 2022		
<b>Transco Pipeline Charges:</b>				
Cherokee - FT	\$213,663	\$213,768	(\$105)	(0.05%)
Converted Firm Transp. - CFT	139,379	139,133	246	0.18%
South Coast - FT Mainline	107,274	107,003	271	0.25%
Sunbelt 1997 - FT	34,286	34,219	67	0.20%
Capacity Release Credits	(63,900)	(25,113)	(38,787)	154.45%
<b>Total Transco Pipeline Charges</b>	<b>\$430,702</b>	<b>\$469,010</b>	<b>(\$38,308)</b>	<b>(8.17%)</b>
<b>Storage/Peaking Services:</b>				
LNG Capacity	22,531	22,531	0	0.00%
LNG Daily Demand	38,971	38,971	0	0.00%
Pine Needle Capacity	94,886	83,193	11,693	14.06%
<b>Total Storage/Peaking Services</b>	<b>\$156,388</b>	<b>\$144,695</b>	<b>\$11,693</b>	<b>8.08%</b>
<b>Total Demand and Storage Costs</b>	<b>\$587,090</b>	<b>\$613,704</b>	<b>(\$26,615)</b>	<b>(4.34%)</b>
<b>Gas Supply Costs:</b>				
Authority Gas Supply FT	\$7,281,018	\$7,051,677	\$229,341	3.25%
Supply Charge-meters and throughput	155,219	113,584	41,635	36.66%
Pine Needle Supply	56,653	41,919	14,734	35.15%
LNG Withdrawal	19,667	10,375	9,292	89.56%
FT Released Capacity Supply	37,578	25,052	12,526	50.00%
Authority G&A Charges	148,872	143,089	5,783	4.04%
Swing Supply Charges	75,634	67,313	8,321	12.36%
Peaking Supply Charges	58,775	0	58,775	N/A
<b>Total Gas Supply Costs</b>	<b>\$7,833,416</b>	<b>\$7,453,009</b>	<b>\$321,632</b>	<b>4.32%</b>
<b>Total Other Gas Costs</b>	<b>\$362,371</b>	<b>(\$393,044)</b>	<b>\$755,415</b>	<b>192.20%</b>
<b>Total Company Gas Costs</b>	<b>\$8,782,876</b>	<b>\$7,673,669</b>	<b>\$1,109,207</b>	<b>14.45%</b>
<b>NC Portion of Total Gas Costs</b>	<b>\$728,140</b>	<b>\$648,225</b>	<b>\$79,915</b>	<b>12.33%</b>

1 **Q. Please explain any significant increases or decreases in**  
2 **demand and storage charges.**

3 **A. Capacity Release Credits** are margins earned by Toccoa from  
4 third parties for the release of unutilized firm pipeline capacity each  
5 month of the fiscal period. The overall net compensation generated  
6 during the period of July 2022 through June 2023 totaled \$63,900,  
7 compared to \$25,113 in the last review period. The Capacity  
8 Release Credits are calculated on a daily basis by the Gas

1 Authority for Toccoa and the 23 other members utilizing a pooling  
2 method calculation.

3 **Pine Needle Capacity** charges increased due to rate increases for  
4 the service approved in FERC Docket No. RP22-749-000, which  
5 became effective May 1, 2022.

6 **Authority Gas Supply FT** costs increased due to a higher level of  
7 wellhead gas prices during the beginning of this review period as  
8 compared with the prior review period. The average cost per  
9 dekatherm (dt) increased from \$5.5021 in the prior review period to  
10 \$5.5416 in the current review period.

11 **Supply Charge – Meters and Throughput** is a charge based on  
12 the number of customer meters on Toccoa’s system and its  
13 monthly pipeline throughput and represents additional gas supply  
14 costs incurred to provide gas service to customers. Throughput  
15 costs increased by 126.63% due to the inclusion of an Index  
16 Premium (IP) Charge beginning in November 2022 that was  
17 established to maintain timely market pricing to all Gas Authority  
18 members and to recover the incurred index premium cost on a  
19 timely basis. The IP Charge is reviewed by the Gas Authority Board  
20 (Board) seasonally and adjusted as needed based on estimated  
21 total index premium costs and forecasted supply volumes. The IP

1 Charge is charged on all Gas Authority member firm baseload  
2 supply volumes.

3 The initial \$0.05/Metric Million British Thermal Unit (MMBtu) IP  
4 Charge became effective November 1, 2022. This was again  
5 reviewed and updated to \$0.01/MMBtu effective April 1, 2023.  
6 Following further Board review and approval in October 2023, the  
7 IP Charge was again revised and updated to \$0.015/MMBtu  
8 effective November 1, 2023.

