

**GAS MARKETER GROUP (GMG) (DIRECT ENERGY MARKETING LIMITED,  
ONTARIO ENERGY SAVINGS L.P., and  
SUPERIOR ENERGY MANAGEMENT GAS L.P.)**

**Information Request Responses to the Building Owners and Managers Association of the  
Greater Toronto Area (BOMA) and The London Property Management Association (LPMA) re:  
Commodity Pricing, Load Balancing, and Cost Allocation Methodologies for Natural Gas  
Distributors**

**BOMA/ LPMA Interrogatory #1**

**Interrogatory:**

Ref: Exhibits E8, E14, E19, Appendix A, Schedule M-1

- a. For each line in this schedule, please indicate where the figures shown in column A (Previous Period Adjustment) would be derived from.
- b. For each line with a non-zero figure in column A (Previous Period Adjustment), please provide all the information and calculations used to derive the non-zero figures, including any forecast and actual information used.

**Response:**

- a. Previous period adjustments can arise in a number of ways and are defined below:

- Purchases:

These are Life of Reserve adjustments provided by the pipeline operator.

- Imbalances:

These are LDC (ATCO Gas) meter measurement errors provided by the LDC. Please note that this is no longer a concern for the DSP (DERS), but prior to October 1, 2008, DERS performed the load balancing function for the entire ATCO Gas system. By AUC direction (Decision 2008-105), DERS was directed to put these prior period measurement adjustments through the DSP rate filings.

- Net Calendar Sales:

These are settlement adjustments from the billing system.

- b. Please see answer in a. above.

## **BOMA/ LPMA Interrogatory #2**

### **Interrogatory:**

Ref: Exhibits E8, E14, E19, Appendix A

- a. Please explain how the methodology shown in Appendix A would operate assuming that the monthly consumption is as shown in the various schedules, but the amount of gas forecast to be purchased in each of November through January is equal to 150 TJ/day.
- b. Please indicate how the methodology shown in Appendix A would need to be modified if some of the gas consumed in the winter is purchased in the previous summer and injected into storage until it was needed.
- c. Please indicate how the methodology shown in Appendix A would need to be modified if some of the gas consumed in the winter is purchased in the following summer to make up for gas drafted in the winter.

### **Response:**

- a. Schedules M-1 and M-2 have been adjusted to replicate the scenario described in (a) above, using the following assumptions:
  - Load balancing and Excess Sales are zero due to storage access.
  - UFG, Fuel Recovery, Transportation Imbalance Sales, and Prior Period Adjustments are zero.
  - There are no settlement adjustments.
  - The WACOG for the storage gas is withdrawn at the average of the monthly indexes from May 2008 through September 2008 (as an estimate of the injection season cost).
  - All purchases are made at monthly index.
  - A new Schedule would be required to track the WACOGII.

**SCHEDULE M-1  
MONTHLY DGA COSTS AND RECOVERIES**

			A	B	C	D	E
				Actual	Estimate	Estimate	Forecast
Monthly Index				5.9105	6.5568	6.8300	6.2171
WACOGII (average monthly index May 08-Sep 08)					8.9575	8.9575	8.9575
Lin	Description	Units	Previous Period Adjustme	Oct-08	Nov-08	Dec-08	Jan-09
1	Opening Cumulative DGA Balance	\$,000	0	0	(0)	(0)	(0)
<b>Gas Supply Costs</b>							
2	Purchases (at monthly index)	\$,000	0	27,484	29,506	31,760	28,910
3	Daily Trade Averaging Adjustment	\$,000	0	0	0	0	0
4	Storage (+=Injection/=-Withdrawal at WACOGII)	\$,000	0	(579)	14,816	45,970	42,826
5	Imbalances	\$,000	0	0	0	0	0
6	<b>Total Gas Supply Costs</b>	\$,000	0	26,905	39,430	77,729	71,735
<b>Adjustments</b>							
7	Transportation	\$,000	0	16	59	90	92
8	TCPL (AB) Fuel Recovery	\$,000	0	0	0	0	0
9	Procurement	\$,000	0	26	26	26	26
10	Bad Debts	\$,000	0	187	187	182	177
11	Working Capital	\$,000	0	38	37	37	36
12	Credit Charge	\$,000	0	18	32	46	51
13	<b>Net Gas Costs</b>	\$,000	0	27,188	39,770	78,109	72,116
<b>Recoveries</b>							
14	Net Calendar Sales*	\$,000	0	27,090	39,675	78,014	72,024
15	Transportation Imbalance Sales	\$,000	0	0	0	0	0
16	Excess System Sales	\$,000	0	0	0	0	0
17	Penalty Revenue	\$,000	0	98	96	96	93
18	<b>Total Recoveries</b>	\$,000	0	27,188	39,771	78,110	72,117
19	Current DGA Balance/Storage	\$,000	0	(0)	(0)	0	0
20	<b>Closing Cumulative DGA Balance</b>	\$,000	0	(0)	(0)	(0)	(0)

