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March 30, 2006

VIA ELECTRONIC FILING AND OVERNIGHT COURIER

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, Massachusetts 02110

Re: Bay State Gas Company, D.T.E. 06-07

Dear Ms. Cottrell:

Enclosed for filing in the above referenced docket, are Bay State Gas Company's ("Company") responses to the following Information Requests issued by the Department:

DTE 1-1	DTE 1-2	DTE 1-3	DTE 1-4	DTE 1-5
DTE 1-6	DTE 1-7	DTE 1-8	DTE 1-9	DTE 1-10
DTE 1-11	DTE 1-12	DTE 1-13	DTE 1-14	

If you have any questions, please do not hesitate to call me at (508) 836-7394.

Sincerely,

Patricia M. French

cc: Denise Desautels, Hearing Officer (3 copies)
Jamie Tosches, Esq., Assistant Attorney General (4 copies)
Francisco C. DaFonte, NiSource

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE D.T.E.
D.T.E. 06-7

Date: March 30, 2006

Witness Responsible: Francisco C. DaFonte
Director, Energy Supply Services

DTE 1-1: Please clarify the Daily Contract Quantity ("DCQ") specified in the NEA Agreement: (1) 48,817 dth/day (see p. 3 of petition for Approval for Long term Supply and Capacity Contract), and (2) 48,000 dth/day (see p. 2 of petition for Approval for Long term Supply and Capacity Contract).

RESPONSE: The DCQ to be delivered by NEA is 48,817 dth/day at Centerville. The Company then transports this volume on its Algonquin firm transportation to its citygate. After netting out fuel reimbursement on Algonquin, the net delivered volume is 48,000 dth/day.

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DTE 1-2: Please discuss how the NEA Agreement will contribute to the strength of the Company's overall supply portfolio. In addition, please explain how the NEA Agreement fits into the Company's portfolio objectives established in the Company's most recently approved Forecast and Supply Plan (see Bay State Gas Company, D.T.E. 02-75 (2004)).

RESPONSE: The NEA agreement is a viable resource that not only lowers supply costs but it provides the Company with another liquid supply point. Adding a supply point increases reliability to Bay State and its customers and provides more supply security in the event of a disruption to other supply basins such as, that which occurred in the Gulf Coast in August and September of 2005.

The Company's portfolio objectives complies with those established in the Company's most recently approved Forecast and Supply Plan approved by the Department in D.T.E. 02-75 (2004). They include the following: (1) reduce portfolio costs; (2) maintain portfolio reliability (which includes enhancing diversity across pipelines and supply basins): (3) provide flexibility; and (4) acquire viable resources.

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DTE 1-3: Please provide copies and supporting documents showing the Company's need for incremental supply and capacity as presented in the last approved Forecast and Supply Plan (see Bay State Gas Company, D.T.E. 02-75 (2004)). In your answer, please provide a table with the following information on the growing demand for natural gas for the time period covered by the NEA Agreement:

(a) forecast of firm sales;
(b) forecast of firm transportation sales; and
(c) forecast of reverse migration (sales).

RESPONSE: Please see Bay State's response to AG 1-12 and its accompanying attachments.

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DTE 1-4: Please discuss whether the Company has observed a difference between the forecasted growth in demand predicted at the time the last forecast and supply plan was filed and the current need.

RESPONSE: The 2002 Forecast and Supply Plan estimated design-day throughput at 430,200 Dth for the 2005 winter period and 436,460 Dth for the 2006 winter period. This represents a 1.5% annual growth rate. The 2005 load forecast estimated design-day throughput at 445,304 Dth for the 2005 winter period and 449,721 Dth for the 2006 winter period. This represents a 1.0% annual growth rate. These estimates exclude grandfathered firm transportation customer loads.

The 2002 Forecast and Supply Plan estimated normal throughput in the Base Case at 40,525 MDth for the 2005 winter through 2006 summer period and 41,115 MDth for 2006 winter through 2007 summer period. This represents a 1.5% annual growth rate. The 2005 load forecast estimated normal throughput at 39,190 MDth for 2005 winter through 2006 summer period and 39,580 MDth for 2006 winter through 2007 summer period. This represents a 1.0% annual growth rate. These estimates exclude grandfathered firm transportation customer loads.

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DTE 1-5: The Company states that the NEA Agreement has a primary term commencing on November 1, 2006 through March 31, 2011 with NEA having the right, prior to September1 2010, to extend the gas supply service through November 30, 2016 (Exh. BSG-1 at 6). Please, discuss whether NEA would have rights to change the terms of the gas supply service when deciding on the extension through November 2016.

