

1 STAFF CONFERENCE

FEBRUARY 28, 2022

2 CHAIR MITCHELL: Good morning. Let's come
3 to order and go on the record, please. I'm Charlotte
4 Mitchell, Chair of the Utilities Commission. With me
5 this morning are the following Commissioners:

6 Commissioner Brown-Bland, Commissioner Gray,
7 Commissioner Clodfelter, Commissioner Duffley,
8 Commissioner Hughes, and Commissioner McKissick.

9 In compliance with the State Government
10 Ethics Act, I remind Members of the Commission of
11 their duty to avoid conflicts of interest and inquire,
12 at this time, as to whether any member of the
13 Commission has a known conflict with respect to
14 matters coming before us this morning.

15 (No response)

16 CHAIR MITCHELL: The record will reflect
17 that no conflicts have been identified, so we'll
18 proceed with Natural Gas, Item P1.

19 MR. NADER: Good morning. My name is Jordan
20 Nader with the Public Staff's Energy Division.
21 Item P1 is Docket G-5, Sub 640, an Application filed
22 by the Public Service Company of North Carolina on
23 February 15th, 2022 seeking authority to increase its
24 Integrity Management Tracker rates effective

NORTH CAROLINA UTILITIES COMMISSION

1 March 1st, 2022. The proposed IMT rate adjustments
2 are shown in the table included in the Public Staff
3 Agenda Item and Proposed Order. The Public Staff has
4 reviewed the proposed rates, rate adjustments, and
5 recommends approval as filed, and our Proposed Order
6 is attached as Exhibit P1. Thank you.

7 COMMISSIONER BROWN-BLAND: Move approval of
8 the recommendation.

9 COMMISSIONER GRAY: Second.

10 CHAIR MITCHELL: It's been moved and
11 seconded that the item be approved as recommended by
12 the Public Staff. Are there questions or discussion
13 on the motion?

14 (No response)

15 CHAIR MITCHELL: Hearing none, I'll go ahead
16 and call for a vote. All in favor, indicate with an
17 aye.

18 (All Commissioners say aye)

19 CHAIR MITCHELL: Any opposed?

20 (No response)

21 CHAIR MITCHELL: Motion carries. Thank you,
22 Mr. Nader. I believe that was your inaugural run?

23 MR. NADER: It was.

24 CHAIR MITCHELL: So good job.

1 MR. NADER: Thank you.

2 CHAIR MITCHELL: Thank you very much. Next
3 up, Public Staff, Natural Gas, Item P2.

4 MS. PATEL: Good morning. My name is Neha
5 Patel with Public Staff's Energy Division, and with
6 me, I have Sonja Johnson. She's with the Public
7 Staff's accounting division.

8 Item P2 is Docket G-40, Sub 164, an
9 Application filed by Frontier Natural Gas Company
10 of North Carolina on February 15th, 2022 Seeking
11 Authority to Increase its Sales Rates by \$3.25 per
12 Dekatherm effective March 1st, 2022. Frontier states
13 that the increase is due to significant volatility in
14 the first of the month pricing of Natural Gas and
15 further states that it is projected to materially
16 undercollect its cost of gas if the current Benchmark
17 City Gate deliver cost of gas is not changed. Public
18 Staff has reviewed the application and recommends
19 approval as filed. Thank you.

20 CHAIR MITCHELL: Thank you, Ms. Patel.
21 Commission has a few questions for the Public Staff.
22 We also have some questions for the Company. I
23 believe I see representatives of the Company in the
24 audience, so in just a moment, I'll ask you-all to

1 come forward and introduce yourselves, for the record.
2 But, first, for the Public Staff, in its deferred
3 account report for December of last year, 2021,
4 Frontier's deferred account ending balance was a debit
5 balance of \$781,000 plus owed to Frontier from
6 customers, while the November, 2021 account balance
7 was also a debit balance but in a lower amount of
8 \$405,000 and change. Was the Public Staff at all
9 concerned about the substantial increase in the
10 deferred account balance as the colder months were
11 approaching?

