

BOMA INTERROGATORY #14

INTERROGATORY

Ref: Ibid, p20

Is a constant basis used between Hub price forecasts and gas prices in the basins from which EGD obtains its gas? What are those bases?

RESPONSE

The Henry Hub price is the benchmark for North American natural gas prices, and as such, is commonly forecasted, providing a good reference from which to obtain a consensus. In addition, it is highly correlated with the prices found at various basins including those from which EGD sources its supply. EGD found that the correlation coefficients between Henry Hub prices and prices at AECO, Dawn and Chicago Hubs tend to be above 0.95. It is for these reasons that the consensus forecast at Henry Hub is used for commodity pricing. No other bases calculations are required.

Once EGD establishes the consensus forecast of Henry Hub prices, the year-over-year change is calculated and applied to the last year of actual commodity charge. If year-to-date actual commodity charges are available those will also be used in the forecast. For example, actual commodity charges from the January 2017 and April 2017 QRAM rates were available to calculate the 2017 forecast of commodity charges so an average of half year actual percentage change and half year forecast percentage change (based on Henry Hub consensus) was used to forecast 2017 commodity charges. After the commodity price forecast is established, EGD then layers on distribution, transportation, and customer charges using the Company's latest available QRAM rates to arrive at the burner tip gas price forecast.

Witness: M. Suarez