

**BEFORE THE  
NORTH CAROLINA UTILITIES COMMISSION  
TOCCOA NATURAL GAS  
DOCKET NO. G-41, SUB 53**

**DIRECT TESTIMONY**

**OF**

**Rai Trippe**

**September 1, 2018**

1 Q. Mr. Trippe, please state your name, your employer and business address.

2 A. My name is Rai Trippe. I am employed by Municipal Gas Authority of Georgia  
3 (“Gas Authority”). My business address is 104 TownPark Drive, Kennesaw,  
4 Georgia 30144.

5

6 Q. In what capacity are you employed by Toccoa?

7 A. I am employed by the Gas Authority as a Member Support Senior Business  
8 Analyst. My duties include retail rate studies and design, budget forecasting,  
9 contract administration and negotiation, and general activities in support of our  
10 members. The Gas Authority serves the City of Toccoa.

11

12 Q. Please summarize your professional background.

13 A. See Exhibit 1, Biographical Sketch.

14

15 Q. What is the purpose of your testimony in this proceeding?

16 A. Commission Rule R1-17(k)(6) requires Toccoa to submit to the Commission, on  
17 or before September 1, 2018, Toccoa’s actual gas costs and volumes of purchased  
18 gas for the twelve-month period ended June 30, 2018, and certain other  
19 information as directed by the Commission. This information is contained in this  
20 direct testimony and the accompanying exhibits. The Rule provides for a hearing  
21 on the first Wednesday of November “in order to compare each LDC’s prudently  
22 incurred gas costs with gas costs recovered from all its customers that it served

1 during the test period.” Toccoa is providing my testimony and schedules in  
2 compliance with this Rule. My testimony demonstrates that all of Toccoa’s gas  
3 costs during the test period were prudently incurred and therefore meet the  
4 requirement for recovery under the Commission Rule. This is Toccoa’s sixteenth  
5 proceeding under Commission Rule R1-17(k)(6) since it began gas operations.  
6

7 Q. Please describe Toccoa’s gas supply policy.

8 A. Toccoa is a charter member of the Municipal Gas Authority of Georgia, the  
9 largest non-profit joint action natural gas agency in the nation. As a member of  
10 the Gas Authority, Toccoa receives all its gas supply at very competitive rates.  
11 The Gas Authority uses a portfolio approach to supply its 79 member cities’  
12 needs, relying on a combination of long-term firm supply arrangements, short-  
13 term spot market purchases, seasonal peaking and contract storage services.  
14 Specifically, the Gas Authority bills its Williams Transco supplied members at the  
15 first-of-the-month spot market index price for gas delivered into Transco at 50%  
16 of Transco Zone 3 index + 50% of Transco Zone 4 index. In addition, Toccoa  
17 participates in the Gas Authority’s “Winter Hedge Program” under the  
18 Authority’s *Option 2*; that is, Toccoa relies on the Gas Authority’s advisement in  
19 locking-in future prices for a portion of their firm load (*Option 3* members make  
20 their own decisions, and *Option 1* members do not hedge prices). The Gas  
21 Authority’s objective in hedging prices is to achieve price stability at a reasonable  
22 level for its members’ retail customers. This was accomplished by locking-in

1 futures prices on approximately 20% of their forecasted firm Georgia residential  
2 gas sales and all firm North Carolina gas sales for November 2017 – March 2018.  
3 See Exhibit 2 for monthly hedge volumes during the current review period. At the  
4 time that these hedge volume decisions were made, Toccoa chose to adopt more  
5 conservative hedge volumes for their participation in the Winter Hedge Program  
6 because market and future pricing was significantly less than it had been at the  
7 time the previous Winter Hedge Program volumes were put in place. Large  
8 industrial customers may make their own hedging decisions if they choose to do  
9 so. Because of its participation in Gas Authority, Toccoa’s “gas supply policy” is  
10 the same as that of the Gas Authority.

11  
12 Q. What are some of the challenges in the development and implementation of  
13 Toccoa’s gas supply strategy, if any?

14 A. Because of the experience, expertise, and resources of the Gas Authority, gas  
15 supply is not a problem for Toccoa. Through the Gas Authority’s efforts, Toccoa  
16 is assured adequate, dependable, and economical gas supplies. One of the  
17 challenges for Toccoa is explaining to customers swings and spikes in the  
18 wholesale cost of natural gas. Although hedging helps manage this volatility, it  
19 can create its own challenges. Some customers have unrealistic expectations of  
20 the benefits of hedging, because a common benchmark for evaluating hedged  
21 prices is the actual spot market price. This can be an unfair measure because it is  
22 only available after the fact and assumes the goal of hedging is “to beat the

1 market.” In reality, the principal goal of hedging is to achieve price stability, at a  
2 reasonable level, for the consuming public. The Gas Authority’s “Winter Hedge  
3 Program” helps achieve this goal.

