

State of North Carolina
North Carolina Utilities Commission
Raleigh

Docket No. G-40, Sub 171

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))

SUPPLEMENTAL
DIRECT TESTIMONY
& SUPPLEMENTAL
DIRECT EXHIBIT
OF
NATHAN BELL

January 9, 2023

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

3 A. My name is Nathan Bell. My business address is 110 PGW Drive, Elkin, North
4 Carolina, 28621. I am employed by Frontier Natural Gas Company (“Frontier” or
5 the “Company”), as the President.

6 **Q. Have you previously filed testimony in this proceeding?**

7 A. Yes, I prefiled direct testimony in this proceeding on December 1, 2022.

8 **Q. What is the purpose of your supplemental direct testimony?**

9 A. The purpose of my supplemental direct testimony is to provide additional
10 information that will enable the Commission and Public Staff to review the interest
11 rate presently being applied to the Company’s deferred accounts and to determine
12 whether a change is warranted, as required by the Commission’s Order Scheduling
13 Hearing, Requiring Filing of Testimony, Establishing Discovery Guidelines and
14 Requiring Public Notice issued in this docket on December 6, 2022.

15 **Q. What is the interest rate presently being applied to the Company’s deferred**
16 **accounts?**

17 A. In Docket No. G-40, Sub 145, the Commission approved in Finding of Fact No. 16
18 of its Order dated June 8, 2018, the Company’s use of “a net of tax interest rate of
19 6.6% for all deferred accounts, adjusted as appropriate for income taxes.”

20 **Q. Did the Company review the deferred account interest rate as part of this**
21 **proceeding?**

22 A. Yes. The Company reviewed the 6.6% annual interest rate approved in Docket No.
23 G-40, Sub 145, and determined that the rate should be adjusted to 5.67%.

1 Bell Supplemental Direct Exhibit 1 attached hereto, sets forth the calculation of the
2 5.67% annual interest rate at Schedule 1. This rate was applicable to deferred
3 account interest starting in January 2022 when approved by the Commission in the
4 Company's annual gas cost review. As provided in the Company's tariff, the
5 Company will continue to review the interest rate calculation annually and make
6 adjustments as necessary.

7 **Q. Does this conclude your supplemental direct testimony?**

8 A. Yes, it does.

**Frontier Natural Gas Company
Docket No. G-40, Sub 171**

Bell Supplemental Direct Exhibit 1

Frontier Natural Gas Company
Docket No. G-40, Sub 171
Bell Supplemental Direct Exhibit 1
2022 Deferred Account Interest Rate
Schedule 1

Item	Capital Structure	Cost	Overall Return	Pre-tax Return	Net of Tax Return
Long Term Debt	20.40%	4.23%	0.860%	0.860%	
Short Term Debt	17.00%	3.19%	0.540%	0.540%	
Common Equity	62.60%	7.33%	4.590%	5.959%	
Total	<u>100.00%</u>		<u>5.990%</u>	<u>7.359%</u>	
State Income Tax Rate	2.50%				
Federal Income Tax Rate	<u>21.00%</u>				
Composite	<u>22.98%</u>				
Net of Tax Factor	<u>77.02%</u>				<u>5.67%</u>
Monthly Interest Rate					<u>0.47%</u>
			Current Monthly Interest Charged		0.55%