

**State of North Carolina**  
**North Carolina Utilities Commission**  
**Raleigh**

**Docket No. G-40, Sub 175**

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION:

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

**DIRECT TESTIMONY**

**OF**

**JASON LEMMON**

**December 1, 2023**

1 **Q. Please state your name, business address, by whom you are employed, and**  
2 **in what capacity.**

3 A. My name is Jason Lemmon, and I am employed by Northeast Ohio Natural Gas  
4 Corp. (“NEO”) and Frontier Natural Gas Company (“Frontier”), both part of  
5 Hearthstone Holdings, Inc. d/b/a/ Hope Utilities, Inc. (“Hope Utilities”), as  
6 Regional Controller. My business address is 5640 Lancaster-Newark Road,  
7 Pleasantville, Ohio 43148.

8 **Q. Mr. Lemmon, how long have you been associated with Frontier?**

9 A. I began working with Frontier in April 2023.

10 **Q. Mr. Lemmon please summarize your educational and professional**  
11 **background.**

12 A. I received a Bachelor of Science in Business Administration from The Ohio  
13 State University and a Master’s in Business Administration from Franklin  
14 University. I am also a Certified Public Accountant licensed in the State of  
15 Ohio since 2003. I have been with NEO since November 2022. Prior to that I  
16 was employed by OhioHealth for approximately eight years as a Finance  
17 Manager at a hospital in Southeastern Ohio. I have also held positions at  
18 American Municipal Power as Financial Reporting Manager and Hydro Project  
19 Accounting Manager along with positions at American Electric Power as  
20 Accountant, and Regulatory Consultant.

21 **Q. Mr. Lemmon, what are your current responsibilities with Frontier?**

22 A. In my role as Regional Controller, I am responsible for all aspects of the  
23 accounting function at Frontier. This includes all monthly regulatory and

1 financial reporting, recording the cost of gas, matching monthly revenues and  
2 gas costs, reviewing and verifying invoices for natural gas purchases and  
3 recording all entries related to Frontier's deferred gas cost account.

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

5 A. The purpose of my testimony is to demonstrate that all of Frontier's gas costs  
6 were properly accounted for during the twelve-month review period ended  
7 September 30, 2023 ("Review Period"), and therefore meet the requirement for  
8 recovery. North Carolina General Statute § 62-133.4 allows Frontier to track  
9 and recover from its customers the cost of natural gas supply and transportation  
10 and to adjust customer charges to reflect changes in those costs. Under  
11 subsection (c) of the statute, the Commission must conduct an annual review of  
12 Frontier's gas costs, comparing Frontier's incurred costs with costs recovered  
13 from customers during a twelve-month review period. To facilitate this review,  
14 Commission Rule R1-17(k)(6) requires Frontier to submit to the Commission,  
15 on or before December 1 of each year, certain information for the twelve-month  
16 review period ended September 30. In addition to my testimony, Frontier is  
17 submitting schedules contained in the accompanying exhibits for the purpose  
18 of providing the Commission with the data necessary to true-up Frontier's gas  
19 costs during the Review Period. This is Frontier's 25<sup>th</sup> proceeding under  
20 Commission Rule R1-17(k)(6) since Frontier began operations.

1 **Q. Did Frontier follow the gas cost accounting procedures prescribed by Rule**  
2 **R1-17(k) for the Review Period?**

3 A. Yes. All accounting was done in accordance with Sections (4) and (5) of Rule  
4 R1-17(k) as applied to Frontier in previous Commission prudency review  
5 orders. In following Section (5)(c) of the Rule, Frontier reports gas costs and  
6 deferred account activity to the Commission and the Public Staff on a monthly  
7 basis.

8 **Q. What is Frontier's uncollected deferred account balance at September 30,**  
9 **2023?**

10 A. Frontier strategically works to minimize adjustments in pricing while  
11 simultaneously working to maintain a reasonable balance in its gas cost deferred  
12 account. As of September 30, the current balance owed to the Company was  
13 \$342,026.

14 **Q. What schedules have you caused to be prepared?**

15 A. The following schedules were prepared under my supervision and are attached  
16 to this testimony as Exhibit\_(JL-1):

17 Schedule 1 - Summary of Cost of Gas Expense

18 Schedule 2 - Summary of Demand and Storage Charges

19 Schedule 3 - Summary of Commodity Gas Costs

20 Schedule 4 - Summary of Other cost of Gas Charges (Credits)

21 Schedule 5 – Summary of Demand Rate Changes

22 Schedule 8 – Summary of Deferred Account Activity

23 Schedule 10 - Summary of Gas Supply

Schedule 11 – Summary of Natural Gas Hedge Transactions

**Q. What activity occurred in the deferred account during the Review Period?**

A. The activity can be summarized as follows:

Beginning balance, October 1, 2022	\$	1,056,261
Commodity Cost vs Collections		- 580,792
Accrued interest		43,869
Transport Balancing		- 106,517
Supplier Refund & Corrections		- 70,795
Ending balance, September 30, 2023	\$	342,026

**Q. What are the results of the Frontier hedging activity for the period?**

A. For the period November 2022 through September 2023, Frontier's hedging activity resulted in a net loss of \$1,475,133. Schedule 11 shows a detailed breakout by month of Frontier's hedging activity during the Review Period.