9 **Pine Needle Supply** charges increased 35.15% due to a  
10 combination of increased prices and lower volumes received during  
11 the review period. The average supply volume decreased 21.69%  
12 from 11,936 dts in the prior review period to 9,347 dts in the current  
13 review period, while the average supply charge increased to  
14 \$6.0611 per dt for this review period as compared to \$3.5119 per dt  
15 in the prior period.

16 **LNG Withdrawal** costs increased in part due to an increase in the  
17 average cost of gas withdrawn during the review period. Toccoa's  
18 average cost of gas was \$9.5010 per dt for this review period as  
19 compared to \$3.3522 per dt in the prior period. The total increase  
20 was mitigated due to Toccoa withdrawing 2,070 dts from storage in  
21 the current review period as compared to 3,095 for the prior period.

1           **FT Released Capacity Supply** is excess capacity available from  
2           other Gas Authority municipal members that is used to meet  
3           Toccoa's capacity needs. The Gas Authority is able to buy excess  
4           capacity from one member and sell it to another member, as  
5           needed, on a case-by-case basis. During the months of November  
6           2022 through March 2023, Toccoa bought 6,991 dts at a total cost  
7           of \$37,578, compared to the same months in the prior review where  
8           the Company bought 5,293 dts at a cost of \$25,052.

9           **Authority G&A Charges** include items for general and  
10          administrative costs based on the number of meters and throughput  
11          as well as supply savings realized using the portfolio of supply  
12          contracts from Gas Authority members. The charges are calculated  
13          by dividing general and administrative charges by total revenues  
14          earned and then adding a pro rata share of total Gas Authority  
15          savings to calculate the total.

16          **Swing Supply Charges** are charges assessed by the Gas  
17          Authority to its members for additional daily supply requirements,  
18          primarily during the winter months. Toccoa's Swing Supply Charges  
19          increased from \$67,313 in the prior review period to \$75,634 in the  
20          current review period due to an increase in rates per dt beginning in  
21          January of 2023.

1           **Peaking Supply Charges** are charges assessed by the Gas  
2 Authority as a result of extreme cold weather brought on by Winter  
3 Storm Elliot in December 2022. Toccoa received 938 dts of peaking  
4 supply at a cost of \$58,775. The associated peaking supply costs  
5 were included in Toccoa's deferred account reporting for December  
6 2022.

7           **Total Other Gas Costs** increased due to Toccoa's participation in  
8 the Gas Authority's Poultry and Industrial Hedge Programs, which  
9 resulted in higher charges as a result of trading larger quantities of  
10 dts from Toccoa's total company hedging program during the  
11 review period as compared to the prior review period. The quantity  
12 of dts traded increased 133.38%, from 255,054 dts in the prior  
13 period to 595,253 dts in the current period.

#### **HEDGING ACTIVITIES**

14   **Q.   What is the standard set forth by the Commission for**  
15           **evaluating the prudence of a Company's hedging decisions?**

16   A.   In its February 26, 2002 Order on Hedging in Docket No. G-100,  
17           Sub 84 (Hedging Order), the Commission stated that the standard  
18           for reviewing the prudence of hedging decisions is that the decision  
19           "must have been made in a reasonable manner and at an  
20           appropriate time on the basis of what was reasonably known or  
21           should have been known at that time." Hedging Order at 11-12.

1 **Q. Please describe the Company's hedging program.**

2 A. Toccoa participates in the Winter Hedge Program under Option 2,  
3 which is managed by the Gas Authority for its members in which  
4 the Gas Authority proposes recommendations to its members for  
5 locking-in future prices for a targeted level of volume of their firm  
6 load for a two-year period. Option 1 members do not hedge prices  
7 and Option 3 members make their own decisions. The goal of the  
8 Winter Hedge Program is to achieve price stability at a reasonable  
9 price for its customers.

10 **Q. What are the types of financial instruments that the Gas**  
11 **Authority uses in its hedging program?**

12 A. The Gas Authority typically uses financial instruments, including  
13 calls and swaps, that are most advantageous to achieving price  
14 stability at a reasonable level for its members at the time the trades  
15 are executed. During the 2022-2023 review period, the Gas  
16 Authority used 100% fixed price swaps. The fixed price trades  
17 resulted in favorable credits to member's rates. The Gas Authority  
18 determined that it would not be prudent to incur costs on options in  
19 the same low-price environment.