12 MS. PATEL: Back in December, for the
13 Frontier's annual review gas cost, we did request of
14 the Company when we saw the balances in October. This
15 was around mid December, so we deferred account
16 balances. How it works is we get to see the balances
17 45 days after the month end. In December, we saw the
18 balances change for October. And when we did request
19 of the Company, the Company responded by saying that
20 it was monitoring the balances.

21 And looking at the gas prices, it would come
22 in and make Benchmark change if needed since it didn't
23 want to subject the customers to rate changes, tariff
24 changes. Back again in January, we saw the balances

1 for November. The day we filed our testimony for
2 Frontier's annual review, it was the very next day
3 that we saw balances for November's deferred account.
4 And, immediately, we got on a call with the Company
5 wanting to know why the Company did not think of
6 making any changes to the Benchmark. But, again, it
7 was after a 45-month lag that we saw the balances.

8 CHAIR MITCHELL: Okay. That's helpful
9 testimony. I mean, I appreciate that explanation.
10 What was the Company's response when you-all asked
11 them a question about why they hadn't come in sooner
12 to address the gas cost?

13 MS. PATEL: The Company mentioned that they
14 were monitoring the balances and did not want to make
15 changes to them.

16 CHAIR MITCHELL: Okay. So you only, very
17 recently, saw I assume -- help me just make sure I
18 understand this correctly. You only very recently saw
19 the account balance for the month of December, 2021.
20 Is that right?

21 MS. PATEL: Yes, ma'am. Yes.

22 CHAIR MITCHELL: Okay. Did the Public Staff
23 discuss with the Company the possibility of taking a
24 gradual approach here, like a phased-in increase just

1 to avoid the possibility of rate shock?

2 MS. PATEL: Yes, we did. If you can just
3 bear with me for a minute. We did. And looking at
4 the deferred account balances, if the Company were to
5 make a change, anything less than \$7.50, the deferred
6 account balances would not get to a reasonable level
7 until mid 2023. So with what is projected -- with the
8 projected balances, the most reasonable Benchmark gas
9 cost that the Company thinks or has calculated is that
10 \$8.50.

11 CHAIR MITCHELL: Okay. Thank you. Two more
12 questions for you, Ms. Patel, and I appreciate your
13 responses so far. Does the Public Staff have an
14 understanding of what the bill impact is likely to be
15 of this change, were it to be approved, for an average
16 residential customer? Let me be clear.

17 MS. PATEL: I have not gone into detail into
18 that calculation, but it looks like it may go up close
19 to about \$13.

20 CHAIR MITCHELL: \$13 a month on the average
21 residential customer bill?

22 MS. PATEL: Yes, ma'am.

23 CHAIR MITCHELL: Okay. Can you talk to me
24 some -- and, Ms. Patel, I'm going to ask you this

1 question, but, obviously, either of you-all may answer
2 it. The Frontier's hedging program, just help me
3 understand why the hedging program wouldn't have
4 managed or maybe better managed the volatility here?

5 MS. PATEL: I would not be the expert on
6 hedging.

7 CHAIR MITCHELL: Okay.

8 MS. JOHNSON: And I am by no means an expert
9 on hedging but -- I am no expert on hedging, but I do
10 know that their program did work, and it did reduce
11 the volatility. So the program that's in place, it
12 did work. But, as you know, the gas prices have taken
13 a hit as of late. It has increased dramatically due
14 to world events.

15 Nothing that Frontier or anyone could do
16 about that, but the program that's in place, it did
17 work. It's just the circumstances that are in place.
18 What they're asking for or how they acted was in no
19 way imprudent. Their program worked. They followed
20 it to a T. We monitor that on a monthly basis, so
21 they did nothing imprudent.

