FIRST SET OF DOCUMENT AND INFORMATION REQUESTS OF
THE DEPARTMENT OF COMMUNICATIONS AND ENERGY TO
BOSTON GAS COMPANY, COLONIAL GAS COMPANY AND ESSEX GAS COMPANY
D/B/A KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 04-62

Respondent: Ann Leary

Information Request DTE 1-39

Q. Refer to Exhibit KED/AEL-3 (b).

(a) Calculate the price elasticity of demand for each rate class.

(b) What impact will the proposed increase in the bills for Essex customers have on their demand for natural gas?

(c) Will the proposed increase in the CGA tariffs for Essex customers result in any stranded costs for KeySpan if these customers reduce their gas consumption significantly? Provide all data, worksheets, and assumptions supporting your analysis.

A. (a) Please see Attachment DTE 1-39 (a), which is the relevant section of *Research for New Boston Gas Energy Demand Model, Final Report, March 24,2000 (p.45 - p. 48),* for the price elasticity of demand of 0.10 for the residential classes and 0.15 for the commercial/industrial classes. The Company submitted this report as part of its Long-Range Resource and Requirements Plan approved by the Department in D.T.E. 01-105.

(b) Please see Attachment DTE 1-39 (b). Assuming the price elasticity cited in the response to (a) above, and the bill impacts presented in Exhibit KED/AEL-3(b), the impact of the proposed increase in the bills for Essex customers on their demand for gas-- all other things being equal -- would be a decrease in demand on average of approximately 123,000 MMBtu. Of this amount, approximately 99,000 MMBtu are estimated to occur in the winter period.

(c) The proposed increase in the CGA tariffs for Essex customers will not result in any stranded costs because the estimated reduction in demand represents only 0.1% (99,000 / 89,895,000) of the Company's total peak season requirements (see Attachment DTE 1-39 (b)), which is a de minimis reduction.