**SCHEDULE M-2  
MONTHLY DGA ENERGY BALANCE**

Lin	Description	Units	A Actual Oct-08	B Estimate Nov-08	C Estimate Dec-08	D Forecast Jan-09
<b><u>Gas Supply Costs</u></b>						
1	Purchases	TJ	4,650	4,500	4,650	4,650
2	Storage (+Injection/-Withdrawal)	TJ	(98)	1,654	5,132	4,781
3	Imbalances	TJ	0	0	0	0
4	<b>Total Energy</b>	TJ	<b>4,552</b>	<b>6,154</b>	<b>9,782</b>	<b>9,431</b>
<b><u>Adjustments</u></b>						
5	TCPL (AB) Fuel Recovery	TJ	0	0	0	0
6	<b>Net Energy</b>	TJ	<b>4,552</b>	<b>6,154</b>	<b>9,782</b>	<b>9,431</b>
<b><u>Recoveries</u></b>						
7	Net Calendar Sales*	TJ	4,552	6,154	9,782	9,431
8	Transportation Imbalance Sales	TJ	0	0	0	0
9	Excess System Sales	TJ	0	0	0	0
10	<b>Total Recoveries</b>	TJ	<b>4,552</b>	<b>6,154</b>	<b>9,719</b>	<b>9,359</b>
11	<b>Load Balancing / UFG Estimate</b>	TJ	0	0	0	0
<b>"GCFR" for Consumers (per GJ)</b>			<b>\$ 5.951</b>	<b>\$ 6.447</b>	<b>\$ 7.975</b>	<b>\$ 7.637</b>

b. The methodology would not need to be modified. The WACOG for the gas in storage would be removed from the purchases in the injection season at the price paid to acquire. Similarly, the storage gas would be added to the purchases in the withdrawal season at the injection season WACOG. Alternatively, the storage balances could be re-priced monthly at prevailing prices, and customers charged or credited with the difference, as described in the response to EGD 14, Exhibit IR1, page 15.

c. Gas purchases would be priced at market rate for the period in which they were procured, for subsequent month recovery.

### **BOMA/ LPMA Interrogatory #3**

#### **Interrogatory:**

Ref: Exhibits E8, E14, E19, page 3

The evidence indicates that "the default Supply Provider (DSP) should calculate a default price that is reflective of real, short-term market prices" and the GMG is proposing a Monthly Rate Adjustment Mechanism (MRAM).

Given that the utilities do not purchase the same volumes as they sell to system gas customers each month due to the high load factor use of upstream transportation and the use of regulated cost based storage for annual load balancing, please provide the GMG's views on the following.

- a. If the default price is based on real short-term market prices on a monthly basis, how is the default price linked to actual costs?
- b. Should the default price be linked to costs?
- c. What mechanism, if any, should be in place to deal with the difference in costs incurred versus revenues collected on a monthly basis due to the different volumes purchased and sold each month?
- d. Has the GMG done any analysis of the potential volatility in prices that may result from the differential in costs and revenues caused by the volumes purchased and sold being different each month? If not, why not?

#### **Response:**

- a. The default price would reflect the short-term market prices for the purchases and the storage WACOG for the amount of gas withdrawn from storage. The result would be a more reflective price for the actual gas consumed in the month. Alternatively, the storage balances could be re-priced monthly at prevailing prices, and customers charged or credited with the difference, as described in the response to EGD 14, Exhibit IR1, page 15.
- b. Yes, as shown in Schedule M-1 and M-2 above, the default price would be linked to costs, in the manner described in (a) above.
- c. As Schedule M-1 and M-2 show, any mismatch between prices and volumes would be reconciled in the next monthly filing.
- d. GMG has done the backcast analysis on the "unit rate difference" in order to show the stronger link to actual prices paid for the purchases. The premise of the MRAM proposal is for utilities to calculate a default (or system) rate that is most reflective of actual costs incurred or expected to be incurred, based on monthly forecasts. It was agreed by Union in Exhibit IR 8.12(b) that prices reported closer to actual flow date should result in a more accurate estimate. It is the GMG understanding that current buying protocols require primarily monthly index purchases for a reasonably flat or ratable volume, so volumes purchased should not change. The volatility in any prices would be more of a reflection of the wholesale natural gas market than the MRAM methodology or the volumes purchased.

#### **BOMA/ LPMA Interrogatory #4**

##### **Interrogatory:**

Ref: Exhibits E8, E14, E19, page 12

The evidence states "The benefit of the estimated MRAM price for customers is that the price charged by the utility more accurately reflects the cost of the commodity at that time".

- a. Please define what is meant by the "cost of the commodity at that time".
- b. If the gas consumed by a customer in a winter month is a combination of gas being purchased and delivered to the utility in the current month and gas being withdrawn from storage that was purchased and delivered to the utility in a previous time period, what is the cost of the commodity consumed by the customer in that winter month?
- c. Did the GMG consider a Weighted Average Cost of Gas In Inventory (WACOGII) methodology that could automatically adjust the price on a monthly basis based on the weighted average cost of gas in storage, along with a cost of gas forecast for purchases and deliveries in the month? Would this not constitute a more accurate reflection of the cost of the commodity at the time that it is consumed by the customer? If not, why not?

##### **Response:**

- a. The "cost of the commodity at that time" refers to the actual unit purchase price in the month or the monthly "Weighted Average Price", which is the "Purchase Cost" divided by the "Volume" purchased.
- b. For a winter month, the cost of the commodity would be a blended rate which would represent the weighted average of the monthly cost of gas purchased (based on a month ahead forecast, instead of a 12 month forecast) plus the cost of the gas withdrawn from storage at the storage WACOG. Alternatively, the storage balances could be re-priced monthly at prevailing prices, and customers charged or credited with the difference, as described in the response to EGD 14, Exhibit IR1, page 15.
- c. Please see the response in b. above. The WACOGII would be used to price the gas withdrawn out of storage. Alternatively, the storage balances could be re-priced monthly at prevailing prices, and customers charged or credited with the difference, as described in the response to EGD 14, Exhibit IR1, page 15.