

March 2, 2020

VIA ELECTRONIC FILING

Ms. Kimberley A. Campbell
Chief Clerk
North Carolina Utilities Commission
430 N. Salisbury Street, Dobbs Building
Raleigh, North Carolina 27603

Re: Docket No. G-40, Sub 153

Dear Ms. Campbell:

On February 26, 2020, in the above-referenced docket, the North Carolina Utilities Commission ("Commission") issued its *Order Denying Motion to Excuse Witnesses and Providing Notice of Hearing Topics* ("Order"). In that Order, the Commission indicated that, after reviewing the application of Frontier Natural Gas Company ("Frontier") in this matter, it required additional information.

Frontier has reviewed the Order and hereby submits its responses to the Commission's questions.

Thank you for your assistance with this matter. If you have any questions regarding this filing, you may reach me at the number shown above.

Sincerely,

/s/ James H. Jeffries IV
James H. Jeffries IV

JHJ/sko

cc: Elizabeth Culpepper
Fred Steele
Taylor Younger

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the attached is being served this date upon all of the parties to this docket electronically or by depositing a copy of the same in the United States Mail, First Class Postage Prepaid, at the addresses contained in the official service list in this proceeding.

This the 2nd day of March, 2020.

/s/ Sloane K. O'Hare
Sloane K. O'Hare

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. G-40, SUB 153

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Frontier Natural Gas Company for Annual Review of Gas Costs Pursuant to N.C.G.S. § 62-133.4(c) and Commission Rule R1-17(k)(6)))))))	RESPONSE TO COMMISSION QUESTIONS
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On February 26, 2020, in the above-referenced docket, the North Carolina Utilities Commission (“Commission”) issued its *Order Denying Motion to Excuse Witnesses and Providing Notice of Hearing Topics* (“Order”). In that Order, the Commission indicated that, after reviewing the application of Frontier Natural Gas Company (“Frontier”) in this matter, it required additional information and enumerated a number of questions the Commission intended to ask of Frontier and the Public Staff at the hearing of this matter. In order to facilitate the hearing, Frontier has provided below, the responses of Taylor Younger to the Commission questions directed at Frontier:

RESPONSES TO COMMISSION QUESTIONS

1. The responsibilities of the Frontier natural gas supply group, and the support and assistance that Frontier is currently receiving from its parent company.

Response: The FNGC supply group consists of me (Taylor Younger), Ted Gambill, and Fred Steele. Ted has over ten years of experience working with multiple asset managers and he assists me with decision making and can step in during my absence to perform the daily and monthly supply duties I will describe. Daily supply duties include oversight of natural gas supply planning and purchases. All balancing and scheduling is completed for

us by our Asset Manager, making our daily supply duties routine and efficient. Daily duties include managing how much gas comes through our Transco City Gate, and how much of this gas our Transportation customers used. The Transco website keeps up with what is delivered through the City Gate hourly while Telemeters keep up with transportation usage hourly, and we can easily download this information daily. This is uploaded into a spreadsheet where we subtract out transportation usage from our daily City Gate Usage to calculate daily bundled usage. We also keep up with marketer's nominations for the transportation customers they supply gas for, and we send marketers an update for how much their transportation customers have used daily to help them with their daily nominations. Marketers are required to be within 5% or 1,000 dths of their nominations by the end of the month or they receive penalty. We cash-out with Marketers monthly, which is taken care of by our Billing Department, not the supply group.

Monthly, the supply group forecasts daily usage for the upcoming month using historical usage and forecasted weather to run a regression analysis to predict how to set our FOM nominations. We have the ability to lock in daily usage below our Transco owned capacity at Z3 and daily usage above our capacity at Z5 FOM prices, comprised of NYMEX settlement plus Basis, fuel, commodity. We do receive assistance and expertise from our parent company's preferred gas cost consultants before setting our FOM nominations.

Annually, the supply group participates in the Annual Review of Gas Costs. We help answer data requests and prepare supporting data analysis for systematical questions relating to supply or procurement. Our gas cost consultants provide input to answering data requests. All budgeting and financial schedules included in the Annual Review are prepared by the Frontier Controller.

This past year, the supply group developed a RFP for an AMA since our current agreement ends in March, 2020. We ran analysis on the top 3 competing proposals and ultimately decided to award the Asset Management Agreement to UGI. We utilized the assistance and expertise from our gas cost consultants to make this decision.

