

FRPO INTERROGATORY #2

INTERROGATORY

REF: Exhibit B1, Tab 1, Schedule 2

Preamble: In addition to Board Staff's inquiry regarding the price and volume aspects of the Gas in Storage variance.

Please identify for each of the drivers which are inside of management control.

RESPONSE

Please refer to the response to FRPO #1 at Exhibit I.B1.EGDI.FRPO.1 that sets out the drivers of the variance in Gas Storage volumes and cost.

The first two elements of gas in storage described in response to Exhibit I.B1.EGDI.FRPO.1 pertain to the volumetric forecast of sales service and Direct Purchase customers. As gas in storage volume is reforecast each year as part of the gas supply planning process which is based upon an overall volumetric forecast using updated information such items as changes in customer additions, changes in the number of customers in each service type and changes in degree days, this means that any variance year over year is outside management control. The dollar value of that gas in storage balance is dependent upon an updated reference price which is outside of management's control as well.

The third element described in Exhibit I.B1.EGDI.FRPO.1 is Demand & In Charges which pertain to the monthly demand charges payable for storage and transmission service and any costs associated with injection charges. While demand charges are based upon contract levels entered into by the Company, the amount paid for those services are outside management control. Injection charges are dependent of amount of volume injected into storage which will be influenced by the volume forecast described above.

The final element is related to the fuel cost forecast related to storage injection/withdrawal and moving gas on Union's transmission system. The fuel volume required is a function of the volumetric forecast which is costed at an updated reference price which as described above is outside management control.

Witnesses: D. Small  
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