IGUA INTERROGATORY #3

INTERROGATORY

Reference: Exhibit D1, Tab 2, Schedule 3, Page 10

EGD notes that for purposes of the 2018 gas cost forecast, the Company has assumed the amount and value of storage set to expire be extended. The company plans to acquire an additional 2 – 3 PJs of storage effective April 1, 2018. For gas cost purposes in 2018 the Company has assumed a value for this incremental storage equivalent to the current value of the storage contracts scheduled to expire March 31, 2018. Any variation between the assumed storage costs and the actual cost of storage will be captured in the 2018 S & TDA.

(a) Please comment on the reasonableness of this assumption.

(b) What evidence or information does EGD have to demonstrate that this assumption is reasonable?

RESPONSE

a) and b)

In previous Rate Applications, when a storage contract was expected to expire during the forecast period and the gas supply plan dictated the need for said storage to be replaced, absent a new contract to replace it EGD assumed a cost equivalent to the value of the expiring contract(s) for purposes of calculating its forecasted gas cost . This approach has not caused concern in past years.

EGD has yet to send out an RFP for storage capacity for the replacement storage and the incremental 2 to 3 PJ's of storage included in the 2018 Gas Supply Plan, and does not know the value of the storage to be acquired. EGD believes the best approach would be to follow past practice of forecasting the replacement and incremental storage at a cost equivalent to that of the expiring contracts. EGD recognizes that the actual cost of the replacement storage will be different than the forecast cost and therefore it will be necessary to capture any variances in the 2018 Storage & Transportation Deferral Account (2018 S&TDA).

Witness: D. Small