Over the course of the last year, the supply group helped develop an updated procurement policy. Because of their expertise, we significantly relied on our gas cost consultants to develop this policy for hedging.

2. The weekly risk call meetings between Frontier and its parent company.

Response: The weekly meetings between the risk committee, which consists of our parent company and all other entities allows for each entity to describe how much they paid for gas, how much they hedged, future plans for procurement, plans for locking in asset managers, weather discussions, and discussions on whether or not we anticipate meeting budgeted usage.

3. The percentage of witness Younger's work that is split between compliance, gas planning, and other responsibilities.

Response: As I have previously described, daily supply duties are routine and typically take up 1 to 1.5 hours of my time daily. During annual reviews, I am able to set aside enough time to prepare testimony and help prepare answers to data requests by focusing on each to be completed within 1 to 2 work days. Monthly analysis for FOM nominations typically take me a couple hours to complete. The percentage of my work is split evenly between supply planning, compliance, and other responsibilities. Engineering school taught me very valuable time management skills and the ability to prioritize efficiently.

4. Details of the steps that Frontier has taken during the last year to bolster its gas supply planning, as outlined in the letter filed in Docket No. G-40, Sub 149 on December 16, 2019.

Response: I have taken the lead on gas supply planning over the course of the year, streamlining the daily processes and acting as a liaison between Frontier and our Asset Manager. Over the past year, Frontier has also used our gas cost consultant's expertise extensively for assistance with decision making as previously described. We are also seeking the expertise of a recently hired Hearthstone Utilities employee who worked for the Ohio Public Utilities Commission.

5. An update on the potential natural gas suppliers for April 1, 2020 through March 31, 2023.

Response: As previously described, Frontier has chosen to award the Asset Management Agreement to UGI. The supply contract is similar to the one Frontier has utilized over the past 3 years, but with negotiated lower fees per dth.

6. Details of recent Design Day studies.

Response: Dr. Ronald H. Brown, professor at Marquette University, performed a 1 in 20 DDS in November 2017. This means that the peak days he predicted throughout winter of 2021-2022 would only happen every 1 in 20 years based on customer growth, historical weather patterns, and statistical analysis through modeling software. 2.5 standard deviations were also added to estimated peak days to be over 95% confident that the peak day could happen every 1 in 20 years. The HDD used for this analysis are based on historical temperature and wind factors since year 1973. Ronald Brown, who is head over what is now called Marquette Energy Analytics, also performs an annual analysis for us

with actual expected max flow and expected average flow for every month in the upcoming year that is used for FOM nomination and procurement purposes. Because of this, the annual report is more useful to us than the in-depth design day report, which we only use to make sure we are prepared to serve our customers if this unlikely 1 in 20 year peak day happened. To put it in perspective, the 2019 predicted 1 in 20 year Design Day Study was 15,597 dth, and the actual peak day for 2019 was 12,195 dth. Frontier has determined that it will prepare design day studies annually by utilizing its Engineering Department or the use of a consultant such as Dr. Brown with Marquette Energy Analytics.

7. The potential for Frontier's development of a liquified natural gas facility.

Response: Frontier had initial LNG facility discussion with North Star, Thig Pen and UGI. Currently Frontier is pursuing LNG as an option with UGI. UGI has indicated that they are interested in owning and operating the LNG facility. UGI found parcels of land near our pipeline facilities and obtained signed letters of intent to sell. UGI has laid out plans for owning and operating a storage facility and injection site for Frontier use on peak days and to truck to other potential customers. Liquefaction possibilities at the proposed site do not seem economically feasible at this time. UGI is currently working on a cost structure for Frontier to review. Once Frontier obtains cost estimates on the proposed LNG facilities Frontier will prepare an analysis of an LNG facility verses constructing additional transmission lines to an alternative natural gas supply source. This analysis will be shared with the NC Staff upon completion.

Respectfully submitted, this the 2nd day of March, 2020.

Frontier Natural Gas Company

/s/ James H. Jeffries IV
James H. Jeffries IV
McGuireWoods LLP
201 North Tryon Street, Suite 3000
Charlotte, NC 28202
Telephone: 704-343-2348
Email: jjeffries@mcguirewoods.com

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the attached is being served this date upon all of the parties to this docket electronically or by depositing a copy of the same in the United States Mail, First Class Postage Prepaid, at the addresses contained in the official service list in this proceeding.

This, the 2nd day of March, 2020.

/s/Sloane K. O'Hare
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