

FRONTIER NATURAL GAS COMPANY

DOCKET NO. G-40, SUB 163

TESTIMONY OF R. TYLER ALLISON

ON BEHALF OF

THE PUBLIC STAFF – NORTH CAROLINA UTILITIES COMMISSION

February 14, 2022

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**
2 **PRESENT POSITION.**

3 A. My name is R. Tyler Allison, and my business address is 430 North
4 Salisbury Street, Raleigh, North Carolina. I am a Financial Analyst
5 in the Accounting Division of the Public Staff. My qualifications and
6 experience are provided in Appendix A.

7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
8 **PROCEEDING?**

9 The purpose of my testimony is to (1) present the results of my review
10 of the gas cost information filed by Frontier Natural Gas Company
11 (Frontier or Company) in accordance with N.C. Gen. Stat. §
12 62-133.4(c) and Commission Rule R1-17(k)(6), (2) provide my
13 conclusions regarding whether the gas costs incurred by Frontier
14 during the 12-month review period ended September 30, 2021, are
15 properly accounted for, and (3) discuss the interest rate used in the
16 deferred account during the review period.

1 Q. HAS THE COMPANY PROPERLY ACCOUNTED FOR ITS GAS
2 COSTS DURING THE REVIEW PERIOD?

3 A. Yes.

4 ACCOUNTING FOR AND ANALYSIS OF GAS COSTS

5 Q. HOW DOES THE ACCOUNTING DIVISION GO ABOUT
6 CONDUCTING ITS REVIEW OF THE COMPANY'S ACCOUNTING
7 FOR GAS COSTS?

8 A. I reviewed the testimony and exhibits of the Company's witnesses,
9 the Company's monthly Deferred Gas Cost Account reports, monthly
10 financial and operating reports, gas supply and transportation
11 contracts, and the Company's responses to the Public Staff data
12 requests submitted in this proceeding.

13 Each month I review the Deferred Gas Cost Account reports filed by
14 the Company for accuracy and completeness, and perform certain
15 review procedures on the calculations, including the following:

16 (1) **Gas Cost True-Up** – The actual commodity and demand
17 costs are verified, calculations and data supporting gas cost
18 collections are checked, invoices are reviewed, and the
19 Company's overall gas cost calculations at benchmark are
20 checked for mathematical accuracy.

1 Q. HOW DO THE COMPANY'S FILED GAS COSTS FOR THE
2 CURRENT REVIEW PERIOD COMPARE WITH THOSE FOR THE
3 PRIOR REVIEW PERIOD?

4 A. Frontier's total gas costs for the current review period are \$5,580,895
5 compared with \$5,107,854 for the prior 12-month period. The
6 components of total gas cost for the two periods, and my analysis of
7 the changes in those components, are as follows:

Line	12 Months Ended		Increase (Decrease)	% Change	
	Sept. 30, 2021	Sept. 30, 2020			
Demand Charges					
1	Transco FT	\$1,331,949	\$1,550,118	(\$218,169)	-14.07%
2	Other	0	-0-	0	N/A
3	Total Demand Charges	\$1,331,949	\$1,550,118	(\$218,169)	-14.07%
Gas Supply Costs					
4	Baseload Purchases	\$1,805,113	\$1,458,008	\$347,105	23.81%
5	Delivered Purchases	412,718	216,751	195,967	90.41%
6	Hedge Purchases	2,139,758	1,900,845	238,913	12.57%
7	Other	(25,679)	(3,525)	(22,154)	628.48%
8	Total Gas Supply Costs	\$4,331,910	\$3,572,079	\$759,831	21.27%
9	Total Other Gas Costs	(82,964)	(\$14,343)	\$541,662	478.43%
10	Total Gas Costs	\$5,580,895	\$5,107,854	\$1,083,324	9.26%
11	Gas Supply for Delivery (dts)	1,315,187	1,254,273	60,914	4.86%
12	Total Gas Costs per Dt	\$4.2434	\$4.0724	\$0.17	4.20%

9 **Total Demand Charges** decreased from the prior review period
10 primarily due to a decrease in the **Transcontinental Gas Pipe Line**
11 **Company, LLC (Transco) Firm Transportation (FT)**, related to
12 Transco's general rate case and fuel tracker filings, pursuant to FERC
13 Docket No. RP20-575-000 and RP21-579-000, effective April 1, 2020,

1 and April 1, 2021, respectively, which were in effect during the current
2 review period.

