

FRONTIER NATURAL GAS COMPANY

DOCKET NO. G-40, SUB 158

TESTIMONY OF ZARKA H. NABA

ON BEHALF OF

THE PUBLIC STAFF – NORTH CAROLINA UTILITIES COMMISSION

February 15, 2021

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**
2 **PRESENT POSITION.**

3 A. My name is Zarka H. Naba and my business address is 430 North
4 Salisbury Street, Raleigh, North Carolina. I am an engineer with the
5 Energy Division of the Public Staff. My qualifications and experience
6 are provided in Appendix A.

7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
8 **PROCEEDING?**

9 The purpose of my testimony is to: (1) present the results of my
10 review of the gas cost information filed by Frontier Natural Gas
11 Company (Frontier or Company) in accordance with N.C. Gen. Stat.
12 § 62-133.4(c) and Commission Rule R1-17(k)(6), (2) provide my
13 conclusions regarding the prudence of the natural gas purchases
14 made by Frontier, (3) provide my conclusions regarding Frontier's
15 projected peak day demand, and (4) discuss my recommendations
16 regarding temporary rate increments or decrements.

1 **Q. PLEASE EXPLAIN HOW YOU CONDUCTED YOUR REVIEW.**

2 A. I reviewed the testimony and exhibits of the Company's witnesses
3 and the Company's: (1) monthly Deferred Gas Cost Account reports,
4 (2) gas supply and pipeline transportation contracts, (3) monthly
5 reports filed with the Commission in Docket G-100, Sub 24A, and (4)
6 responses to Public Staff data requests.

7 The Public Staff also had follow-up technical discussions with
8 Frontier regarding the data request responses.

9 Even though the scope of Commission Rule R1-17(k) is limited to a
10 historical review period, I considered other information received
11 pursuant to the data requests in order to anticipate the Company's
12 requirements for future needs, including design day estimates,
13 forecasted gas supply needs, projection of capacity additions and
14 supply changes, and customer load profile changes.

15 **Q. WHAT IS THE RESULT OF YOUR EVALUATION OF FRONTIER'S**
16 **GAS COSTS?**

17 A. Based on my investigation and review of data in this docket, I believe
18 Frontier's gas costs were prudently incurred.

19 **CUSTOMER GROWTH**

20 **Q. HOW HAVE FRONTIER'S CUSTOMERS AND THROUGHPUT**
21 **CHANGED SINCE THE COMPANY'S LAST ANNUAL REVIEW OF**
22 **GAS COSTS PROCEEDING?**

1 A. Table 1 Customer Growth reflects Frontier's year to year customer
 2 growth rate of 6.38%, which is approximately four times the growth
 3 rate of other local distribution companies in North Carolina.
 4 Nevertheless, there was a slight overall decrease of 4.37% in
 5 Frontier's sales and transportation volumes (expressed in
 6 dekatherms or dts) from what was experienced in the prior review
 7 period due to a milder 2020 winter. This equated to slight decrease
 8 in transportation volumes of 3.80% and a decrease of 5.66% in sales
 9 volume is due to the lower Heating Degree Days (HDDs) as
 10 compared to the prior period.

Table 1 Customer Growth

	<u>2019 Review</u>	<u>2020 Review</u>	<u>Change</u>
Number Of Customers (at September 30)	4,137	4,401	6.38%
Sales Volume (dts)	1,279,751	1,207,352	-5.66%
Transportation Volume (dts)	2,909,813	2,799,161	-3.80%
Total Sales & Transportation Volumes (dts)	4,189,564	4,006,513	-4.37%

11 **AVAILABLE SUPPLY AND CAPACITY RESOURCES**

12 **Q. DID FRONTIER HAVE ANY CHANGES TO ITS GAS SUPPLY AND**
 13 **PIPELINE CAPACITY DURING THE REVIEW PERIOD?**

14 A. Frontier made some changes to its Gas Supply Procurement Policy
 15 during the review period as stated by Company witness Younger and
 16 discussed in Public Staff witness Perry's testimony. Frontier's prior
 17 Asset Management Agreement (AMA) with UGI Energy Services,

1 LLC (UGI), which provided up to 20,000 dekatherms (dts) per day of
2 additional gas supply to serve its firm market on a peak day delivered
3 to Zone 5, was set to expire on March 31, 2020. In Frontier’s filed
4 response to Commission questions in Frontier’s prior annual review
5 proceeding, the Company stated that Frontier had chosen to award
6 its new AMA contract to UGI since this contract was similar to the
7 one Frontier had utilized over the past three years, but with
8 negotiated lower volumetric fees per dt starting April 1, 2020 through
9 March 31, 2023.

