

**BEFORE THE
NORTH CAROLINA UTILITIES COMMISSION**

FRONTIER NATURAL GAS COMPANY

DOCKET NO. G-40, SUB 175

SUPPLEMENTAL DIRECT TESTIMONY

OF

JASON LEMMON

DECEMBER 21, 2023

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

3 A. My name is Jason Lemmon, and I am employed by Northeast Ohio Natural Gas
4 Corp. (“NEO”) and Frontier Natural Gas Company (“Frontier”), both part of
5 Hearthstone Holdings, Inc. d/b/a/ Hope Utilities, Inc. (“Hope Utilities”), as
6 Regional Controller. My business address is 5640 Lancaster-Newark Road,
7 Pleasantville, Ohio 43148.

8 **Q. Have you previously filed testimony in this proceeding?**

9 A. Yes, I pre-filed direct testimony in this proceeding on December 1, 2023.

10 **Q. What is the purpose of your supplemental direct testimony?**

11 A. The purpose of my supplemental direct testimony is to provide additional
12 information that will enable the Commission and Public Staff to review the
13 interest rate presently being applied to the Company’s deferred accounts and to
14 determine whether a change is warranted, as required by the Commission’s
15 Order Scheduling Hearing, Requiring Filing of Testimony, Establishing
16 Discovery Guidelines and Requiring Public Notice issued in this docket on
17 December 8, 2023.

18 **Q. What is the interest rate presently being applied to the company’s deferred**
19 **accounts?**

20 A. In Docket No. G-40, Sub 171, the Commission approved in Finding of Fact No.
21 15 of its Order dated June 12, 2023, the Company’s use of “a net of tax interest
22 rate of 5.67% for all deferred accounts, adjusted as appropriate for income
23 taxes.”

1 **Q. Did the company review the deferred account interest rate as part of this**
2 **proceeding?**

3 A. Yes. The Company reviewed the 5.67% annual interest rate approved in Docket
4 No. G-40, Sub 171, and determined that the rate should be adjusted to 4.63%.
5 Lemmon Supplemental Direct Exhibit 1 attached hereto sets forth the
6 calculation of the 4.63% annual interest rate at Schedule 1. This rate should be
7 applicable to deferred account interest starting in January 2024 when approved
8 by the Commission in the Company’s annual gas cost review. As provided in
9 the Company’s tariff, the Company will continue to review the interest rate
10 calculation annually and make adjustments as necessary.

11 **Q. Does this conclude your supplemental direct testimony?**

12 A. Yes, it does.

Frontier Natural Gas Company

Docket No. G-40, Sub 175

LEMMON SUPPLEMENTAL DIRECT EXHIBIT 1

Frontier Natural Gas Company
Docket No. G-40, Sub 175
Lemmon Supplemental Direct Exhibit 1
2023 Deferred Account Interest Rate
Schedule 1

Item	Capital Structure	Cost	Overall Return	Pre-tax Return	Net of Tax Return
Long Term Debt	19.10%	4.25%	0.810%	0.810%	
Short Term Debt	22.94%	6.85%	1.570%	1.570%	
Common Equity	57.96%	4.84%	2.800%	3.635%	
Total	<u>100.00%</u>		<u>5.180%</u>	<u>6.015%</u>	
State Income Tax Rate	2.50%				
Federal Income Tax Rate	<u>21.00%</u>				
Composite	<u>22.98%</u>				
Net of Tax Factor	<u>77.02%</u>				<u>4.63%</u>
Monthly Interest Rate					<u>0.39%</u>
			Current Monthly Interest Charged		0.47%