

BOMA INTERROGATORY #22

INTERROGATORY

Ref: Exhibit C, Tab 1, Schedule 5 Average Use True-up Variance Account

- (a) What is the explanation for the usage variances for Rate 1 and Rate 6 customers being much larger than forecast and recent experience?
- (b) Please show the comparable data for Rates 1 and 6 for the last five years.
- (c) In what rate case, or other proceeding, did the Board approve creation of the AUTUVA? How was the variation in usage per customer handled prior to the creation of that account?
- (d) What is the evidence of the degree to which a price reduction results in higher consumption of natural gas by Rates 1 and 6 customers? Please explain fully.

RESPONSE

- (a) Please see the response to SEC interrogatory #4 found at Exhibit I.C.EGDI.SEC.4
- (b)

Year	Rate 1				Rate 6			
	Actual Normalized Average Use Per Customer	Board Approved Normalized Average Use Per Customer	Variance Normalized Average Use Per Customer	% Variance Normalized Average Use Per Customer	Actual Normalized Average Use Per Customer	Board Approved Normalized Average Use Per Customer	Variance Normalized Average Use Per Customer	% Variance Normalized Average Use Per Customer
	(m3)	(m3)	(m3)	%	(m3)	(m3)	(m3)	%
2012	2,529	2,510	18	0.7%	28,941	30,122	1182	-3.9%
2013	2,547	2,568	(22)	-0.8%	29,203	29,878	675	-2.3%
2014	2,475	2,433	41	1.7%	28,634	28,383	(251)	0.9%
2015	2,427	2,419	9	0.4%	28,600	28,341	(259)	0.9%
2016	2,401	2,480	(79)	-3.2%	28,203	28,753	550	-1.9%

- (c) The AUTUVA was approved within the EB-2007-0615 proceeding to “true-up” the difference in the revenue impact, exclusive of gas costs, between the forecast of

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average use per customer for general service rate classes (Rate 1 and Rate 6) that is embedded in the volume forecast that underpins Rates 1 and 6 and the weather normalized average use experienced in each year of the IR Plan” (EB-2007-0615, Exhibit N1, Tab 1, Schedule 1, page 15).

Prior to that agreement, any variation in usage per customer for all rate classes was part of the volumetric risk borne by the utility.

- (d) The General Service average use volume forecasts are derived using average use forecasting models by rate, revenue class, and region which utilize driver variables such as gas price, weather, vintage, employment along with customer additions and the unlocks forecast. Log-log model specifications are used so that coefficients of the explanatory variables can be interpreted as elasticities to show the historical relationship between the explanatory variable and average use. The magnitude and sign of the coefficients determine the extent of the explanatory variable’s impact on the average use forecast.

Natural gas prices have a statistically significant but moderate impact on average use. The estimated coefficients of the gas price variables as determined in the 2016 Rates Application (EB-2015-0114, Exhibit C2, Tab 1, Schedule 3, Table 5, pages 11 to 12) range from (-0.03) to (-0.09) for Rate 1 consumption, indicating that a 1% increase in gas price would translate to a decline in average use between 0.03% and 0.09%, all other variables being equal. Similarly, for Rate 6 models that have a significant gas price variable, the estimated coefficients of the gas price variables as determined in the 2016 Rates Application (EB-2015-0114, Exhibit C2, Tab 1, Schedule 3, Table 8, pages 15 to 17) range from (-0.07) to (-0.18), indicating that a 1% increase in gas price would translate to a decline in average use between 0.07% and 0.18% for those Rate 6 revenue class models, all other variables being equal.

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