4  
5 Q. Has there been any significant change to Toccoa’s gas supply strategy or source  
6 during the test year?

7 A. No.

8  
9 Q. Please describe Toccoa’s interstate capacity.

10 A. Toccoa currently contracts for firm transportation (FT) capacity on  
11 Transcontinental Gas Pipeline/Williams (Transco), as well as an additional  
12 liquefied natural gas storage service. In addition, Toccoa has storage service  
13 agreements with Pine Needle LNG Company, LLC. Further, through participation  
14 in the Gas Authority, Toccoa has access to other members’ available pipeline  
15 capacity.

16  
17 Q. With this approach, does Toccoa have the flexibility to meet its market  
18 requirements?

19 A. Absolutely.

20  
21 Q. How does Toccoa participate in and communicate with the Gas Authority  
22 regarding gas supply purchases?

1 A. Toccoa is an active member of the Gas Authority; therefore, no specific initiative  
2 is necessary. Toccoa's management meets with the Gas Authority's staff on a  
3 regular and frequent basis.

4  
5 Q. Did Toccoa pursue capacity release options to mitigate the cost of extra demand  
6 capacity?

7 A. Yes. On behalf of Toccoa, the Gas Authority released a portion of Toccoa's  
8 unutilized capacity each month of the fiscal period. Total demand cost savings  
9 generated during the period of July 2017 – June 2018 totaled \$14,033. This  
10 released capacity that generated the demand savings encompassed production area  
11 and market area FT capacity contracted by Toccoa on Transco.

12  
13 Q. Did Toccoa follow the gas cost accounting procedures prescribed by Rule R1-  
14 17(k) for the year ended June 30, 2018?

15 A. Yes.

16  
17 Q. In following Section (5)(c) of the Rule, Toccoa was responsible for reporting gas  
18 costs and deferred account activity to the Commission and the Public Staff on a  
19 monthly basis. Are you aware of any outstanding issues regarding these reports?

20 A. No.

21  
22 Q. What schedules have you caused to be prepared?

1 A. Exhibit 2 and Schedules 1 – 10 which includes the Deferred Account Summary.

2

3 Q. What activity occurred in the deferred account during the twelve months ended  
4 June 30, 2018?

5 A. Toccoa began the review period with a balance of (\$37,260) owed to firm  
6 customers. On December 20, 2017 the Commission issued ORDER ON  
7 ANNUAL REVIEW OF GAS COSTS in Docket No. G-41 Sub 50 authorizing  
8 Toccoa to remove the previous existing temporary decrement of \$1.3172 and to  
9 implement the rate decrement of \$0.4397 per dth for its North Carolina firm  
10 service customers. This became effective January 1, 2018. Toccoa desired to  
11 rely on the Deferred Account process and tracking method such that the  
12 forecasted Deferred Account balance at the end of the current review period  
13 would be as close to zero as practical, and through this there was a significant  
14 reduction in the Deferred Account Balance. The ending Deferred Account  
15 Balance ending June 30, 2018 was (\$7,261). I refer you to Schedule 8 for specific  
16 tracking.

17

18 Q. The attached schedules show the gas costs incurred by Toccoa and billed to  
19 customers during the period July 1, 2017 through June 30, 2018. In your opinion,  
20 were all these gas costs prudently incurred?

21 A. Yes.

22

1 Q. What action does Toccoa request the Commission take regarding the deferred  
2 accounts?

3 A. Toccoa requests that the Commission approve the June 30, 2018 balances and  
4 find that Toccoa's gas purchases were prudent during the relevant twelve-month  
5 period.

6  
7 Q. Has Toccoa taken any steps recently to enable it to more effectively manage its  
8 deferred account?

9 A. Toccoa has effectively managed the Deferred Account and filed monthly  
10 Deferred Account Summary reports in a timely manner as required. No new steps  
11 or actions were undertaken.

12  
13 Q. Does Toccoa have additional comments or information to provide?

14  
15 A. Yes. Per Order Requiring Reporting Issued in Docket G-100 Sub 91, Toccoa  
16 submits the following responses.

17  
18 1. Please describe any changes in the Company's customer mix or customer market  
19 profiles that it forecasts for the next ten (10) years and explain how the changes will  
20 impact the Company's gas supply, transportation, and storage requirements.

