



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

March 4, 2019

Ms. M. Lynn Jarvis, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

Re: Docket No. G-40, Sub 149

Dear Ms. Jarvis:

In connection with the above-captioned docket, I transmit herewith for filing the Settlement Agreement entered into by Frontier Natural Gas Company and the Public Staff – North Carolina Utilities Commission.

By copy of this letter, I am forwarding filing to all parties of record.

Sincerely,

Electronically submitted
/s/ Elizabeth D. Culpepper
Staff Attorney
elizabeth.culpepper@psncuc.nc.gov

c: Parties of Record

Executive Director (919) 733-2435	Communications (919) 733-2810	Economic Research (919) 733-2902	Legal (919) 733-6110	Transportation (919) 733-7766
Accounting (919) 733-4279	Consumer Services (919) 733-9277	Electric (919) 733-2267	Natural Gas (919) 733-4326	Water (919) 733-5610

STATE OF NORTH CAROLINA
UTILITIES COMMISSION RALEIGH

DOCKET NO. G-40, SUB 149

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application of Frontier Natural Gas Company)	AGREEMENT AND
for Annual Review of Gas Costs Pursuant to)	STIPULATION OF
N.C. Gen. Stat. § 62-133.49(c) and)	SETTLEMENT
Commission Rule R1-17(k)(6)		

This Agreement and Stipulation of Settlement (Settlement Agreement) is entered by and between Frontier Natural Gas Company (Frontier), and the Public Staff – North Carolina Utilities Commission (Public Staff) (collectively the Stipulating Parties).

WHEREAS, Frontier is a natural gas local distribution company regulated pursuant to Chapter 62 of the North Carolina General Statutes; and

WHEREAS, Frontier is the subject of an annual review of gas costs pursuant to N.C. Gen. Stat. 62-133.4 and Commission Rule R1-17(k) in the above-captioned docket; and

WHEREAS, the Stipulating Parties are the only parties of record in this docket; and

WHEREAS, in its direct prefiled testimony in this proceeding the Public Staff has recommended a disallowance of Frontier’s recovery of certain gas costs in the amount of \$243,359, plus interest, related to Frontier’s gas purchasing practices associated with natural gas purchases for the months of January 2018 and February 2018 as set forth in the Public Staff’s testimony; and

WHEREAS, the Stipulating Parties have subsequently agreed that the amount of the Public Staff's proposed disallowance should be revised to \$218,837 based upon corrected pricing data for February 2018; and

WHEREAS, Frontier strongly disputes the Public Staff's position on Frontier's gas purchasing practices applicable to gas purchases for January 2018 and February 2018 and disputes that any of its gas purchasing practices were imprudent or that any of its review period gas costs should be disallowed; and

WHEREAS, the Stipulating Parties have met telephonically and in-person on several occasions to discuss the differences in their respective positions regarding Frontier's gas purchasing practices for January 2018 and February 2018; and

WHEREAS, after extensive discussions and negotiations the Stipulating Parties have reached a settlement of their disputes on the terms and conditions set forth below, which resolves all issues and claims in this docket; and

WHEREAS, the Stipulating Parties believe that the terms and conditions of the Settlement Agreement serve the interests of Frontier's customers and the public.

NOW, THEREFORE, the undersigned Stipulating Parties, in consideration of the premises and in settlement and compromise of their respective litigation positions in this proceeding, do hereby agree to a settlement of the disputes between them in this docket.

I. BACKGROUND

On December 3, 2018, Frontier filed its annual review of gas costs with the North Carolina Utilities Commission (Commission) attesting to the prudence of Frontier's gas purchasing practices and the accuracy of Frontier's gas cost accounting for the twelve-month period ended September 30, 2018 (Review Period). The annual review filing also contained the direct testimony of Fred A. Steele.

On February 22, 2019, after obtaining an extension of time, the Public Staff filed the joint testimony of Jan A. Larsen, Shawn L. Dorgan, and Julie G. Perry.

II. TERMS OF AGREEMENT

1. The intent of this Settlement Agreement is to resolve all issues between Frontier and the Public Staff in Docket No. G-40, Sub 149 relating to Frontier's gas purchasing practices and gas cost accounting for the Review Period.

2. This Settlement Agreement consists of the following material agreements of the Stipulating Parties with respect to the outstanding issues in this proceeding:

A. Frontier agrees, without acknowledging any imprudence on its part with respect to its gas purchasing practices during the Review Period, to credit its deferred gas cost account in the amount of \$117,508 (inclusive of interest) within five (5) days of a Commission order approving this Settlement Agreement such that the final deferred gas cost account balance as of the end of the Review Period is \$212,619 owed to Frontier by its customers.

B. Frontier and the Public Staff agree to work together collaboratively to address future gas purchasing practices by Frontier (including hedging and other price mitigation practices) in order to reduce or eliminate concerns over customer exposure to potential gas cost volatility while maintaining reasonable up-front charges to customers for the right to call on gas under high demand scenarios.

C. Frontier agrees to forego the filing of rebuttal testimony in the above-captioned docket.

D. Frontier agrees to provide the testimony of Fred A. Steele at the hearing of this matter to support this settlement.

E. Subject to the deferred account adjustment provided for in paragraph 2.A. above, the Stipulating Parties agree that for purposes of this proceeding, Frontier's Review Period gas costs were prudently incurred and properly accounted for, and its hedging decisions were prudent.

3. The Stipulating Parties agree to support this settlement at the hearing, in the evidence, and in the proposed orders they submit to the Commission in this proceeding, and further agree to waive cross-examination of each other's witnesses, and to stipulate that all pre-filed testimony and exhibits of the Stipulating Parties may be received into evidence. If questions should be asked by a Commissioner, the Stipulating Parties may present testimony and/or exhibits to respond to such questions and may cross-examine any witnesses with respect to such testimony and/or exhibits; provided, however, that such testimony,

exhibits, and/or cross-examination shall not be inconsistent with this Settlement Agreement.

4. The settlement of any issue pursuant to this Settlement Agreement shall not be cited as precedent by any of the Stipulating Parties in any other proceeding or docket before this Commission. The provisions of this Settlement Agreement do not necessarily reflect any position asserted by any of the Stipulating Parties. Rather, they reflect a settlement among the Stipulating Parties as to all issues, and no Stipulating Party waives the right to assert any position in any future docket before the Commission.

5. This Settlement Agreement is the product of give-and-take negotiations, and no portion of this Agreement shall be binding on the Stipulating Parties unless the entire Settlement Agreement is accepted by the Commission.

6. In the event this Settlement Agreement is not accepted by the Commission, without modification, the Stipulating Parties agree to work in cooperation for the purpose of establishing further proceedings to prepare this matter for hearing.

7. This Settlement Agreement shall be effective upon execution by the Stipulating Parties and shall be interpreted according to North Carolina law.

Agreed and stipulated to this the 4th day of March, 2019.

Frontier Natural Gas Company

Electronically submitted
/s/James H. Jeffries IV
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Public Staff – North Carolina Utilities Commission Staff

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