COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY
2003 INTEGRATED GAS RESOURCE PLAN
Docket No. D.T.E. 03-52

COMPANY'S RESPONSES TO THE DEPARTMENT'S
FIRST SET OF INFORMATION REQUESTS

DTE-1-59 With regard to the Company's purchase of spot gas, please discuss:

(a) the volume of spot purchases the Company has made over the past five years.
(b) how the Company determines what quantity of gas to purchase on the spot market and how it selects vendors.
(c) the source of these purchases.
(d) the percentage of total gas purchases the Company made that was spot purchases over the past five years. Please explain what factors determined these percentages.
(e) the point of purchase of spot gas (i.e., the wellhead or the city-gate).
(f) the advantages and disadvantages of purchasing spot gas at both the wellhead and the city-gate.
(g) the Company's inherent ability to maintain low cost gas at the targeted standards of reliability.
(h) the effects of a significant rise in spot prices (ten percent increase, 25 percent increase, 50 percent increase) on the Company's CGAC.
(i) please provide a chart reflecting the commodity price paid by Fitchburg for each commodity contract in the past one, two, three, four, and five years.
(j) whether the purchases occurred during the heating or non-heating season.

Company Response:

(a) Fitchburg Gas and Electric Light Company has purchased approximately 1,362,400 Decatherms of spot gas from January 1st 1998 to December 31st 2002.

(b) The Company makes purchases on the spot market, using a base and heating increment calculation based on the forecasted degree day, to determine the Company's need for the coming day and week. It then subtracts the amount of gas which has already been secured, either through supply agreements or withdrawal from storage. If gas supply is needed, The Company will call different suppliers and ask for a quote on the gas supply. To evaluate a purchase, The Company takes into account the availability of capacity on the pipeline contracts from the gulf, market area, and Dracut or the ability for the supplier to deliver to the citygate. Other than citygate deliveries, the company takes into account the fuel losses from the different receipt points to citygate, plus the variable transportations charges as well.

DTE-1-59 (continued)

(c) The Company makes spot purchases from the Gulf, Market area, Dracut and Citygate deliveries.

(d) The Company has made approximately ten percent of its total gas purchases in the spot market over the past five year period. The factors involved in making these decisions were (i) an under-delivery for the coming period to serve the firm customers, as stated in (b) above, and (ii) does the Company have the ability to serve its' interruptible customers cost effectively. In serving interruptible customers, the Company will determine if there is a margin between their alternative fuel source and natural gas pricing. Once determining that there is a margin, the company looks at the availability to purchase and deliver the gas for the customer.

(e) The Company will purchase spot gas from the Gulf, Tennessee Gas Pipeline (TGP) zone 4, Dracut interconnect, and citygate delivery.

(f) Purchasing decisions from the wellhead or citygate are dependant on the amount of spot purchase, available pipeline capacity, and market conditions. The Company will look for the most reliable, least cost way to make the purchasing decision.

(g) The Company's ability to maintain low cost, reliable gas supply is through the flexibility of its' firm gas contracts, TGP storage contracts and the Company's peaking facilities. The Company has secured firm contracts giving the flexibility to procure more gas supply on a daily basis to meet the TGP pipeline capacity, or go to the spot market to make these purchasing decisions taking into account price and ability to deliver the gas to citygate. Included in maintaining low cost gas and the reliability of serving firm customers, is the Company's ability to swing up or down on a daily basis using the gas it has in storage or by using the peaking facilities to serve its' firm customers. By keeping our peaking facilities near full, the Company can use these plants at a fixed known cost. The Company can also keep some price volatility in check.

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DTE-1-59 (continued)

For instance, during February 2003, the zone 6 spot market price reached as high as $27.48. By having the ability to supplement the TGP citygate deliveries with peaking supplies at the known cost of $9.72 helped maintain low cost gas supplies as well as providing system support as discussed in the Company's response to DTE 1-53

(h) The Company used its September 16, 2002 (Winter 2002/2003) Form II filing as the reference point for assessing the impact of a significant rise in spot gas price. This filing served as the basis for the Companies CGAC effective for the month of November 2002. This period includes spot gas purchases that are approximately 10 percent of the total gas supply for the period. Please see Attachment DTE 1-59 (h), page 1 of 1. The estimated impact of a 10 percent increase in spot gas is approximately $0.0048 per therm or 0.9%. The estimated impact of a 25 percent increase in spot gas prices is approximately $0.0120 per therm, or 2.3%. The estimated impact of a 50 percent increase in spot gas prices is approximately $0.024 per therm or 4.5%.

(i) and(j) Please refer to attachment DTE 1-59(j)
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Page 2 of 5 is year 1999
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Person Responsible: Richard MacInnis