# **INFORMATION SHEET**

PRESIDING: Commissioner Clodfelter, Commissioner Duffley and Commissioner Hughes

PLACE: Dobbs Building, Room 2115, Raleigh, NC

DATE: Tuesday, March 3, 2020 TIME: 10:00 a.m. – 10:23 a.m. DOCKET NO.: G-40, Sub 153

COMPANY: Frontier Natural Gas Company, LLC

DESCRIPTION: Application for Annual Review of gas Costs Pursuant to G.S. 62-133.4(c) and

Commission Rule R1-17(k)(6)

**VOLUME:** 

# **APPEARANCES**

FOR FRONTIER NATURAL GAS COMPANY, LLC:

James H. Jeffries, IV, Esq.

# FOR THE USING AND CONSUMING PUBLIC:

Elizabeth Culpepper, Esq.

# **WITNESSES**

Fred A. Steele

Taylor B. Younger

Neha Patel

Shawn L. Dorgan

Julie G. Perry

# **EXHIBITS**

Steele Schedules 1-4, 8, 10 and 11, and Confidential Exhibits A and B

I/A

Younger Exhibits A – G; Confidential E and F

**EMAIL DISTRIBUTION** 

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REPORTED BY: Kim Mitchell

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# NORTH CAROLINA UTILITIES COMMISSION APPEARANCE SLIP

DATE: MARCH 3, 2020 DOCKET NO .: 6-40, SUB 153	_
ATTORNEY NAME and TITLE: SAMES H. SEFFIES IN	_
FIRM NAME: MCGUME WOODS UP	_
ADDRESS: 201 N. TRYON STREET, JUITE 3000	_ 1
CITY: CHAMOTTE STATE: NC ZIP CODE: 28 202	
APPEARING FOR: FRONT OR MATURAL GAS CO.	
APPLICANT: INTERVENOR:	
PROTESTANT: RESPONDENT: DEFENDANT:	
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# NORTH CAROLINA UTILITIES COMMISSION PUBLIC STAFF - APPEARANCE SLIP

DATE March 3, 2020 DOCKET #: G-40, Sub 153
PUBLIC STAFF MEMBER Elizabeth D. Culpepper
ORDER FOR TRANSCRIPT OF TESTIMONY TO BE E-MAILED TO THE
PUBLIC STAFF - PLEASE INDICATE YOUR DIVISION AS WELL AS
YOUR E-MAIL ADDRESS BELOW:
ACCOUNTING
WATER
COMMUNICATIONS
ELECTRIC
GAS
TRANSPORTATION
ECONOMICS
LEGAL elizabeth.culpepper@psncuc.nc.gov;
CONSUMER SERVICES
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https://starwl.ncuc.net/NCUC/page/Dockets/portal.aspx
under the respective docket number.
1 Number of copies of confidential portion of
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ALLES TO THE TOTAL
***PLEASE INDICATE BELOW WHO HAS SIGNED A CONFIDENTIALITY
AGREEMENT. IF YOU DO NOT SIGN, YOU WILL NOT RECEIVE THE
CONFIDENTIAL PORTIONS!!!!
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Signature of Public Staff Member
Signature of Public Staff Member

Schedule 1

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### Frontier Natural Gas Company Docket No. G-40, Sub 150 SUMMARY OF COST OF GAS EXPENSE For the Twelve Months Ended September 30, 2019 Schedule 1

$\Box$	ITEM	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Total
1	NC Demand and Storage Costs Expensed (Sch 2)	\$116,658	\$118,991	\$146,037	\$372,768	\$343,236	\$163,130	\$150,914	\$149,514	\$141,828	\$146,768	\$147,978	\$146,884	\$2,144,706
2	NC Commodity Costs Expensed (Sch 3)	302,337	488,767	937,507	1,033,442	492,819	481,747	251,056	166,027	121,450	121,256	147,854	166,786	\$4,711,048
3	Other Gas Costs Expensed (Sch 4)	(4,480)	320,757	124,342	(1,024)	(21,223)	(197,177)	(46,331)	(106,087)	(114,472)	(95,829)	(28,416)	90,967	-\$78,973
4	Total Cost of Gas Expensed (Sum of L1 - L3)	\$414,515	\$928,515	\$1,207,886	\$1,405,186	\$814,832	\$447,700	\$355,639	\$209,454	\$148,806	\$172,195	\$267,416	\$404,637	\$6,776,781
														6,776,781