22 CHAIR MITCHELL: Thank you very much. Let
23 me check in with my colleagues to see if there are
24 questions for the Public Staff before we call the

1 Company up. Commissioners Hughes.

2 COMMISSIONER HUGHES: Just a clarification.

3 I know it was an estimate, but the \$13 on an average
4 bill, is that based on considering that winter bills
5 are many times higher than -- that's based on an
6 average, say, December bill. That's not based on just
7 an average bill?

8 MS. PATEL: It's an average annual bill.

9 COMMISSIONER HUGHES: Okay. So it could be
10 much higher for the winter months?

11 MS. PATEL: It's just taking into account
12 the winter and the summer months, the volumes used
13 annually.

14 COMMISSIONER HUGHES: Okay. Thank you.

15 CHAIR MITCHELL: Commissioner McKissick.

16 COMMISSIONER MCKISSICK: And I guess my
17 question goes to this. You know, looking at the
18 deficit that was increasing, and, likewise,
19 understanding the volatility and the price of gas, is
20 there certain ratio that you would traditionally look
21 to, to determine that this is a good opportunity or
22 the best opportunity to go in and for the Company to
23 ask for an adjustment now rather than later to avoid
24 the rate shock issue? I mean, is there a ratio or

1 what is it that that determination is based upon?

2 MS. JOHNSON: There is no set ratio that we
3 use to determine, you know, a flash point that hey,
4 you guys need to come in.

5 COMMISSIONER McKISSICK: And I guess the
6 follow-up would be was it anticipated that the prices
7 would spike, as they have spiked? I mean, were there
8 market conditions that would have perhaps indicated
9 that we would, you know, be encountering this type of
10 situation, at this time?

11 MS. JOHNSON: There's no way to know that at
12 any given time. I mean, that's the nature of the
13 market. It's up one day, down the next.

14 COMMISSIONER McKISSICK: Sure. Thank you.

15 CHAIR MITCHELL: Any additional questions
16 for the Public Staff?

17 (No response)

18 CHAIR MITCHELL: If the Company would
19 proceed to the microphone. Ms. Patel, I may ask you
20 to stay up here just in case we have a few more
21 questions for you, but the Company can come on up.
22 Yes, you may step down.

23 MS. ATHENS: Good morning, Commissioners.
24 Kristin Athens from McGuireWoods, appearing on behalf

1 of Frontier Natural Gas. And with me today, I have
2 Mr. Fred Steele who is the president and manager of
3 the Company.

4 CHAIR MITCHELL: Good morning, Ms. Athens
5 and Mr. Steele. Commission has just a few questions
6 for you-all as well, for the Company as well. Can you
7 help us understand why the Company didn't come in
8 sooner to apply for the adjustment to the cost of gas?

9 MR. STEELE: We look at a -- we do a
10 forecast every month, you know, and our hedging
11 program, as Ms. Johnson said, we followed it
12 diligently this year. You know, we buy -- we hedge
13 roughly 60 percent of our gas from April through
14 September. And then we use the balance of it to cover
15 our peak day, first of the month pricing.

16 So we follow that diligently. We look at
17 the forecast. When we were looking at the forecast,
18 as an example, we look at the NYMEX plus the adders we
19 have to have. We looked at it on 12/7. It was
20 looking like \$3.75. What we found is we've seen some
21 anomalies, beginning in December, which is the first
22 time we've seen this. We've not seen this type of an
23 anomaly where during the bid week, we -- where the
24 first of the month price is set.

1 The prices have went up significantly during
2 that week, and that's why we've -- actually, when we
3 were looking throughout the month, we didn't see that,
4 so we thought December was an anomaly. We thought we
5 weren't going to experience it again.

6 So, we did this same thing. We saw it again
7 in January. And then when we saw it once again --
8 when we do our forecast, we felt like we could
9 actually leave our rates where they were, probably not
10 have to come in at all, but with this increase that
11 we're asking for, is really only a short-term. With
12 the period of time we're looking at, we believe we can
13 bring our balance back by the end of June to almost a
14 zero balance with this increase.