RESPONSE: NEA has the right to extend the terms of the proposed agreement, but may not alter the terms or add additional terms. Please see the section entitled, "Term", of Exhibit FCD-1 CONFIDENTIAL, at page 5.

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DTE 1-6: Bay State states that it has the option to not take any supply service during two months, November and March, if operational reasons dictate such a choice (Exh. BSG-1 at 6). Please discuss those operational reasons.

RESPONSE: The operational reasons that would be considered by Bay State in its decision not to take the NEA supply during the November or March period are mainly associated with lack of demand and can be caused by warmer than normal weather, lower use per customer, customer movement to transportation service from sales service and lower sales growth. Operational reasons can also be tied to upstream restrictions on delivering pipelines or Bay State's inability to take volumes due to distribution system constraints.

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DTE 1-7: Please explain the term of the firm transportation capacity contract associated with the NEA Agreement. Does the firm transportation contract have a primary term up to March 31, 2011 with NEA having the right to extend the capacity contract through November 2016 as well as the gas supply contract?

RESPONSE: The firm transportation contract on Algonquin has a primary term that expires on November 31, 2016. Bay State will take permanent release of this contract and there are no extension rights held by NEA once the permanent release is effectuated.

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DTE 1-8: Please explain why the firm transportation capacity within the NEA Agreement will have two different tariff rates for the following period: (1) the Rate Schedule X-35 for the period November 30, 2006 through December 31, 2008, and (2) the current FERC-approved maximum tariff rate 2 for the period January 1, 2009 through November 30, 2016 (Exh. BSG-1 at 6-7).

RESPONSE: NEA's firm transportation capacity on Algonquin currently has a discounted rate as a result of a settlement entered into between NEA and Algonquin. The discounted rate settlement expires on December 31, 2008. Upon expiration of this settlement rate, the firm transportation contract rate will revert back to the maximum tariff rate associated with the X-35 rate schedule.

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DTE 1-9: Please refer to Exh. BSG-1, at 6. It is stated that the DCQ or daily contract quantity will be 48,000 Dth/day. Please provide:

(a) the proportion that the DCQ represents in the Company's total commodity resource portfolio;
(b) the proportion that the DCQ represents in the Company's design-day requirement; and
(c) the proportion that the DCQ represents in the Company's seasonal requirements.

RESPONSE: Based on the 2005 customer load forecast:

(a) If the Company takes 48,000 Dth each day, December through February, then the proportion of total normal annual commodity resources supplied from the proposed NEA Agreement is approximately 11%.

(b) The proportion of total design-day requirements supplied from thie proposed NEA Agreement is approximately 11%.

(c) If the Company takes 48,000 Dth each day, December through February, then the proportion of total normal winter season (November – March) requirements supplied from the proposed NEA Agreement is approximately 16%.

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DTE 1-10: Discuss how the NEA Agreement will contribute to diversifying the Company's resource portfolio. Please, provide a table containing the total number of gas commodity contracts, area of origin of gas, length of contracts, and suppliers.

RESPONSE: As stated in Bay State's response to DTE 1-2, the NEA Agreement provides access to another liquid supply point and reduces the risk of supply disruptions. Also, it adds a longer-term supply contract to the Company's portfolio, balancing off shorter-term supply contracts.

Attachment DTE 1-10 lists all of the Company's supply contracts, as of November 2005. As this attachment illustrates, most commodity contracts are shorter-term deals covering the latest winter period.

The names of the suppliers will be furnished to the Department upon request and to any other party upon execution of a mutually agreeable non-disclosure agreement.

Bay State Gas Company
Summary by Supplier of 2005-2006 Winter Term Deals

	Bay State - Purchases					
	Seller	**Term**	**Pipeline**	**Receipt Point**	**Origin of Gas**	**Volume per day (Dth)**
1	**Supplier A**	Nov. 05 - Mar. 06 winter only	Tennesee	TGP zone 0 pool (Zone L, 500 Leg) (Zone L, 800 Leg)	Texas Gulf Coast Gulf Coast	4,050 5,070 2,397
2	**Supplier B**	Yearly Baseload 1991-2006	PNGTS	E. Hereford	Western Canada	4,975
3	**Supplier C**	Nov. 05 - Mar. 06 winter only	AGT	Beverly/Salem Hubline Supply	Canadian Maritimes	18,000
4	**Supplier D**	April 05 - March 07	Tennessee	Niagara Falls	Midwest or Western Canada	10,471
5	**Supplier E**	Baseload Nov. 05 - Mar. 06	Tennessee	Niagara Falls	Midwest or Western Canada	5,600
6	**Supplier F**	Jan 2006 - Nov., 2016 NOV - MAR supply deal right to refuse supply in Nov & Mar	AGT	Centreville	Market Area: Midwest, Western Canada or Gulf Coast	48,000
7	**Supplier G**	Dec, 2005 - Feb., 2006	PNGTS	E. Hereford	Midwest or Western Canada	12,000
8	**Supplier C**	Dec 05 - Feb. 06	IROQ	Waddington	Midwest or Western Canada	8,800
9	**Supplier H**	Nov. 05 - Mar. 06	IROQ	Waddington	Midwest or Western Canada	18,000
10	**Supplier H**	Dec 05 - Feb 06	Tetco AGT	TETCO Gulf Coast	Texas & Gulf Coast	21,214
11	**Supplier I**	Nov 05 - Mar 06	Tetco AGT	TETCO Gulf Coast	Texas & Gulf Coast	15,155

