

State of North Carolina
North Carolina Utilities Commission
Raleigh

Docket No. G-40, Sub 163

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, 2021

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" or the "Company"), 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 2021, 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 test 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
8 each year, certain information for the twelve-month test period ended
9 September 30. 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 23rd 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, 2021?**

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 **2021?**

1 A. Frontier strategically tries to minimize adjustments in pricing. As of
2 September 30, the current balance owed to the Company was \$127,686.

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, 2021?**

16 A. The activity can be summarized as follows:

17	Beginning balance, October 1, 2020	\$	43,062
18	Commodity Cost vs Collections		119,598
19	Accrued interest		1,661
20	Transport Balancing		- 36,541
21	Supplier Refund & Correction		- 94
22	Ending balance, September 30, 2021	\$	127,686

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

1 A. Frontier's Hedging Program covers the period November through March and
2 the cost of hedging was \$317,749 or \$.04 per therm supplied from November
3 through March. Attached Schedule 11 shows a detailed breakout by month of
4 the Hedging Program.

5 **Q. In reviewing the monthly schedules that have been filed throughout the**
6 **current review period and the attached annual Prudency Review**
7 **Schedules do you believe that there are any additional adjustments that**
8 **may be required in the Deferred Account in order for Frontier to recover**
9 **all of its natural gas costs incurred as of September 30, 2021?**

10 A. No.

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

13 A. Frontier requests that the Commission approve the September 30, 2021
14 balances and find that the costs incurred by Frontier's gas purchases were
15 properly accounted for during the relevant twelve-month period.

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

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

1 firm sales customers. Frontier expects to file these proposed changes with the
2 Commission for approval in December 2021.

3 **Q. Does that conclude your testimony?**

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

Schedule 1

Frontier Natural Gas Company
Docket No. G-40, Sub 163
SUMMARY OF COST OF GAS EXPENSE
For the Twelve Months Ended September 30, 2021
Schedule 1

	ITEM	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Total
1	NC Demand and Storage Costs Expensed (Sch 2)	\$113,207	\$109,555	\$113,207	\$113,207	\$102,252	\$113,207	\$109,396	\$113,042	\$109,396	\$113,042	\$113,042	\$109,396	\$1,331,949
2	NC Commodity Costs Expensed (Sch 3)	196,451	328,474	611,973	874,485	618,787	407,166	254,239	181,968	137,926	158,163	227,421	334,857	\$4,331,910
3	Other Gas Costs Expensed (Sch 4)	16,151	(50,842)	(73,949)	(72,074)	147,050	39,690	148,341	17,654	(39,965)	(25,362)	(100,259)	(89,399)	(\$82,964)
4	Total Cost of Gas Expensed (Sum of L1 - L3)	\$325,809	\$387,187	\$651,231	\$915,618	\$868,089	\$560,063	\$511,976	\$312,664	\$207,357	\$245,843	\$240,204	\$354,854	\$5,580,895

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Schedule 2

Frontier Natural Gas Company
Docket No. G-40, Sub 163
SUMMARY OF DEMAND AND STORAGE CHARGES
For the Twelve Months Ended September 30, 2021
Schedule 2

	ITEM	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Total
	Demand and Storage Charges:													
1	Transco Capacity Charge - Frontier Capacity	\$113,207	\$109,555	\$113,207	\$113,207	\$102,252	\$113,207	\$109,396	\$113,042	\$109,396	\$113,042	\$113,042	\$109,396	\$1,331,949
2														
3	Total Demand & Storage Charges	\$113,207	\$109,555	\$113,207	\$113,207	\$102,252	\$113,207	\$109,396	\$113,042	\$109,396	\$113,042	\$113,042	\$109,396	\$1,331,949

Schedule 3

Frontier Natural Gas Company
Docket No. G-40, Sub 163
SUMMARY OF COMMODITY GAS COSTS
For the Twelve Months Ended September 30, 2021
Schedule 3

