

Preamble

The modeling tool enables the customers to compare the costs and benefits of bundled vs. unbundled rates. The analysis provided by the model combined with other information given in the communication package helps customers make an informed decision about the newly offered unbundled rates.

While the tool allows customers to model various bundled and unbundled scenarios, few simplifications have been incorporated in the tool to make it easier to develop and use. These simplifications may have operational and financial implications and the customers should consider those constraints and simplifications while making a final rate switching decision. Some of these simplifications include:

- 1) The tool provides gas over and under runs and cash outs as volume only.
- 2) The model does not allow the actual consumption to exceed contract demand. In real life customer can use more gas than allowed by their contract demand with prior authorization from EGD on five occasions. However, in case of unauthorized use customers will incur penalties.
- 3) The model does not take into account hourly contract demand restrictions. In real life, a customer is required to meet both daily as well as hourly contract demand restrictions.
- 4) The model does not show load balancing limitations associated with the Operational Flow Order¹ (OFO).
- 5) The tool does not incorporate black outs regarding nominations to and from CI accounts.
- 6) The model does not incorporate storage ratchets and fuel ratio applicable to Rate 315.

The model only deals with distribution and storage charges. There are other costs such as the carrying cost of gas in storage and the cost of nominations management attached to unbundled rate. Similarly, the model does not include calculations for potential savings from commodity purchases under unbundled rates. A customer should consider those costs and savings before making a final decision.

¹ Please refer to the EGD Rate Handbook for details of OFO