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### Frontier Natural Gas Company Docket No. G-40, Sub 150 Demand and Storage Costs Expensed For the Twelve Months Ended September 30, 2019 Schedule 2

### ITEM

		Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Total
	Demand and Storage Charges:													
1	Transco Capacity Charge - Frontier Capacity	\$102,062	\$98,770	\$102,062	\$102,062	\$92,185	\$139,711	\$135,914	\$140,444	\$135,914	\$140,444	\$140,444	\$135,914	\$1,465,926
2	Other Capacity Charges	14,596	20,221	43,975	43,206	23,551	23,419	15,000	9,070	5,914	6,324	7,534	10,970	\$223,780
3	Peaking Contracts				227,500	227,500								\$455,000
4	Total Demand Charges	\$116,658	\$118,991	\$146,037	\$372,768	\$343,236	\$163,130	\$150,914	\$149,514	\$141,828	\$146,768	\$147,978	\$146,884	\$2,144,706
5	Storage Charges													
6	Total Demand and Storage Charges Expensed	\$116,658	\$118,991	\$146,037	\$372,768	\$343,236	\$163,130	\$150,914	\$149,514	\$141,828	\$146,768	\$147,978	\$146,884	\$2,144,706

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### Frontier Natural Gas Company Docket No. G-40, Sub 150 SUMMARY OF COMMODITY GAS COSTS For the Twelve Months Ended September 30, 2019 Schedule 3

### ITEM

	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Total
Commodity Cost at City Gate													
Supplier #1:													
Gas Supply Baseload Purchases	330,336	475,500	1,260,254	963,881	525,980	479,105	319,200	186,000	123,360	107,152	122,512	183,960	\$5,077,240
Daily Purchases (Zone 3)	30,769	76,693				40,994	28,875	25,006	31,809	32,478	36,022	15,711	318,357
Daily Delivered Purchases (Zone 5)		9,692	4,452	314,308		93,620							422,072
Hedging/Peaking Purchases				11,578	166,613								178,191
Other - Sell Back	(52,349)	(84,162)	(313,839)	(260,533)	(203,171)	(136,214)	(108,319)	(49,554)	(37,604)	(22,899)	(14,174)	(38,259)	(1,321,077
Cash Out Adjustments					7,418	(7,418)				(639)	(3,405)	4,043	(1
Marketer Cash Out	(6,419)	11,044	(13,360)	4,208	(4,021)	11,660	11,300	4,575	3,885	5,164	6,899	1,331	\$36,266
Total Commodity Cost Expense	302,337	\$488,767	\$937,507	\$1,033,442	\$492,819	\$481,747	\$251,056	\$166,027	\$121,450	\$121,256	\$147,854	\$166,786	\$4,711,04

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# Frontier Natural Gas Company Docket No. G-40, Sub 150 SUMMARY OF OTHER COST OF GAS CHARGES (CREDITS) For the Twelve Months Ended September 30, 2019 Schedule 4

	ITEM	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Total
H	Deferred Account Activity													
1	Gas Cost True-up (excluding interest)	698	314,873	(19,299)	(4,373)	(24,938)	(194,247)	(54,779)	(107,814)	(77,196)	(99,694)	(38,850)	(28,215)	(333,834)
2	Transportation Cust Balancing True-up	(5,178)	5,884	(6,384)	3,341	(3,780)	4,423	7,721	2,589	3,306	4,263	5,337	857	22,379
3	Retro Gas Pricing True-up		-			- 1					-	_		
	GAS COST ADJUSTMENT			150,000						(40,582)			122,130	231,548
4	Miscellaneous Charges (a) Net Cash Out			25	- 8	7,495	(7,353)	727	(862)		(398)	5,097	(3,805)	934
5	Total Other Cost of Gas	(4,480)	320,757	124,342	(1,024)	(21,223)	(197,177)	(46,331)	(106,087)	(114,472)	(95,829)	(28,416)	90.967	(78,973)

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# Frontier Natural Gas Company Docket No. G-40, Sub 150 Summary of Deferred Account Activity For the Twelve Months Ended September 30, 2019 Schedule 8