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DTE 1-11: During the RFP process, did the Company provide any RFP respondent with an opportunity to revise or change the terms of its original response?

RESPONSE: The Company discussed each bid with the respective respondent to ensure that the terms of the RFP were clear. No respondents requested or were allowed to change their bids.

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DTE 1-12: Please refer to page 17 of Exhibit BSG-1 and Exhibit FCD-8.

(a) Why did the Company only examine 4 seasons worth of December to February data while developing a NYMEX basis differential price to compare all of the submitted bids at Centerville?

(b) Update the analysis contained in Exhibit FCD-8 by expanding the time horizon to include the past ten seasons of December to February comparisons between monthly NYMEX prices at expiration to the Transco Non-Ny delivery point monthly index price.

RESPONSE: (a) The Company chose to use the last four seasons of data because it reflects more recent supply and demand constraints in the marketplace and the associated higher commodity prices. Data prior to that reflect a less constrained supply and demand balance and the associated lower NYMEX prices as well as basis differentials. Thus, older data may not be appropriate as indicators of future market conditions.

(b) Attachment DTE 1-12 includes 7 years worth of data. Bay State does not have data prior to February 1998. As the attachment shows, the additional three years of data lower the basis differential slightly to $1.16 (a $0.07 decrease).

Bay State Gas Compay
Monthly Transco/NYMEX Basis Differentials
December through February

Date	Transco Z6 Non-NY	NYMEX Close	Differential
Feb-98	$2.35	$2.001	$0.35
Dec-98	2.38	$2.149	$0.23
Jan-99	$2.10	$1.765	$0.34
Feb-99	2.07	$1.810	$0.26
Dec-99	2.63	$2.12	$0.51
Jan-00	2.95	$2.34	$0.61
Feb-00	3.76	$2.61	$1.15
Dec-00	6.93	$6.02	$0.91
Jan-01	15.15	$9.98	$5.17
Feb-01	7.55	$6.29	$1.26
Dec-01	$2.97	$2.32	$0.65
Jan-02	$3.70	$2.56	$1.15
Feb-02	$2.46	$2.01	$0.45
Dec-02	$4.96	$4.14	$0.82
Jan-03	$6.43	$4.99	$1.44
Feb-03	$7.35	$5.66	$1.69
Dec-03	$5.67	$4.86	$0.81
Jan-04	$7.54	$6.15	$1.39
Feb-04	$8.30	$5.78	$2.53
Dec-04	$8.82	$7.98	$0.84
Jan-05	$7.96	$6.21	$1.75
Feb-05	$7.56	$6.29	$1.27
Average			$1.16

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DTE 1-13: Please refer to page 19 of Exhibit BSG-1. Which two top bids for AGT citygate service were combined and assumed to continue for a five year period?

RESPONSE: Per CONFIDENTIAL Exhibit FCD-7, the top two bids that were combined are those with the lowest dollar values listed in the column entitled, “Bay State Citygate”.

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DTE 1-14: Please refer to Exhibit FCD-13, page 4 of 4.

(a) What were the credit ratings of NEA and the remaining bidder at the time the Company performed its analysis of non-price factors? Please provide the credit ratings as determined by Moodys and Standard and Poors.

(b) Given the absence of a credit rating for the third bidder, how was the Company able to assess the firm's financial integrity?

RESPONSE: (a) The ratings were as follows:

	S&P	Moody's
NEA (Florida Power and Light)	A	A2
Other bidder	A-	A2

(b) Bay State has done business with this entity for many years and, while they are not rated, Bay State has insisted on and received financial assurances from this entity in the past. However, on a relative basis compared to the alternative suppliers, the financial integrity score was deemed by Bay State to be inferior to the other alternatives.