**Q. In reviewing the monthly schedules that have been filed throughout the Review Period and the attached annual Prudency Review Schedules do you believe that there are any additional adjustments that may be required in the deferred account in order for Frontier to recover all of its natural gas costs incurred as of September 30, 2023?**

A. No.

**Q. Are you requesting any temporary increments or decrements to Frontier's rates in this proceeding?**

A. No.

- 1    **Q.    What action does Frontier request the Commission take regarding**  
2           **Frontier's deferred account?**
- 3    A.    Frontier requests that the Commission approve the September 30, 2023 end of  
4           Review Period balances and find that the gas costs incurred by Frontier were  
5           properly accounted for during the Review Period.
- 6    **Q.    Does Frontier have other components of this filing that it would like to**  
7           **bring to the Commission's attention?**
- 8    A.    No.
- 9    **Q.    Does that conclude your testimony?**
- 10   A.    Yes, at this time.

**Docket No. G-40, Sub 175**

**EXHIBIT\_(JL-1)**

# Schedule 1



Frontier Natural Gas Company  
Docket No. G-40, Sub 175  
**SUMMARY OF COST OF GAS EXPENSE**  
For the Twelve Months Ended September 30, 2023  
Schedule 1

Docket No. G-40, Sub 175  
Exhibit\_(JL-1)

	ITEM	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Total
1	NC Demand and Storage Costs Expensed (Sch 2)	\$113,276	\$109,622	\$113,276	\$113,276	\$102,314	\$113,276	\$109,679	\$113,335	\$109,679	\$113,335	\$113,335	\$109,679	\$1,334,082
2	NC Commodity Costs Expensed (Sch 3)	845,755	1,009,526	2,488,093	2,601,954	1,927,435	885,743	238,190	222,562	213,074	93,458	136,355	204,650	\$10,866,795
3	Other Gas Costs Expensed (Sch 4)	275,029	425,873	(450,725)	(628,520)	(231,859)	683,172	714,719	34,489	(116,222)	(10,686)	27,047	35,786	\$758,103
4	Total Cost of Gas Expensed (Sum of L1 - L3)	\$1,234,060	\$1,545,021	\$2,150,644	\$2,086,710	\$1,797,890	\$1,682,191	\$1,062,588	\$370,386	\$206,531	\$196,107	\$276,737	\$350,115	\$12,958,980

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# Schedule 2

Frontier Natural Gas Company  
Docket No. G-40, Sub 175  
SUMMARY OF DEMAND AND STORAGE CHARGES  
For the Twelve Months Ended September 30, 2023  
Schedule 2

	ITEM	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Total
	Demand and Storage Charges:													
1	Transco Capacity Charge - Frontier Capacity	\$113,276	\$109,622	\$113,276	\$113,276	\$102,314	\$113,276	\$109,679	\$113,335	\$109,679	\$113,335	\$113,335	\$109,679	\$1,334,082
2														
3	Total Demand & Storage Charges	\$113,276	\$109,622	\$113,276	\$113,276	\$102,314	\$113,276	\$109,679	\$113,335	\$109,679	\$113,335	\$113,335	\$109,679	\$1,334,082

# Schedule 3

Frontier Natural Gas Company  
Docket No. G-40, Sub 175  
SUMMARY OF COMMODITY GAS COSTS  
For the Twelve Months Ended September 30, 2023  
Schedule 3

ITEM		Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Total
Commodity Cost at City Gate														
Supplier #1:														
1	Gas Supply Baseload Purchases	835,473	490,338	723,222	718,979	485,558	239,773	252,782	225,997	218,906	103,674	152,033	222,343	4,669,078
2	Daily Delivered Purchases (Zone 3 & 5)	128,914	63,355	914,501	25,459	11,603	57,822	-	-	-	-	-	-	1,201,654
3	Hedging	-	686,211	1,186,677	1,452,051	1,015,098	677,416	-	-	-	-	-	-	5,017,453
4	Other - Sell Back	(94,456)	(219,487)	(336,951)	(210,224)	(185,791)	(92,441)	(5,448)	-	-	-	-	-	(1,144,798)
5	Marketer Cash Out	(24,176)	(10,891)	644	7,195	(377)	3,173	356	6,065	3,668	(716)	(6,178)	(8,193)	(29,430)
6	Peaking Plan				608,494	601,344								1,209,838
7	Gas South Capacity Credit							(9,500)	(9,500)	(9,500)	(9,500)	(9,500)	(9,500)	(57,000)
8	Total Commodity Cost Expense	845,755	1,009,526	2,488,093	2,601,954	1,927,435	885,743	238,190	222,562	213,074	93,458	136,355	204,650	10,866,795