				Transportation		
	Beginning			Balancing True-Up DB		Ending
Month	Balance	Gas Cost True-Up	Adjustments	(CR)	Interest	Balance
Oct-18	\$330,127.14	(698.40)		5,178.42	1,815.70	\$336,422.8
Nov-18	\$336,422.86	(314,873.14)	(113.11)	(5,884.16)	1,850.33	\$17,402.78
Dec-18	\$17,402.78	19,298.62	(150,000.00)	6,384.23	95.72	(\$106,818.6
Jan-19	(\$106,818.65)	4,372.76		(3,341.16)	(587.50)	(\$106,374.5
Feb-19	(\$106,374.55)	24,937.94		3,780.40	(585.06)	(\$78,241.2
Mar-19	(\$78,241.27)	194,246.75		(4,422.58)	(430.33)	\$111,152.5
Apr-19	\$111,152.57	54,779.18		(7,721.42)	611.34	\$158,821.6
May-19	\$158,821.67	107,813.71		(2,589.44)	873.52	\$264,919.4
June-19	\$264,919.46	77,195.78	40,582.00	(3,305.99)	(6,632.94)	\$372,758.3
Jul-19	\$372,758.31	99,693.63		(4,262.98)	2,050.17	\$470,239.1
Aug-19	\$470,239.13	38,850.18		(5,336.84)	2,586.32	\$506,338.7
Sep-19	\$506,338.79	28,214.96	(122,130.34)	(856.91)	(1,301.14)	\$410,265.3
TOTALS		\$333,831.97	(\$231,661.45)	(\$22,378.43)	\$346.13	

### **ADJUSTMENTS**

Nov-18

(113.11) Refund Received from Transco

Dec-18

(150,000.00) Prudency Review Accrual

Jun-19

\$32,492.00 is net result of the following line items related to the 2018 Prudency Review Accrual and Subsequent Order:

\$150,000 Prudency Review Accrual (\$109,418) Actual Prudency Order \$40,582 Total June 2019 Adjustment (\$8,090) Interest Prudency Order

Sep-19

Correct the March 2019 cost of gas and Deferred Account.

(122,130.34)

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### Frontier Natural Gas Company Docket No. G-40, Sub 150 SUMMARY OF GAS SUPPLY For the Twelve Months Ended September 30, 2019 Schedule 10

ITEM	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Total
Sources of Supply at City Gate: (dts)	1												
Supplier #1:													
Gas Supply Baseload Purchases	111,600	150,000	267,003	267,003	182,000	170,500	120,000	74,400	48,000	48,050	58,900	84.000	1,581,456
Daily Purchases (Zone 3)	9,152	17,058		-		12,050	10,546	9,472	13,047	13,382	15,730	5,904	106,341
Daily Delivered Purchases (Zone 5)	1 -	1,815	718	42.997		31,000	-	- 1		-		- 1,501	76,530
Hedging Purchases/Peaking Purchase				3,769	54,236	- 1	- 1						58,005
Other -Hedge Buy Back	(16,063)	(22,032)	(78,973)	(73,307)	(74,971)	(49,695)	(44,194)	(19,448)	(16,414)	(10,101)	(6,517)	(15,458)	(427,173
Transco Purchase						258					- 1	1	258
Gas Supply Current										- 1			
Period Delivery	104,689	146,841	188,748	240,462	161,265	164,113	86,352	64,424	44,633	51,331	68,113	74,446	1.395.417

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# Frontier Natural Gas, LLC Docket No. G-40, Sub 150

# Summary of Natural Gas Hedge Transactions For the Twelve Months Ended September 30, 2019 Schedule 11

				Percent	Hedged (	Cost	Baseload \$/dth	(Savings)	Hedge (Gain)
Month	Hedged dts	Actual dts	Projected dts	Hedged	\$/dth	1/	1/	Excess \$/dth	Loss
Oct-18	-	NO HEDGES		0%				\$0.000	\$0
Nov-18	-	NO HEDGES		0%				\$0.000	\$0
Dec-18	-	NO HEDGES		0%				\$0.000	\$0
Jan-19	-	NO HEDGES		0%				\$0.000	\$0
Feb-19	-	NO HEDGES		0%				\$0.000	\$0
Mar-19	-	NO HEDGES		0%				\$0.000	\$0
Apr-19	-	NO HEDGES		0%				\$0.000	\$0
May-19	-	<b>NO HEDGES</b>		0%				\$0.000	\$0
Jun-19	-	NO HEDGES		0%				\$0.000	\$0
Jul-19	-	NO HEDGES		0%				\$0.000	\$0
Aug-19	-	NO HEDGES		0%				\$0.000	\$0
Sep-19 _	-	NO HEDGES		0%				\$0.000	\$0
Total <sup>=</sup>	-	-	•						\$0