21



1           **Response 1-1:** We do not forecast a significant change in Toccoa's customer  
2 mix over the next ten years; however, Toccoa's gas system may experience incremental  
3 growth over the next ten years as the Northern Expansion Project continues to build out.  
4 Importantly, the general condition of the economy and more recent economic trends will  
5 impact the rate at which Toccoa actually connects customers. Any additional growth  
6 may create a need for additional firm capacity. At the appropriate time the Gas Authority  
7 will assist Toccoa in acquiring the most cost-effective combination of pipeline, storage,  
8 and peaking capacity on Transco as needed.

9

10           **2.** Please identify the rate schedules and special contracts that the Company uses to  
11 determine peak day demand requirements for planning purposes.

12

13           **Response 1-2:** The Gas Authority evaluates all firm customer classes that are  
14 part of Toccoa's total firm load in planning for peak day demand requirements. The Gas  
15 Authority's planning is based on the number of customers within each firm rate schedule,  
16 and we consider all customer requirements with the exception of alternate fuel customers.

17

18           **3.** Please provide the base load demand requirements of the firm market estimated  
19 for the review period and forecasted for each of the next five (5) years.

20

21           **Response 1-3:** Response 1-3: Please refer to Docket No. G-41, Sub 53, Annual  
22 Review Schedule 6 submitted in conjunction with Mr. Trippe's testimony. This

1 Schedule details monthly demand and storage contract volumes. We expect that  
2 Toccoa's base load demand requirements for the next five years will be sufficiently  
3 served under the demand contract, LNG contract, and Pine Needle contract volumes  
4 shown in this summary.

5  
6 **4.** Please provide the one-day design peak demand requirements used by the  
7 Company for planning purposes for the review period and forecasted for each of the next  
8 five (5) winter seasons. The peak demand requirement amounts should set forth the  
9 estimated demand for each rate schedule or priority with peak day demand. All  
10 assumptions, such as heating degree-days, dekatherms per heating degree-day, customer  
11 growth rates, and supporting calculations used to determine the peak day requirement  
12 amounts should be provided.

13  
14 **Response 1-4:** Toccoa's peak day and peak demand requirements are evaluated  
15 annually by the Municipal Gas Authority of GA staff, and an updated Winter Service  
16 Plan is produced and submitted to Toccoa each year prior to the winter season.  
17 Please see Exhibit 3, "Municipal Gas Authority of Georgia Winter Service Plan –  
18 2017 - 2018". Gas Authority analysis uses 51 HDD's to forecast design day usage.

19  
20 **5.** Please describe how Toccoa determines which type of resources should be  
21 acquired or developed for meeting the Company's deliverability needs. Also, please  
22 describe the factors evaluated in deciding whether the Company should acquire pipeline

1 transportation capacity, acquire a storage service, or develop additional on-system storage  
2 deliverability.

3

4 **Response 1-5:** The Gas Authority makes these determinations based on least  
5 cost and operational flexibility of the options available at the time new pipeline, storage,  
6 or peaking capacity is forecasted to be necessary to meet TNG's firm needs. No new,  
7 additional capacity or storage opportunities are being considered at this time.

8

9 **6.** Please describe how the Company determines the amount of pipeline capacity that  
10 should be acquired for (a) the whole year, (b) the full winter season, and (c) less than the  
11 full winter season. Also, please describe the factors evaluated in determining the  
12 appropriate amount and mix of service period options.

13

14 **Response 1-6:** Each year Toccoa's capacity needs are met by their existing  
15 capacity agreements. Most of these contracts are in place for 15 years or more. If  
16 Toccoa exceeds their contract, the least expensive option will be chosen to cover that  
17 particular period. Options include shifting capacity from another MGAG Member city,  
18 acquiring a delivered service, incurring "penalty gas" charges, etc. However, Toccoa has  
19 the ability to interrupt several large gas users to prevent the potential cost of exceeding  
20 their contract. No additional capacity needs are anticipated and no new capacity  
21 opportunities are being considered at this time.

22

1       7. Please describe each new capacity and storage opportunity that the Company is  
2       contemplating entering into during the next five (5) year period beginning with the –2018  
3       - 2019 winter season.

4

5           **Response 1-7:** No new, additional capacity or storage opportunities are being  
6       considered at this time.

7

8       8. Please provide a computation of the reserve or excess capacity estimated for the  
9       review period and forecasted for each of the next five (5) winter seasons.

10

11           **Response 1-8:** Please see Exhibit 3, “Municipal Gas Authority of Georgia  
12       Winter Service Plan –2017 - 2018”.

13

14       9. Please describe any significant storage, transmission, and distribution upgrades  
15       required for the Company to fulfill its peak day requirements during the next five (5)  
16       years.

17           **Response 1-9:** No upgrades are anticipated at this time.

18

19       Q. Does that conclude your testimony?

20       A. Yes.