# Schedule 4


Frontier Natural Gas Company  
Docket No. G-40, Sub 175  
SUMMARY OF OTHER COST OF GAS CHARGES (CREDITS)  
For the Twelve Months Ended September 30, 2023  
Schedule 4

	ITEM	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Total
	Deferred Account Activity													
1	Gas Cost True-up (excluding interest)	213,337	403,864	(484,227)	(654,215)	(242,490)	669,812	712,400	25,787	(121,344)	(11,604)	29,370	40,101	580,791
2	Transportation Cust Balancing True-up	(8,821)	21,727	33,502	25,695	10,631	13,360	2,319	8,702	5,122	918	(2,323)	(4,315)	106,517
3	Gas Cost Adjustment	70,513	282	-	-	-	-	-	-	-	-	-	-	70,795
4														
5	Total Other Cost of Gas	275,029	425,873	(450,725)	(628,520)	(231,859)	683,172	714,719	34,489	(116,222)	(10,686)	27,047	35,786	758,103

# Schedule 5



Frontier Natural Gas Company  
Docket No. G-40, Sub 175  
**SUMMARY OF DEMAND RATE CHANGES**  
For the Twelve Months Ended September 30, 2023  
Schedule 5

							North Carolina Utilities Commission Action		
	Effective Date of Change	FERC Docket No.	Description of Service	New Rate	Old Rate	Increase (Decrease)	Effective Date	Docket No.	Order Date
1							Approved via Benchmark Gas Adjustments 		
2	4/1/2023	RP23-441-000	TRANSCO FT DZ5, RZ4	0.38222	0.38202	0.00020			
3	4/1/2023	RP23-441-000	TRANSCO FT DZ5, RZ1	0.48362	0.48335	0.00027			
4	4/1/2023	RP23-441-000	TRANSCO FT DZ5, RZ2	0.47013	0.46988	0.00025			
5	4/1/2023	RP23-441-000	TRANSCO FT DZ5, RZ3	0.43473	0.43451	0.00022			
6	4/1/2023	RP23-441-000	TRANSCO FT DZ5, RZ3	0.43473	0.43451	0.00022			
7	4/1/2023	RP23-441-000	TRANSCO FT DZ5, RZ1	0.48362	0.48335	0.00027			
8	4/1/2023	RP23-441-000	TRANSCO FT DZ5, RZ2	0.47013	0.46988	0.00025			
9	4/1/2023	RP23-441-000	TRANSCO FT DZ5, RZ3	0.43473	0.43451	0.00022			
10	4/1/2023	RP23-441-000	TRANSCO FT DZ5, RZ3	0.43473	0.43451	0.00022			
11	4/1/2023	RP23-441-000	TRANSCO FT DZ6, RZ2	0.54748	0.54718	0.00030			
12	4/1/2023	RP23-441-000	TRANSCO FT DZ6, RZ3	0.51208	0.51181	0.00027			
13	4/1/2023	RP23-441-000	TRANSCO FT DZ5, RZ4	0.38222	0.38202	0.00020			
14	4/1/2023	RP23-441-000	TRANSCO FT DZ5, RZ1	0.48362	0.48335	0.00027			
15	4/1/2023	RP23-441-000	TRANSCO FT DZ5, RZ2	0.47013	0.46988	0.00025			
16	4/1/2023	RP23-441-000	TRANSCO FT DZ5, RZ3	0.43473	0.43451	0.00022			
17	4/1/2023	RP23-441-000	TRANSCO FT DZ5, RZ3	0.43473	0.43451	0.00022			

# Schedule 8

Frontier Natural Gas Company  
Docket No. G-40, Sub 175  
**SUMMARY OF DEFERRED ACCOUNT ACTIVITY**  
For the Twelve Months Ended September 30, 2023  
Schedule 8