ITEM	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Total
Commodity Cost at City Gate													
Supplier #1:													
1 Gas Supply Baseload Purchases	209,868	209,115	324,386	440,859	350,278	233,158	313,977	184,958	136,993	183,331	256,953	336,045	3,179,921
2 Daily Delivered Purchases (Zone 3 & 5)	47,611	36,088	12,509	19,931	36,156	2,379	35,421	66,506	52,715	20,413	31,275	51,714	412,718
3 Hedging	-	244,923	444,480	646,337	479,358	324,660	-	-	-	-	-	-	2,139,758
4 Other - Sell Back	(44,370)	(164,438)	(177,952)	(205,727)	(268,557)	(159,881)	(98,625)	(60,438)	(41,481)	(51,786)	(49,268)	(52,285)	(1,374,808)
5 Marketer Cash Out	(16,658)	2,786	8,550	(26,915)	21,552	6,850	3,466	(9,058)	(10,301)	6,205	(11,539)	(617)	(25,679)
6													
7 Total Commodity Cost Expense	196,451	328,474	611,973	874,485	618,787	407,166	254,239	181,968	137,926	158,163	227,421	334,857	4,331,910

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Schedule 4

Frontier Natural Gas Company
Docket No. G-40, Sub 163
SUMMARY OF OTHER COST OF GAS CHARGES (CREDITS)
For the Twelve Months Ended September 30, 2021
Schedule 4

	ITEM	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Total
	Deferred Account Activity													
1	Gas Cost True-up (excluding interest)	17,305	(52,823)	(79,753)	(68,189)	133,669	31,577	143,608	15,087	(38,649)	(28,723)	(100,871)	(91,838)	(119,600)
2	Transportation Cust Balancing True-up	(1,261)	1,994	5,804	(3,885)	13,381	8,113	4,733	2,567	(1,316)	3,361	612	2,439	36,542
3	Gas Cost Adjustment	107	(13)	-	-	-	-	-	-	-	-	-	-	94
4														
5	Total Other Cost of Gas	16,151	(50,842)	(73,949)	(72,074)	147,050	39,690	148,341	17,654	(39,965)	(25,362)	(100,259)	(89,399)	(82,964)

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Schedule 5

Frontier Natural Gas Company
Docket No. G-40, Sub 163
SUMMARY OF DEMAND RATE CHANGES
For the Twelve Months Ended September 30, 2021
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	4/1/2021	RP21-579-000	TRANSCO FT DZ5, RZ4	0.38126	0.38176	(0.00050)	↓		
3	4/1/2021	RP21-579-000	TRANSCO FT DZ5, RZ1	0.48232	0.48308	(0.00076)			
4	4/1/2021	RP21-579-000	TRANSCO FT DZ5, RZ2	0.46885	0.46959	(0.00074)			
5	4/1/2021	RP21-579-000	TRANSCO FT DZ5, RZ3	0.43362	0.43427	(0.00065)			
6	4/1/2021	RP21-579-000	TRANSCO FT DZ5, RZ3	0.43362	0.43427	(0.00065)			
7	4/1/2021	RP21-579-000	TRANSCO FT DZ5, RZ1	0.48232	0.48308	(0.00076)			
8	4/1/2021	RP21-579-000	TRANSCO FT DZ5, RZ2	0.46885	0.46959	(0.00074)			
9	4/1/2021	RP21-579-000	TRANSCO FT DZ5, RZ3	0.43362	0.43427	(0.00065)			
10	4/1/2021	RP21-579-000	TRANSCO FT DZ5, RZ3	0.43362	0.43427	(0.00065)			
11	4/1/2021	RP21-579-000	TRANSCO FT DZ6, RZ2	0.54595	0.54685	(0.00090)			
12	4/1/2021	RP21-579-000	TRANSCO FT DZ6, RZ3	0.51072	0.51153	(0.00081)			
13	4/1/2021	RP21-579-000	TRANSCO FT DZ5, RZ4	0.38126	0.38176	(0.00050)			
14	4/1/2021	RP21-579-000	TRANSCO FT DZ5, RZ1	0.48232	0.48308	(0.00076)			
15	4/1/2021	RP21-579-000	TRANSCO FT DZ5, RZ2	0.46885	0.46959	(0.00074)			
16	4/1/2021	RP21-579-000	TRANSCO FT DZ5, RZ3	0.43362	0.43427	(0.00065)			
17	4/1/2021	RP21-579-000	TRANSCO FT DZ5, RZ3	0.43362	0.43427	(0.00065)			

Schedule 8

Frontier Natural Gas Company
Docket No. G-40, Sub 163
SUMMARY OF DEFERRED ACCOUNT ACTIVITY
For the Twelve Months Ended September 30, 2021
Schedule 8