15 CHAIR MITCHELL: Okay. So you actually
16 anticipated one of my questions, so thank you. So,
17 I'm hearing you say that June, you should be back to a
18 reasonable --

19 MR. STEELE: We should.

20 CHAIR MITCHELL: Maybe even a neutral
21 balance?

22 MR. STEELE: Maybe even before that. Again,
23 saying all things remain constant in the marketplace.

24 CHAIR MITCHELL: Well, understood.

1 MR. STEELE: The marketplace is very
2 volatile right now, so we're basing this, you know, on
3 historical -- and when we look at this, we use our
4 historical volumes, rates. We look at all those, and
5 we put a forecast together, which that's what we
6 utilize. And, again, we utilize that, you know, to
7 come up with our peak day, which we use an outside
8 firm to help us with that as well, and then we base
9 our hedging and our first of the month pricing on that
10 to cover our peak day.

11 CHAIR MITCHELL: Okay. So in June, you
12 know, assuming that there's nothing strange going on
13 in the market --

14 MR. STEELE: Right.

15 CHAIR MITCHELL: -- you would come back in
16 and ask for an adjustment?

17 MR. STEELE: A decrease.

18 CHAIR MITCHELL: Right.

19 MR. STEELE: An adjustment, yes.

20 CHAIR MITCHELL: Back to the \$3 range or --

21 MR. STEELE: You know, again, it depends on
22 what the marketplace with NYMEX and what happens in
23 the marketplace. But right now, based on the prices
24 we're looking at, we would say we could get back down

1 to close to where we are currently.

2 CHAIR MITCHELL: And, I'm sorry, where you
3 are currently is \$5.00, five and a half --

4 MR. STEELE: \$5.25 I believe it is.

5 CHAIR MITCHELL: Yeah. Okay. You heard
6 Ms. Patel say the Public Staff estimates the bill
7 impact would be about \$13. I think you heard
8 Commissioner Hughes' question as to whether that
9 really would be the case for these bills that reflect
10 the winter heating months. Help us understand what
11 the bill impact's going to be.

12 MR. STEELE: Well, I think staffs that --
13 they've analyzed that we have as well, and I think
14 that's true for some annualized basis, but I think
15 it's a short-term. Once again, we're looking at that
16 impact being over the next four months. And after
17 that, we envision going back to the rates that we're
18 at. So it is an impact, but it's over a short period
19 of time.

20 CHAIR MITCHELL: So we could see higher than
21 \$13 for the next few months?

22 MR. STEELE: No. I think it will be right
23 at the \$13.

24 CHAIR MITCHELL: Okay.

1 MR. STEELE: We're pretty close. We can
2 come to the same number, but we're very close to that.

3 CHAIR MITCHELL: And you're looking at an
4 annualized \$13?

5 MR. STEELE: Yes.

6 CHAIR MITCHELL: Okay. Let me check in with
7 colleagues to see if there are questions for the
8 Company. Commissioner Hughes.

9 COMMISSIONER HUGHES: Yeah. I don't want to
10 belabor the point, but if I open my Frontier bill and
11 I was the average customer, will I see \$13 or will I
12 have to get all of my 12 bills lined up, calculate
13 them all up, and divide it? Will I see something like
14 a \$40 or \$50 increase?

15 MR. STEELE: You're going to see a \$13
16 increase, Commissioner Hughes, for the next four
17 months.

18 COMMISSIONER HUGHES: Well, okay. So if it
19 was summer, I would see hardly any increase?

20 MR. STEELE: Again, if this works like we
21 think it should, based on the forecast we have, we
22 should -- by the end of June, we should be able to
23 drop our rates back.

24 CHAIR MITCHELL: All right. Commissioner

1 McKissick.

2 COMMISSIONER McKISSICK: Thank you for your
3 remarks. I'm just curious as to whether, based upon
4 what has occurred, under these circumstances, you
5 would change your hedging at all to perhaps, you know,
6 better contain and control this type of volatility and
7 cost?