Month	Beginning Balance	Gas Cost True-Up	Adjustments	Transportation Balancing True-Up DB (CR)	Interest	Ending Balance
Oct-22	\$1,056,261.37	(213,337.44)	(70,512.92)	8,820.86	5,809.44	\$787,041.31
Nov-22	\$787,041.31	(403,864.26)	(281.93)	(21,726.77)	4,327.18	\$365,495.53
Dec-22	\$365,495.53	484,226.91		(33,501.73)	2,010.22	\$818,230.93
Jan-23	\$818,230.93	654,214.67		(25,694.99)	3,866.14	\$1,450,616.75
Feb-23	\$1,450,616.75	242,490.15		(10,630.64)	6,854.16	\$1,689,330.42
Mar-23	\$1,689,330.42	(669,812.39)		(13,359.99)	7,982.08	\$1,014,140.12
Apr-23	\$1,014,140.12	(712,399.50)		(2,319.11)	4,791.81	\$304,213.32
May-23	\$304,213.32	(25,786.64)		(8,701.71)	1,437.41	\$271,162.38
Jun-23	\$271,162.38	121,343.69		(5,122.39)	1,281.24	\$388,664.92
Jul-23	\$388,664.92	11,604.00		(918.44)	1,836.44	\$401,186.92
Aug-23	\$401,186.92	(29,369.66)		2,322.62	1,895.61	\$376,035.49
Sep-23	\$376,035.49	(40,101.09)		4,314.81	1,776.77	\$342,025.98
<b>TOTALS</b>		(\$580,791.56)	(\$70,794.85)	(\$106,517.48)	\$43,868.50	

# Schedule 10

Frontier Natural Gas Company  
Docket No. G-40, Sub 175  
SUMMARY OF GAS SUPPLY  
For the Twelve Months Ended September 30, 2023  
Schedule 10

	ITEM	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Total
	Sources of Supply at City Gate: (dts)													
	Supplier #1:													
1	Gas Supply Baseload Purchases	117,800	90,000	85,250	116,250	118,748	93,000	120,000	31,000	18,000	24,800	31,000	48,000	893,848
2	Daily Delivered Purchases (Zone 3 & 5)	22,792	10,717	22,140	5,924	1,968	23,778	-	-	-	-	-	-	87,319
3	Hedging Purchases	-	90,000	137,640	132,835	104,748	97,836	-	31,000	30,000	31,000	31,000	30,000	716,059
4	Other - Buy Back	(19,321)	(46,005)	(30,493)	(58,666)	(71,710)	(43,562)	(2,519)	0	0	0	0	0	(272,276)
5	Intraday Purchases			11,900										11,900
6	Imbalances								32,804.00	33,462.00	(18,041.00)	(5,838.00)	1,570.00	43,957
7	Gas Supply Current Period Delivery	121,271	144,712	226,437	196,343	153,754	171,052	117,481	94,804	81,462	37,759	56,162	79,570	1,480,807

# Schedule 11

Frontier Natural Gas Company  
Docket No. G-40, Sub 175  
**SUMMARY OF NATURAL GAS HEDGE TRANSACTIONS**  
For the Twelve Months Ended September 30, 2023  
Schedule 11

Month	Hedged dts	Actual dts	Projected dts	Percent of Projected dts Hedged	Hedged Cost \$/dth 1/	Baseload \$/dth 1/	(Savings) Excess \$/dth	Hedge (Gain) Loss	Delivery Zone
Oct-22	-	-		0%			\$0.000	\$0	
Nov-22	90,000	144,712	153,188	59%	3.863	\$5.270	(\$1.41)	(\$126,900)	Z3
Nov-22	-	-			0.000	\$0.000	\$0.000	\$0	Z5
Dec-22	93,000	226,437	220,495	62%	8.165	\$7.160	\$1.005	\$93,465	Z3
Dec-22	44,640	-			10.539	\$11.430	(\$0.891)	(\$39,774)	Z5
Jan-23	93,000	196,343	248,730	53%	8.295	\$5.360	\$2.935	\$272,955	Z3
Jan-23	39,835	-			17.486	\$15.210	\$2.276	\$90,664	Z5
Feb-23	41,832	153,755	200,047	52%	13.015	\$3.230	\$9.785	\$409,326	Z3
Feb-23	62,916	-			12.067	\$7.510	\$4.557	\$286,708	Z5
Mar-23	93,000	171,053	163,295	60%	6.927	\$2.460	\$4.467	\$415,431	Z3
Mar-23	4,836				7.421	\$0.000	\$7.421	\$35,888	Z5
Apr-23	-	-		0%					
May-23	31,000	94,804	73,439	42%	2.690	\$2.110	\$0.580	\$17,980	Z3
Jun-23	30,000	81,462	57,966	52%	2.690	\$2.270	\$0.420	\$12,600	Z3
Jul-23	31,000	37,759	53,895	58%	2.690	\$2.670	\$0.020	\$620	Z3
Aug-23	31,000	56,162	57,083	54%	2.690	\$2.520	\$0.170	\$5,270	Z3
Sep-23	30,000	79,570	65,645	46%	2.690	\$2.660	\$0.030	\$900	Z3
Total	716,059	1,242,057	1,293,783					\$1,475,133	