

March 1, 2018

VIA ELECTRONIC FILING

Ms. M. Lynn Jarvis
Chief Clerk
North Carolina Utilities Commission
430 N. Salisbury Street, Dobbs Building
Raleigh, North Carolina 27603

Re: Docket No. G-40, Sub 145

Dear Ms. Jarvis:

Enclosed please find the *Rebuttal Testimony of Fred A. Steele* in the above-captioned matter. The required fifteen copies are being sent to the Commission's office via UPS Overnight.

If you have any questions regarding this filing, you may reach me at the number shown above.

Sincerely,

/s/ James H. Jeffries IV
James H. Jeffries IV

JHJ/rkg

Enclosure

cc: Fred A. Steele
Beth Culpepper

Moore&VanAllen

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the attached is being served this date upon all of the parties to this docket electronically or by depositing a copy of the same in the United States Mail, First Class Postage Prepaid, at the addresses contained in the official service list in this proceeding.

This the 1st day of March, 2018.

/s/ Richard K. Goley
Richard K. Goley

State of North Carolina
North Carolina Utilities Commission

Docket No. G-40, Sub 145

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION:

In the Matter of:

Application of Frontier Natural Gas
Company, LLC for Annual Review of
Gas Costs Pursuant to G.S. 62-133.4(c)
and Commission Rule R1-17(k)(6)

REBUTTAL TESTIMONY

of

FRED A. STEELE

March 1, 2018

1 **Q. Please state your name, occupation, and business address.**

2 A. My name is Fred Steele and my business address is 110 PGW Drive, Elkin
3 North Carolina, North Carolina, 28621. I am employed by Frontier Natural Gas
4 Company ("Frontier" or the "Company"), as President/General Manager.

5 **Q. Have you previously testified in this proceeding?**

6 A. Yes, I prefiled testimony in this proceeding on December 1, 2017.

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

8 A. The purpose of my rebuttal testimony is to respond to certain matters raised in
9 the joint direct testimony of Public Staff witnesses Jan A. Larsen, Shawn L.
10 Dorgan, and Julie G. Perry in this proceeding.

11 **Q. Which matters set out in the Public Staff testimony do you want to discuss?**

12 A. I specifically want to acknowledge that after reviewing the Public Staff's
13 testimony, and engaging in several follow-up conversations with the Public
14 Staff, Frontier does not have any ongoing objections or opposition to the matters
15 set forth in that testimony, as slightly revised through further conversations with
16 the Public Staff. Specifically, we agree with the adjustment to our benchmark
17 proration calculation offered by Ms. Perry in her testimony which changed the
18 proration credit to the Company from \$104,724 to \$98,159. After further
19 discussions with the Public Staff, we also agree with the Public Staff proposal to
20 adjust the interest rate on Frontier's gas cost deferred account but have reached
21 agreement with the Public Staff to slightly modify their recommendation of
22 6.5% to an interest rate of 6.6% to be effective January 1, 2018. Frontier is
23 authorized to state that the Public Staff is in agreement with an interest rate of

1 6.6% on the deferred account. Finally, we agree with Mr. Dorgan's
2 recalculation of the end-of-period balance in Frontier's gas cost deferred
3 account of \$251,005.

4 **Q. Do you have any other comments on the Public Staff's testimony?**

5 A. I would note that the Public Staff found Frontier's gas purchasing practices and
6 hedging practices to be prudent and that with the exception of the proration
7 adjustment noted above (which we now agree with), the Public Staff found our
8 accounting for gas costs during the review period to be accurate. The Public
9 Staff did identify some concerns about documentation of our decisions as to
10 whether or not to engage in financial hedging and inconsistencies between our
11 monthly gas cost reports and other annual statements. We understand their
12 concerns on these points and have committed to take them into consideration as
13 we move forward.

14 **Q. Are there any active matters in dispute between the Company and the**
15 **Public Staff in this docket?**

16 A. Not to my knowledge.

17 **Q. Does this conclude your rebuttal testimony?**

18 A. Yes, it does.
19