1 **Q. Please describe the results of the Gas Authority's hedging**  
2 **program during the current review period.**

3 A. During the current review period, the hedging program resulted in a  
4 (\$11,817) credit to Toccoa's gas supply costs for North Carolina  
5 customers.

6 **Q. Has Toccoa made any changes to its hedging arrangements**  
7 **with the Gas Authority in the current review period?**

8 A. No. Toccoa's hedged volumes remained unchanged during the  
9 current review period as compared to prior review periods.

10 **Q. Has Toccoa made any changes to its hedging arrangements**  
11 **with the Gas Authority that would affect future review periods?**

12 A. Yes. According to a response to a Public Staff data request, in  
13 February 2022, Toccoa city administration elected to increase its  
14 future monthly winter hedge volumes due to awareness of potential  
15 increasing prices and its risk tolerance and comfort level at that  
16 time. The increase in hedge volumes was implemented for the  
17 Winter Hedge Program effective November 2023 – March 2024 and  
18 will continue for a minimum of two years as part of Gas Authority's  
19 Winter Hedge Program and the new volumes are as follows:

- 20
- November – 10,450 MMBtu

21

  - December – 19,200 MMBtu

22

  - January – 19,100 MMBtu

- 1           • February – 13,750 MMBtu
- 2           • March – 7,320 MMBtu

3   **Q.    What is your conclusion regarding the prudence of the**  
 4   **Company's hedging activities?**

5   A.    Based on what was reasonably known or should have been known  
 6        by Toccoa at the time the hedging decisions were made for the  
 7        current review period, as opposed to the outcome of those  
 8        decisions, I believe the hedging decisions made by the Company  
 9        were prudent.

#### DEFERRED ACCOUNT

10 **Q.    Based on your review of gas costs in this proceeding, what is**  
 11 **the appropriate deferred account balance as of June 30, 2023?**

12 A.    The balance in Toccoa's Deferred Gas Cost Account at June 30,  
 13        2023, is a (\$98,557) credit balance owed to customers. The  
 14        following chart summarizes Toccoa's Deferred Gas Cost Account  
 15        activity for the current review period:

Deferred Account Balance - July 1, 2022	(\$82,795)
Commodity True-up	20,526
Demand True-Up	(85,696)
Firm Hedges	(11,817)
(Increment) Decrement	66,553
Interest	<u>(5,328)</u>
Deferred Account Balance - June 30, 2023	<u>(\$98,557)</u>



1 **Q. Did Toccoa have any changes to its deferred account interest**  
2 **rate reporting during the review period?**

3 A. No. The Public Staff reviewed the Company's interest rate  
4 calculations, found that Toccoa is continuing to use an interest rate  
5 of 5.83%, and determined that no changes were needed. The  
6 current interest rate applied to the deferred account is the overall  
7 rate of return established in the Commission's Order Granting  
8 Certificate of Public Convenience and Necessity to the City of  
9 Toccoa and the Municipal Gas Authority of Georgia issued  
10 December 8, 1998, in Docket No. G-41, Sub 0, not the net-of-tax  
11 overall rate of return. The overall rate of return has remained  
12 unchanged because Toccoa is exempt from federal income tax and  
13 does not pay income taxes in North Carolina as it is a municipality.  
14 The calculations of the interest accrued on the account balance  
15 during the month are verified in accordance with N.C.G.S. §  
16 62-130(e). The Public Staff will continue to review the interest rate  
17 each month to determine if an adjustment is needed.

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

19 A. Yes, it does.



**Qualifications and Experience**

**Charles A. Akpom**

I am a 1987 graduate of Southern University and A&M College, Baton Rouge, Louisiana, with an MBA in Accounting. I am a Certified Public Accountant.

I joined the Public Staff in September 2020. I am responsible for: (1) examining and analyzing testimony, exhibits, books and records, and other data presented by utilities and other parties under the jurisdiction of the Commission or involved in Commission proceedings; and (2) preparing and presenting testimony, exhibits, and other documents for presentation to the Commission.

Prior to joining the Public Staff, I was a Controller with BB&T for 11 years, responsible for accounting, finance, human resources, IT, and communications for the organization. Additionally, I worked as an accountant and auditor in corporate accounting and federal government with increasing responsibility levels in the supervision of accounting and performing audit engagements.

Since joining the Public Staff, I have worked on the Western Carolina University PPAs, DEC's and DEP's storm securitization audits, and the 2021 REPS rider proceedings for DEC, DEP, and DENC. Additionally, I have filed testimony in the Clark Utilities rate case in Docket No. W-1205, Sub 14.