Month	Beginning Balance	Gas Cost True-Up	Adjustments	Transportation Balancing True-Up DB (CR)	Interest	Ending Balance
Oct-20	\$43,061.86	(17,305.04)	(107.34)	1,261.36	236.84	\$27,147.68
Nov-20	\$27,147.68	52,823.00	13.47	(1,994.18)	149.39	\$78,139.36
Dec-20	\$78,139.36	79,752.75		(5,804.34)	429.76	\$152,517.53
Jan-21	\$152,517.53	68,188.62		3,885.26	838.84	\$225,430.25
Feb-21	\$225,430.25	(133,669.36)		(13,381.30)	1,239.87	\$79,619.46
Mar-21	\$79,619.46	(31,577.12)		(8,112.93)	437.90	\$40,367.31
Apr-21	\$40,367.31	(143,608.44)		(4,732.56)	222.02	(\$107,751.67)
May-21	(\$107,751.67)	(15,087.45)		(2,566.86)	(592.63)	(\$125,998.61)
Jun-21	(\$125,998.61)	38,649.17		1,316.10	(692.99)	(\$86,726.33)
Jul-21	(\$86,726.33)	28,723.49		(3,360.81)	(477.00)	(\$61,840.65)
Aug-21	(\$61,840.65)	100,870.74		(612.07)	(340.12)	\$38,077.90
Sep-21	\$38,077.90	91,837.97		(2,439.16)	209.43	\$127,686.14
TOTALS		\$119,598.33	(\$93.87)	(\$36,541.49)	\$1,661.31	

Schedule 10

Frontier Natural Gas Company
Docket No. G-40, Sub 163
SUMMARY OF GAS SUPPLY
For the Twelve Months Ended September 30, 2021
Schedule 10

	ITEM	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Total
	Sources of Supply at City Gate: (dts)													
	Supplier #1:													
1	Gas Supply Baseload Purchases	99,200	69,000	105,772	143,003	114,464	78,895	120,000	62,000	45,000	49,600	62,000	75,000	1,023,934
2	Daily Delivered Purchases (Zone 3 & 5)	20,286	13,634	3,933	5,106	8,138	915	13,207	22,646	15,811	5,196	7,309	9,888	126,069
3	Hedging Purchases	-	92,700	137,454	163,494	128,688	107,136	-	-	-	-	-	-	629,472
4	Other - Buy Back	(20,330)	(64,304)	(62,916)	(76,824)	(68,335)	(63,440)	(38,304)	(21,246)	(12,522)	(13,633)	(11,934)	(10,500)	(464,288)
5														
	Gas Supply Current													
6	Period Delivery	99,156	111,030	184,243	234,779	182,955	123,506	94,903	63,400	48,289	41,163	57,375	74,388	1,315,187

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Schedule 11

Frontier Natural Gas Company
Docket No. G-40, Sub 163
SUMMARY OF NATURAL GAS HEDGE TRANSACTIONS
For the Twelve Months Ended September 30, 2021
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-20	-	NO HEDGES		0%			\$0.000	\$0	
Nov-20	90,000	111,030	159,992	58%	2.639	\$2.910	(\$0.27)	(\$24,300)	Z3
Nov-20	2,700				2.751	\$3.040	(\$0.289)	(\$780)	Z5
Dec-20	93,000	185,645	222,963	62%	3.029	\$2.830	\$0.199	\$18,507	Z3
Dec-20	44,454				3.662	\$3.090	\$0.572	\$25,428	Z5
Jan-21	93,000	234,779	246,326	66%	3.158	\$2.430	\$0.728	\$67,704	Z3
Jan-21	70,494				5.002	\$3.480	\$1.522	\$107,292	Z5
Feb-21	84,000	182,955	199,583	64%	3.120	\$2.720	\$0.400	\$33,600	Z3
Feb-21	44,688				4.861	\$3.260	\$1.601	\$71,545	Z5
Mar-21	93,000	123,506	168,045	64%	2.993	\$2.830	\$0.163	\$15,159	Z3
Mar-21	14,136				3.274	\$3.010	\$0.264	\$3,732	Z5
Apr-21	-	NO HEDGES		0%			\$0.000	\$0	
May-21	-	NO HEDGES		0%			\$0.000	\$0	
Jun-21	-	NO HEDGES		0%			\$0.000	\$0	
Jul-21	-	NO HEDGES		0%			\$0.000	\$0	
Aug-21	-	NO HEDGES		0%			\$0.000	\$0	
Sep-21	-	NO HEDGES		0%			\$0.000	\$0	
Total	629,472	837,915	996,909					\$317,887	