8 MR. STEELE: Well, I think it's something we
9 need to consider. Certainly, we've looked at possibly
10 hedging more during the April through September.
11 That's something that's on the table right now to
12 discuss with staff going forward. So the answer is
13 yes, we're looking into that, currently.

14 COMMISSIONER McKISSICK: All right. Thank
15 you.

16 MR. STEELE: Thank you.

17 CHAIR MITCHELL: One last question, just
18 following up on Commissioner McKissick's. You
19 indicated that the Company hedge is 60 percent of gas
20 volume. Did I hear that correctly?

21 MR. STEELE: We hedge 60 percent of our
22 maximum peak day, is what we hedge.

23 CHAIR MITCHELL: Okay.

24 MR. STEELE: And then the balance of it goes

1 to first of the month, so to effectively have it all
2 hedged, and then we sell back anything we don't use.

3 CHAIR MITCHELL: Okay. Any additional
4 questions?

5 COMMISSIONER DUFFLEY: I move this Agenda
6 item be taken to Executive Conference.

7 COMMISSIONER BROWN-BLAND: Second.

8 CHAIR MITCHELL: It's been moved and
9 seconded that this item be taken into Executive
10 Conference. Any questions or discussion?

11 (No response)

12 CHAIR MITCHELL: All in favor, indicate with
13 an aye.

14 (All Commissioners say aye)

15 CHAIR MITCHELL: Is there anyone opposed?

16 (No response)

17 CHAIR MITCHELL: We will consider the item
18 in Executive session. Thank you very much.

19 MS. ATHENS: Thank you.

20 CHAIR MITCHELL: We will proceed now to
21 Public Staff, Communications Item P1.

22 MS. PROFFITT: Good morning. My name is
23 Karen Proffitt of the Public Staff Water, Sewer, and
24 Telephone Division, and I'd like to say it's great to

1 see you-all here. Item P1 presents interconnection
2 agreement amendments filed by AT&T North Carolina for
3 Commission approval between December 22nd, 2021
4 and January 28, 2022. Public Staff has reviewed the
5 filings and recommends that orders be issued approving
6 the amendments effective on the date they were filed.
7 The Public Staff has provided Proposed Orders to the
8 Commission Staff.

9 COMMISSIONER BROWN-BLAND: Move approval of
10 the recommendation.

11 COMMISSIONER GRAY: Second.

12 CHAIR MITCHELL: It's been moved and
13 seconded that the item be approved as recommended by
14 the Public Staff. Any questions or discussion?

15 (No response)

16 CHAIR MITCHELL: All in favor, indicate with
17 an aye.

18 (All Commissioners say aye)

19 CHAIR MITCHELL: Is there anyone opposed?

20 (No response)

21 CHAIR MITCHELL: Motion carries. Thank you
22 very much, Ms. Proffitt. Commission has before us,
23 for approval, our minutes from the February 21st Staff
24 Conference.

1 COMMISSIONER BROWN-BLAND: Move approval of
2 the minutes.

3 COMMISSIONER GRAY: Second.

4 CHAIR MITCHELL: Any questions or discussion
5 on the minutes?

6 (No response)

7 CHAIR MITCHELL: All in favor, indicate an
8 aye.

9 (All Commissioners say aye)

10 CHAIR MITCHELL: Is there anyone opposed?

11 (No response)

12 CHAIR MITCHELL: Those minutes are approved.
13 Before we adjourn, just checking in to see if there's
14 any additional business for the Commission this
15 morning.

16 (No response)

17 CHAIR MITCHELL: Hearing none, we will be
18 adjourned. Thank you very much, everybody. Let's go
19 off the record, please.

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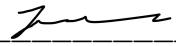
21 WHEREUPON, this conference is adjourned.

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24 NORTH CAROLINA UTILITIES COMMISSION

C E R T I F I C A T E

I, TONJA VINES, DO HEREBY CERTIFY that the proceedings in the above-captioned matter were taken before me, that I did report in stenographic shorthand the Proceedings set forth herein, and the foregoing pages are a true and correct transcription to the best of my ability.



Tonja Vines