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# Procurement Policy Update

June 4th, 2019



# Gas Supply Procurement Policy Update

- Modifications to overall plan to better fit current FNGC Gas Procurement Practices
  - A copy of the plan is provided
- Most significant updates are the Guidelines for Hedging
  - ► FNGC may procure hedges in winter strips (any period within the months of November through March)
  - FNGC will hedge 50% of expected average daily flow for each winter month of Nov- Mar at Z3 pricing
    - ▶ The remainder of the 8,613 dth capacity will be priced at the Z3 FOM and/or Z3 Daily, based upon considerations of the current market prices and the most current weather forecast at the time FOM nominations are due, with a portion held for daily balancing to be priced at Z3 Daily
  - ► FNGC will subtract out current capacity of 8,613 dth from the expected max daily flow for each month to conclude how much Z5 gas should be purchased for that month
    - A reasonable percentage should be hedged, while the rest of Z5 purchases should be executed with FOM pricing
- ► The quantities established in the Annual Plan for Forward Hedging will be equally divided into 6 parts with one part hedged each month from April to September
  - ▶ Each month's hedge will be executed between the 10<sup>th</sup> and 25<sup>th</sup> of that month

# Marquette Energy Analytics Forecast for Hedging Purposes

- Marquette Energy Analytics performed a Design Day Study (DDS) for us in 2017
  - > Typically clients ask for in depth DDS every 3-5 years
  - FNGC will ask for one again in 2022- Full DDS not needed annually with current contract
- Current contract with Marquette requires them to send an annual report updating us on Monthly Forecast for the upcoming year
  - This report is based on actual historical usage, historical weather patterns, and projected customer growth
  - We have asked to receive the report every March to show expected max flow and average flow each month for the upcoming year to help us make hedging decisions
  - A summary of the Marquette annual report is below:

	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb 20	Mar-20	Apr-20	May-20
Expected Max Flow	6,134	9,788	2,808	2,453	2,719	3,296	5,971	8,580	10,906	12,412	11,065	9.141	6.511	3,943
Expected Average Flow	3,390	2,619	2,153	1,938	2,073	2,478	3,488	5,085	6,927	7,931	7.033	5,223	3,553	2,715
1-in-30 load (from 2017 DBS)	7,304	4,703	2,442	1,897	2,247	4,090	6,471	8,439	11,792	12,964	12.152	10,272		4,703

# Executed Hedge Example

# > Total Amount to Hedge Over 6 Months, April - September

Zone 3 Capacity	8613											
				Z3 Forward				Z5 Purchase	Z5 Forward	Up to Z5		ZS Daily
	Max	Average	% Hedged	Hedge	Daily	Balancing	Max	Max	Hedge	FOM	Total Fixed	Protected to
November	8,580	5085	50%	2542	5571	500	-33	0	0	0	8113	8613
December	10,906	6927	50%	3463	4150	1000	2293	2293	1200	1093	9906	10906
January	12,412	7931	50%	3965	3648	1000	3799	3799	1200	2599	11412	12412
February	11,065	7033	50%	3517	4096	1000	2452	2452	1200	1252	10065	11065
March	9141	5223	50%	2612	5502	500	528	528	0	0	8113	8613

