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DTE 1-4 Please refer to BG-1 at 4. Please provide a further breakdown of the 37.7% figure cited on Line 13.

Response:

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DTE 1-5 Please refer to BG-1 at 8. Please explain, in different words, what is meant at Lines 6-8 in the testimony which reads as follows: "In other words, we assumed that the test year CGAs were perfectly reconciled to test year gas costs, with no reconciliation or payment lag. However, this total was allocated to rate classes based on actual CGAs."

Response: This approach was taken to ensure first that base rates in total would collect no gas costs. The next goal was that base rates for individual rate classes might reflect under or overcollections of gas costs through the CGA. That results because the CGA allocates gas costs in a slightly different manner than does the cost of service study. In Blackstone's gas, such differences are quite small.

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DTE 1-6 Please refer to Exhibit 3, Page 3. Please explain the rationale for a base revenue adjustment in June, 2000. Is such a revenue adjustment realistic in terms of modeling rates?

Response: The weather normalization model showed that actual weather was colder than normal in June 2000. It would be expected that normal sendout would be lower than actual (some reduction in heating use, possibly some reduction in water heating and even cooking). This needs to be reflected in normal revenues just as an increase in sendout in normal weather would have been.

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DTE 1-7 Please refer to Exhibit 3, Page 3. Please explain the line item "peaking reservation."

Response: The supply contract with Duke includes a demand charge that is a reservation charge for the peaking or supplemental portion of gas supply.

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DTE 1-8 Please refer to Exhibit 3, Page 3. Please explain the source and derivation of the Supplemental Actual Commodity figure of $36,101 for December, 2000.

Response: Blackstone was billed $36,101 for Supplemental Gas in December on its gas supply contract.

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DTE 1-9 Please refer to Exhibit 3, Pages 3 and 5. Why do the Sendout Costs on Page 3 not match those on Page 5?

Response: Page 5 does not show actual sendout - it shows only weather normalized sales.

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DTE –11 Please refer to BG-1 at 9. Please explain why the weather adjustments were charged at the tailblock rates.

Response: Increases or decreases in monthly sales are expected to fall primarily in the tailblocks of the rates

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DTE 1-18 Please refer to Exhibit 2 at Schedule 5. Please comment on the $909,806 uncollectible figure shown on Line 37. Is this figure correct?

Response: This is the uncollectible allocator. It is based on revenue requirements of the residential classes.

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DTE 1-19 Please refer to Exhibit 2, Schedule 1. Please provide the supporting schedules and workpapers which document the depreciation expense figure of $65,318 included in the overall cost of service.

Response: Please see response to AG-1-12.

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DTE 1-23 Please refer to BG-1 at 4. Please explain how the Company's practice of financing rate base primarily with equity rather than with long-term debt provides service to customers at the lowest possible cost.

Response: Because of its small size and past difficulties with a large debt burden, the Company has had difficulties in obtaining additional long-term debt. Particularly when making small plant additions, financing through long-term debt has not always been an option. Debt financing in relatively small increments also adds costs in terms of outside financial and legal assistance, which would appear as higher annual expenses, rather than debt cost, but which would increase overall cost.

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DTE 1-24 Please refer to Exhibit 2, Schedule 4. Please explain why each of the pro-forma plant additions has a significant impact on year end rate base, and thus, satisfies the Department's criteria for inclusion in rate base in the instant proceeding.

Response: The transportation plant addition is 7.9 % of total rate base, and thus has a significant impact on year end rate base of $1,428,200, increasing it by 7.9%. Total proforma rate base additions increase rate base by 8.46%. In DPU 91-106/138 (Nantucket Electric), the Department allowed a proforma adjustment of 4.06% of rate base.

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DTE 1-26 Please refer to Exhibit 5. Please explain why the federal tax figure should not be $55,016 rather than the $56,105 figure shown.

Response: We don't know the source of the $55,016, or why this would be the federal income tax associated with the revenue requirement.

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DTE 1- 28 Please further define the weather normalization technique utilized for the normalizatic

Response: This has been described on pages 6-9 of Exhibit 1. We do not understand the question.

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DTE 1-29 Regarding "Quality of Service" provided by Blackstone, please indicate the number of complaints logged with DTE's Consumer Division and their specific area. Please describe what action has been taken to the address any situations brought to your attention by these complaints? Does the company currently have plans to improve any specific area of service in the near future? If so, what are those plans and what are the expected results.

Response: None were logged in 2000. The only quality of service situations that we are aware of in the last three years have been the result of problems stemming from the relatively new Tennessee Gas Pipeline meter.

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DTE 1-30 Please refer to Exhibit 8, at 4. The School Rate Class shows a percentage increase of 75.11% in the distribution charge, please explain in detail the reasons for this increase, with supporting workpapers.

Response: As noted in testimony, each class' revenue requirement was set to produce an 18.4% increase in total bills. Since the school had been paying so little toward base costs through the contract ($.179/ccf compared to G-1's first block at $.623 and tailblock of $.4097), achieving even this target, well below the cost of service, required a substantial increase in either the customer charge or the volumetric distribution rate.

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DTE 1-31 Please refer to Exhibit 8 at 4. Is the proposed School Rate Class unique to this particular school? What about other schools in the company's distribution area? How do other companies compare as to the development of their school class rate? Please explain the difference between the cost recovery of the school under remedial cost recovery versus embedded costs.

Response: The original school rate was a special contract negotiated with one school. This contract has ended. Other schools are eligible for this new School Rate, which is one reason that we are moving toward for cost of service for this rate..

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DTE 1-34 Please explain the concept of gas costs allocated on the basis of normal sellout.

Response: Most gas costs of Blackstone are incurred on the basis of sendout. The base portion of Blackstone's gas supply is priced so that it changes with sendout in a linear manner.