3 **Baseload Purchases** increased by approximately 23.81% primarily
4 due to the higher level of wellhead gas prices in this review period.
5 The average total gas supply cost of \$3.29 per dekatherm (dt) for the
6 current review period increased by approximately 15.65% as
7 compared to an average total gas supply cost for the prior review
8 period of \$2.85 per dt. The total purchased gas supply volumes also
9 increased from 1,254,273 by 60,914 to 1,315,187 dts, or 4.86% from
10 the prior review period.

11 The increase in **Delivered Purchases** is due to an increase in
12 volumes purchased at Zone 5 during the current review period as
13 compared to the prior review period.

14 **Hedge Purchases** increased in the current review period due to an
15 increase in the number of hedged volumes purchased at Zone 3 and
16 Zone 5.

17 The change in **Total Other Gas Costs** reflects offsetting journal
18 entries for the cost of gas recorded in Frontier's Deferred Gas Cost
19 Account.

1

DEFERRED ACCOUNT BALANCE

2 **Q. WHAT IS THE APPROPRIATE DEFERRED ACCOUNT BALANCE**
 3 **AS OF SEPTEMBER 30, 2020?**

4 A. Based on my review of the Company's monthly deferred account
 5 filings and the Public Staff's conclusion that the gas costs are
 6 prudently incurred, the Public Staff has determined that the
 7 appropriate ending balance in Frontier's Deferred Gas Cost Account
 8 at September 30, 2021, is \$43,062, debit balance owed to Frontier
 9 from customers, as shown on Schedule 8 of Company witness Bell's
 10 testimony. The following table summarizes the activity in Frontier's
 11 Deferred Gas Cost Account for the current review period:

Filed Deferred Account Balance - October 1, 2020	\$43,062
Gas Cost True-up	119,598
Transportation Customer Balancing True-up	(36,541)
Transco Refund	(107)
Interest	1,661
Rounding	13
Public Staff Recommended Deferred Account Balance - September 30, 2021	<u>\$127,686</u>

13 **Q. HAS THE COMPANY CONTINUED TO USE THE APPROPRIATE**
 14 **INTEREST RATE IN THE DEFERRED ACCOUNT?**

15 A. Yes. In its Order on Annual Review of Gas Costs issued
 16 June 13, 2017, in Docket No. G-40, Sub 135, the Commission
 17 concluded that Frontier should begin calculating interest on its
 18 deferred account using the net-of-tax overall rate of return approved
 19 by the Commission in its Order Approving Use of Natural Gas Bond
 20 Funds issued March 12, 2000, in Docket No. G-40, Sub 2, adjusted

1 for any known corporate income tax rate changes, as the applicable
2 interest rate on all amounts over-collected or under-collected from
3 customers reflected in its Deferred Gas Cost Account.

4 The Public Staff has reviewed the Company's interest rate
5 calculations for all known corporate income tax rate changes during
6 the review period, and determined that no change was required.
7 Therefore, the Public Staff believes that it is appropriate for Frontier
8 to continue to use the net-of-tax overall rate of return of 6.60% as the
9 applicable interest rate on all amounts over-collected or under-
10 collected from customers reflected in its Deferred Gas Cost Account.

11 The Public Staff will continue to review the interest rate each month
12 to determine if an adjustment is warranted.

13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

14 **A.** Yes, it does.

R. TYLER ALLISON**Qualifications and Experience**

I graduated from North Carolina State University with a Master of Accounting degree. I am also an actively licensed CPA in the State of North Carolina. I joined the Public Staff Accounting Division on October 2017.

Prior to joining the Public Staff, I accumulated more than three years of auditing experience in public accounting and with the U.S. Environmental Protection Agency and about one year of general accounting experience in the public university system. Since joining the Public Staff, I have performed various supporting accounting tasks, including the examination and analysis of testimony, exhibits, books and records, and other data presented by utilities and other parties involved in Commission proceedings; and the preparation and presentation to the Commission of affidavits, testimony, exhibits, and other documents in those proceedings. I have been involved with various electric, natural gas, and water utility proceedings, and filed testimony and affidavits in both natural gas and water general rate case proceedings. I have also performed reviews in conjunction with Integrity Management Rider programs, Demand Side Management and Energy Efficiency Rider proceedings, and cash working capital studies in natural gas and electric general rate cases.