# > April Hedge Amounts and Pricing Daily Volume Monthly Volume

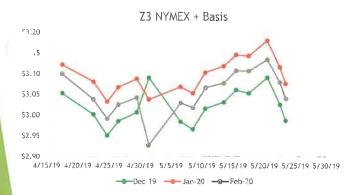
Days	Month	Zone 3	Zone 3	NYMEX	Z3 Basis	Fuel Cost	Commodity Cost	Scheduling Fee	T	otal
30	Nov-19	424	12,720	\$ 2.707	\$ (0.0400)	\$ 0.06454	\$ 0.03631	\$ 0.04000	\$	2.808
31	Dec-19	577	17,887	\$ 2.863	\$ (0.0400)	\$ 0.06832	\$ 0.03631	\$ 0.04000	\$	2.968
31	Jan-20	661	20,491	\$ 2.944	\$ (0.0400)	\$ 0.07028	\$ 0.03631	\$ 0.04000	\$	3.051
29	Feb-20	586	16,994	\$ 2.894	\$ (0.0400)	\$ 0.06907	\$ 0.03631	\$ 0.04000	\$	2.999
31	Mar-20	435	13,485	\$ 2.784	\$ (0.0400)	) \$ 0.06640	\$ 0.03631	\$ 0.04000	\$	2.887
	Master Deal	9109 Fixed Price Sale to Frontier								
			Monthly Volume							Fixed Price
		Daily volume	INVESTIGATION & CHARGE					5 0.11500	Executed	
Days	Month	Zone 5	Zone 5	NYMEX	Z5 Basis	Fuel Cost	Commodity Cost			otal
Days 30	Month Nov-19		Zone 5	NYMEX	Z5 Basis	Fuel Cost	Commodity Cost			
		Zone 5	Zone 5	NYMEX \$ 2.863	Z5 Basis \$ 0.6800		Commodity Cost		\$	
30	Nov-19	Zone 5	Zone 5 0 6,200			s -		Scheduling Fee	\$ \$	otal
30 31	Nov-19 Dec-19	Zone 5 0 200	Zone 5 0 6,200	\$ 2.863	\$ 0.6800	\$ - \$ -	\$	Scheduling Fee \$ 0.11500	\$ \$ \$	otal - 3.658

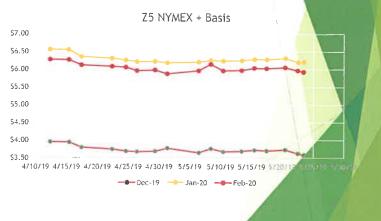
0.04000 Executed Fixed Price

# Tracking Hedge Quotes

Starting in April of each year, Frontier will request various fixed price quotes for the quantities it has designated to hedge over the winter period

All pricing information will be archived and a summary will be reported at each weekly Risk and Supply Meeting to include an assessment of any potential market event that would impact forward market prices





Jounge Exhibit B

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# **Frontier Natural Gas Company**

# **Policy and Practice of:**

# **Gas Supply Procurement**

# Purpose:

It is the Frontier Natural Gas Company (Frontier) mission to provide safe and reliable natural gas service at a reasonable price to our customers. The purpose of this policy is to provide direction for the procurement of natural gas for resale and to establish financially sound, responsible, and prudent guidelines for the procurement of natural gas from available sources for the operation of the natural gas utility system.

# Objective:

The Gas Supply Procurement policy of Frontier seeks supply adequacy, reliability, diversity, and minimization of the associated costs while stabilizing prices. This begins with an accurate estimation of customer usage requirements and a plan to meet them in an efficient manner. This is accomplished through a diligent effort to assess available supply options to meet system and customer requirements in an organized approach.

# **Regulatory Authority:**

Frontier is a natural gas local distribution company and is as a public utility under the laws and regulations of the State of North Carolina pursuant to Chapter 62 of the North Carolina General Statutes. Frontier is also regulated per the rules and regulations set forth by the North Carolina Utilities Commission (Commission).

# Policy:

Frontier's Gas Supply Planning Committee (Committee) has been established and maintained to pursue this objective. External Information evaluated by the Planning Committee will include, but is not limited to, market indicators, seasonal weather forecasts, periodicals and forecasts of natural gas prices, and all available intelligence on the direction of natural gas and pipeline capacity availability and prices.

Each year the Committee will review the natural gas historic sales volumes of bundled customers and forecasts of future load requirements, based on added process and heat load to supply new bundled customers, in a Gas Supply Annual Budget to senior management. The Gas Supply Annual Budget in combination with the gas purchasing practices stated in this Gas Supply Procurement Plan will be referred to as the Annual Plan.