10 Frontier currently has a total of 8,613 dts per day of pipeline capacity
11 on the Transcontinental Gas Pipeline Company, LLC (Transco)
12 interstate pipeline. The Company indicated in a data request
13 response that it was comfortable with its current capacity of 8,613 dts
14 because this amount covered Frontier’s expected daily average
15 usage for all months, including winter months. Frontier informed the
16 Public Staff that it has continued to evaluate additional interstate
17 pipeline connections and LNG options since its last review period.

18 **DESIGN DAY REQUIREMENTS**

19 **Q. DO YOU HAVE ANY RECOMMENDATIONS REGARDING HOW**
20 **FRONTIER IS PLANNING TO MEET FUTURE SYSTEM**
21 **DEMAND?**

1 A. As in the recent past, Frontier has provided the Design Day study
2 prepared by Marquette Energy Analytics (Marquette) in 2017¹ which
3 projects out 5 years and focuses on a 1-in-30 year occurrence. I have
4 evaluated this report and find that it provides a reasonable forecast
5 of Frontier's peak day demand using reasonable assumptions, such
6 as HDDs and frequency of occurrence of such cold weather events.
7 In response to a Public Staff data request, the Company stated that,
8 pursuant to its contract with Marquette, it is provided with an annual
9 report showing a monthly forecast for the upcoming year, and an
10 expected daily average flow and the expected daily maximum flow
11 for each month of the upcoming year. For the current review period,
12 Frontier used Marquette's annual expected max projections with a
13 growth factor added based on an historical five year average in order
14 to project out the peak day for the next five years. Based on the
15 application of this report, I believe Frontier has adequate capacity to
16 serve its firm market on peak days.

17 **DEFERRED ACCOUNT BALANCE**

18 **Q. WHAT IS YOUR RECOMMENDATION REGARDING ANY**
19 **PROPOSED INCREMENTS/DECREMENTS?**

¹ Attached as Confidential Exhibit B to Frontier witness Younger's testimony in this proceeding.

1 A. Public Staff witness Allison states in his testimony that he agrees
2 with Frontier's deferred account debit balance of \$43,062 owed to
3 the Company by the customers.

4 Company witness Bell states in his testimony that Frontier
5 anticipates the balance to remain consistent throughout the winter
6 months. The Public Staff notes that the deferred account balances
7 vary between winter and summer months, as fixed gas costs are
8 typically over-collected during the winter period when throughput is
9 higher due to heating load, and under-collected during the summer
10 due to lower throughput.

11 The Public Staff also acknowledges that the Company received a
12 \$414,650 refund from Transco on July 1, 2020, pursuant to Article IV
13 of the Stipulation and Agreement filed on December 31, 2019, in
14 FERC Docket RP18-1126.

15 In response to a Public Staff data request, the Company stated that
16 it elected to file a Purchased Gas Adjustment (PGA) rate change
17 pursuant to N.C.G.S. § 62-133.4 in Docket No. G-40, Sub 159, to
18 increase the benchmark delivered cost of gas effective January 1,
19 2021 due to higher projected gas costs during the winter months.
20 Frontier stated in response to a Public Staff data request that this
21 rate change allows the Company's deferred account under
22 collections to remain below \$200,000 during the winter months,
23 which the Company believes to be a reasonable amount that can be

1 collected from customers in the subsequent months. Frontier did not
2 propose any temporary rate changes in this proceeding.

3 I recommend that Frontier monitor the deferred account balance and,
4 if necessary, file an application for authority to adjust its benchmark
5 delivered cost of gas through its PGA mechanism in order to keep
6 the deferred account balance at a reasonable level. I believe the
7 Company is actively managing its deferred account through the PGA
8 procedures, and do not recommend any temporary rate increments
9 or decrements at this time.

10 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

11 **A.** Yes, it does.

QUALIFICATIONS AND EXPERIENCE

ZARKA H. NABA

I graduated from The City University of New York with a Bachelor of Science degree in Environmental Engineering in 2017. I joined the Public Staff in September of 2017 as an engineer with the Natural Gas Division, which is now a part of the Energy Division. Prior to joining the Public Staff, I worked for the Department of Sanitation in New York as an Engineer Intern. My work to date with the Public Staff includes General Rate Case Proceedings, Purchased Gas Cost Adjustment Procedures, Fuel Tracker & Power Cost Adjustments, Compressed Natural Gas Special Contracts, Annual Reviews of Gas Costs, Margin Decoupling Trackers, Gas Resellers, and Customer Complaint Resolutions.