



**Public Service
of New Hampshire**

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The Northeast Utilities System

Robert A. Bersak
Assistant Secretary and
Assistant General Counsel

October 30, 2009

Ms. Debra A. Howland
Executive Director and Secretary
New Hampshire Public Utilities Commission
21 Fruit Street, Suite 10
Concord, New Hampshire 03301



**Re: *Docket No. DE 08-103, Public Service Company of New Hampshire
Merrimack Station Scrubber Project -- Request for Information***

PSNH Response to CLF letter dated October 23, 2009

Dear Secretary Howland:

By letter dated October 23, 2009, Conservation Law Foundation requested that the Commission order PSNH to update data provided in the Company's September 2, 2008 "Report" filed in this docket. As a basis for its request, CLF cites to the Commission's "Order on Scope" (Order No. 24,979 dated June 19, 2009, *slip op.* at 18) issued in the Company's financing docket, DE 09-033:

In describing the scope of our review in this case as not encompassing matters related to the propriety of the scrubber installation, we note that we have an open docket, DE 08-103, in which we are monitoring PSNH's costs of construction of the scrubber technology at Merrimack Station. In that docket we will consider the prudence of PSNH's actions during the construction of the scrubber, including whether it avails itself of the variance procedure under RSA 125-O:17 in the event of escalating costs.

PSNH is pleased to report that construction of the scrubber mandated by RSA 125-O:11, *et seq.*, is proceeding on-time and on-budget. At this point in time, the costs of construction of the scrubber technology at Merrimack Station are not escalating. As there are contracts in place for nearly all aspects of the project, PSNH does not deem any future price escalation likely.

The Company is confident that it will comply with the statutory in-service date for this emissions control system of July 1, 2013. RSA 125-O:13, I. Barring any unforeseen construction delays, PSNH anticipates having the scrubber operational sooner than that deadline, resulting in achievement of the "Economic Performance Incentives" created by the Legislature in RSA 125-O:16.

PSNH has no control over economic factors that in recent time have shown great volatility. The Company, the State, and the country overall, have weathered nearly 18 months of recession. There are promising indicators that the worst is behind us. This year, very moderate summer weather added to the slow economy to produce low demand for power. As the economy gets back on track, it is likely that there will be increases in demand for energy and changes in soft energy prices that have recently been seen in the market. That recovery, coupled with normal weather patterns, will place upward pressure on energy and fuel costs.

These external factors are outside of the contractual costs of construction of the scrubber. As with PSNH's periodic energy service cost filings, a snapshot of such costs today will be different than those a day, week or month from now. It would be a waste of resources and money to require the Company to continually update projections of future costs based upon forecasts made during this period of significant volatility. Moreover, regardless of the result of such analyses, the legal mandate to install scrubber technology at Merrimack Station will remain intact.

Finally, PSNH is cognizant of the service requirements set forth in the Commission's regulations at Rule Puc 203.11. PSNH assures the Commission, as well as CLF, that it will adhere to the obligation to serve all filings in this proceeding on parties listed on the Commission's service list.

Sincerely,

A handwritten signature in dark ink, appearing to read "Robert A. Bersak", with a stylized flourish at the end.

Robert A. Bersak
Assistant Secretary and
Assistant General Counsel

cc: Service List, Docket No. DE 08-103

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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