The Annual Plan will estimate the segmented monthly and daily quantity based on the historic loads and the projected additional daily volume added to the system by rate class as well as firm and interruptible customers. Statistical-based forecasts and estimates will be formulated using heating degree days, usage per heating degree

Gas Supply Procurement Policy Original Document

day, customer additions or losses and other trends and correlations that appear to drive natural gas consumption. Engineering concerns regarding system pressure during peak periods and the challenges of skewed growth will be addressed in the Annual Plan. The Annual Plan will delineate the estimated supply requirements under a most likely winter scenario as well as a one in 30-years (or heating degree-day equivalent) winter scenario, and thus will project reasonably expectable demand for firm service under North Carolina Utilities Commission Rule R6-23 for adequacy of supply.

To best pair identified supply requirements with available gas supply capacity, Frontier will review estimated monthly, seasonal and peak demand day requirements for full service customers to resources available to meet these requirements. Upstream resources may include peaking and storage services, supplies that are base load, swing, seasonal supply and/or spot purchases. Long-term planning for peak period resources to be considered will include, but not be limited to, air-propane plants, liquefied natural gas (LNG) plants and on-system storage. Per Commission, Rule R6-23 - Adequacy of Supply, there will be an assessment of the production and/or storage capacity of the utility's plant, supplemented by the gas supply regularly available from other sources, to determine if there is sufficient supply to meet all reasonably expectable demands for firm service.

"Suppliers" shall mean any entity which locates, aggregates, produces, purchases, sells, stores and/or transports natural gas or its equivalent to, for or on behalf of Frontier. Suppliers may include, but not be limited to, interstate or intrastate pipeline transmission companies, producers, brokers, marketers, associations, joint ventures, providers of Liquefied Natural Gas, Liquefied Petroleum Gas, Synthetic Natural Gas and other hydrocarbons used as feed stock, other local gas distribution companies and end-users.

In annually evaluating and determining the proper resources to procure for the system, the Company will consider other important factors such as, but not limited to, current supply and capacity portfolio, adequacy, price, security, flexibility and deliverability. In some instances, requests for quotes or requests for proposals may be necessary to acquire price or cost data. In such instances, Frontier will not discriminate against any qualified entity.

The general strategy is to serve current and incremental base load and peak period usage following a best-cost dispatch strategy. Frontier uses a "Best Evaluated Cost" supply strategy to achieve Gas Supply Procurement objectives and goals. This strategy entails seeking adequacy, flexibility, and security/creditworthiness of supplier, reliability/dependability of supply, cost of gas, stability of costs incurred and quality of supplier. The Committee will consider the resources available to accomplish this task. Typically, Frontier compares the price at which it can acquire bundled supply and capacity versus the cost of other alternatives. A determination of what type of resource(s) can be reasonably acquired or developed for meeting the Company's deliverability needs is necessary in deciding whether the Company should acquire pipeline transportation capacity; peaking service; acquire liquefied or compressed natural gas plant (LNG or CNG) and facilities; acquire a propane air plant and facilities; acquire a storage service; develop additional on-system storage deliverability or any other supply options. The Committee will evaluate available alternatives each year for their appropriateness in the context of its long-term strategy, portfolio and Annual Plan, and will produce a gas procurement plan that best meets the Frontier system demand for both capacity and supply.

Gas Supply Procurement Policy Original Document

A reconciliation analysis between the previous year's approved Annual Plan and actual performance will be provided in the current Annual Plan. The Annual Plan will provide an explanation of significant variations from the approved plan, adherence to policy, and areas in which methods can be improved. The Annual Plan will contain or cite supporting documents for its conclusions and recommendations.

The Annual Plan shall contain an action plan with a time table to implement the Annual Plan recommendations. The Committee head will be responsible to initiate the Annual Plan, its updates and delivery to senior management in a timely manner. Senior management will direct staff to implement the accepted plan and any modifications in a timely manner.

Suppliers will be notified of individuals that can execute instructions and orders on behalf of Frontier. Instructions and orders will be counter-signed by another individual familiar with the Annual Plan. Document or notation will be made at this time if significant deviation from the Annual Plan is instructed or ordered. Suppliers will provide written confirmation of instructions and orders via fax or electronic communication to appointed individuals as documentation.

# **Supply Contracting Practice**

It is Frontier's current practice to employ one supplier to centralize purchasing and reliability of gas deliveries under a full requirements contract. It is Frontier's policy to evaluate this and different strategies and tactics to promote reliability, price stability and cost efficient purchasing in the Annual Plan or as opportunities arise.

The core of Frontier's current strategy is to obtain supply reliability and price stability by fixing components of the gas cost, including fixing commodity costs and/or transportation costs of the commodity for physical delivery to the Company.

# **Supply Pricing Practice**

Frontier has a three part pricing strategy in gas purchasing: 1) Hedging, 2) First of the month and 3) Daily. The objective behind the weighted average approach is to reduce the risk of gas cost volatility by purchasing gas priced at diverse times reflective of market-based gas price indexes. Execution of the Pricing Strategy will be for the purpose of creating a hedge against market volatility, both seasonal and daily, and not for price speculation

Frontier may procure hedges in winter strips (any period within the months of November through March). During the summer months, Frontier will seek to obtain reliable and stable commodity prices by fixing forward commodity prices for high demand periods. Although these hedges may be purchased at a premium to average supply rates during this period, bundled customers will be insulated from extremely volatile price swings that have been characteristic to Transco Zone 5.

### **Guidelines for Hedging Quantities:**

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Frontier will undertake the best alternative to hedge the market area price, using fixed forward hedges, or fixed options based on the regional index price that coincides with Frontier's gas supply agreement in effect at the time. Frontier will obtain periodic price quotes from its firm service provider to best evaluate the condition of the forward natural gas market.

Frontier will employ a dollar-cost averaging technique when buying the forecasted throughput for each forward hedge position. The intent of this approach is to reduce the variability on the purchases made on each hedge position. The quantity of supply to be hedged will depend on the Annual Plan. Forward hedges will be made for:

November: 50% of Expected Average Flow at Z3
December: 50% of Expected Average Flow at Z3
January: 50% of Expected Average Flow at Z3
February: 50% of Expected Average Flow at Z3
March: 50% of Expected Average Flow at Z3

The remainder of the 8,613 capacity will be priced at the Z3 FOM and or Z3 Daily, based upon considerations of the current market prices and the most current weather forecast at the time FOM nominations are due, with a portion held for daily balancing to be priced at Z3 Daily.

The minimum quantity of Z5 gas to be Forward Hedged will depend on the expected max day flow for each winter month. Current firm Z3 transportation capacity of 8,613 dth should be subtracted from the expected max day flow to conclude how much Z5 gas should be purchased for that month. A reasonable percentage should be hedged, while the rest of Z5 purchases should be executed with FOM pricing. When the current estimated peak day requirements for a month indicate that no Zone 5 purchases are anticipated, there will be no required Z5 hedge volume. Z5 Forward Hedged quantity will be reviewed annually and re-established based on changes in system needs. Z5 FOM purchase quantity will be based upon considerations of the current market prices and the most current weather forecast at the time FOM nominations are due.

The quantities established in the Annual Plan for Forward Hedging will be equally divided into 6 parts with one part hedged each month from April to September. Each month's hedge will be entered into between the 10<sup>th</sup> and 25<sup>th</sup> of that month.

# **Schedule of Actions Required before Hedging:**

Frontier will follow a schedule of items each year leading up to the beginning of its winter or summer seasons. These time-driven items will constitute a consistent mechanism for Frontier to complete in order to accomplish the stated objectives of the Annual Plan.

• Starting in March, Frontier will reevaluate the Annual Plan by completing its load forecast of anticipated throughput for the next twelve months. Each twelve month period will run from April through March of the

Gas Supply Procurement Policy Original Document

following year. The forecast will determine the quantities necessary to secure to meet the requirements of each hedge position.

- Starting in April, Frontier will request various fixed price quotes for the quantities it has designated to hedge over the winter period. All pricing information will be archived and a summary will be reported at each weekly Risk and Supply Meeting to include an assessment of any potential market event that would impact forward market prices.
- During the winter period Frontier will secure the necessary first-of-month ("FOM") or spot purchases necessary to complete the supply pricing strategy for the month.

Any deviation from the Guidelines for Hedging Quantities will be identified and reported to the Gas Supply Policy Committee. The report will identify the variation, the event or events that lead to the variation and an explanation discussing how the variation addressed the events that lead to the variation.

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Yourue Exhibit C

	Apr-19	May-19	Jun-19	Jul-19	Aug-19	5ep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20
Expected Max Flow	6,134	3,788	2,808	2,453	2,719	3,296	5,971	8,580	10,906	12,412	11,065	9,141	6,511	3,943
Expected Average Flow	3,390	2,619	2,153	1,938	2,073	2,478	3,488	5,085	6,927	7,931	7,033	5,223	3,553	2,715
1-in-30 load (from 2017 DDS)	7,304	4,703	2,441	1,897	2,247	4,090	6,471	. 8,489	11,792	12,964	12,152	10,272	7,304	4,703

Zone 3 Capacity	8613								-			
	Max	Average	% Hedged	Z3 Forward Hedge		Z3 Daily Balancing	1.00 TO 1.00 T	Z5 Purchase Max	Z5 Forward Hedge	The second second	Total Fixed	Z5 Daily Protected to
November	8,580	5085	50%	2542	5571	500	-33	0	0	0	8113	8613
December	10,906	6927	50%	3463	4150	1000	2293	2293	1200	1093	9906	10906
January	12,412	7931	50%	3965	3648	1000	3799	3799	1200	2599	11412	
February	11,065	7033	50%	3517	4096	1000	2452	2452	1200	1252	10065	
March	9141	5223	50%	2612	5502	500	528	528	0	0	8113	

Exhibit D

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G-40, Sub 150

# HEARTHSTONE UTILITIES, INC. RISK COMMITTEE MEETING MINUTES April 4, 2019 11:30 A.M.

# **Activities Performed**

### Present were:

- Dave Cerotzke, Kevin Degenstein, Jed Henthorne and Mary Stanich
- Dan Hickman, Tyler Muzzana, Mike Zappitello, Jerry Livengood, Renee Huff, Ted Gambill, Taylor Younger and Fred Steele (by Telephone)

# **Orwell Natural Gas:**

Mike gave the Committee a supply update for NEO and Orwell Natural Gas.

# **April Baseload Purchases:**

	NEO	Orwell	Brainard
TCO	3,147/day	35/day	115/day
DEO	5,000/day	1,150/day	100/day
OTP		1,000/day	
TGP	135/day		

Orwell and NEO are burning off their respective imbalances with Cobra first ten days and then Orwell will re-evaluate

Blended cost per DTH
NEO \$2.566
Orwell \$2.620
Brainard \$2.592

The balance of the GTS TCO storage account is 46,803/dth

Daily Price Index: TCO Appilachia \$2.485 Dominion \$2.455 and MichCon \$2.575

Oct19-Mar20 Futures: TCO (\$.292), DEO (\$0.368), MichCon, (\$0.177)

Orwell imbalances: OTP 41,556 DTH, Cobra 10,023 DTH, Spellman (689) DTH,

Brainard Imbalances: OTP (284) DTH, Cobra (527) DTH

# Northeast Ohio (NEO):

- TCO System (Columbia Transmission Co)
  - Balance of two storage accounts is 29,809/dkt (7,218/dkt GTS & 22,591/dkt FSS)

# Cobra Pipeline

Exhibit G

THA

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s	2018 Zone 3 Zone 5
47,249,47 \$ 3.818	SOM: 2.72
M.764.22 S 3.871	
8.241.18 \$ 0.917	2017 Zone 3 2045
6.767.25 \$ 4.491	KOW: 3.89
18,212,70 \$ 4,437	
14,018,10 \$ 4,902	
13,381,90 \$ 4,766	
3,332.76 \$ 0.412	
15,784.12 \$ 3.848	2.51 2018 Jump 2.51
12,158.55 \$ 3.934	1.53 Omy V.00.03-63
10,307.05 \$ 2,254	
47,522.68 \$ 3.613	
926'E \$ 01'919'O	Astrimetions
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28,158.97 \$ 4.393	Charles Mildely Editor Delos for 27
24,319.94 \$ 4,641	FOM It is mestacibe character
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29,756.12 \$ 4,148	. 23 FOM
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34,960,83 \$ 3,855	Everything highlighted in green can be
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