

ORIGINAL	
N.H.P.U.C. Case No.	DE 11-215
Exhibit No.	14
Witness	Panel 2
DO NOT REMOVE FROM FILE	

Public Service Company of New Hampshire
Docket No. DE 11-215

Data Request STAFF-02

Dated 05/31/2012

STAFF-001

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Witness: Robert A. Baumann, William H. Smagula, Timothy J. Griffin
Request from: New Hampshire Public Utilities Commission Staff

Question:

Reference Exhibit 7 from December 19, 2011 hearing.

- a. How often does the Technical Accounting group perform its technical updates of depreciation rates for PSNH's generation assets?
- b. Please provide copies of any internal company policies, procedures, memoranda, etc. that involve the performance of technical updates of depreciation rates.
- c. Please provide the years that the five most recent Technical Updates were performed.
- d. Please provide any reports or other documentation prepared in connection with the three most recent technical updates.

Response:

- a. There is no pre-determined timing for the performance of Technical Updates for Average Year of Final Retirement (AYFR) assets. Technical Updates are performed based upon engineering updates of changes in the AYFR year which are triggered by either the present year closely approaching the assessment AYFR or a large investment in a Unit.
- b. While there are procedures around the timing of Technical Updates on Distribution assets, there are no policies, procedures or memoranda in place for Technical Updates to AYFR assets because those changes are done on an as needed basis.
- c. The five most recent studies were performed in 1986, 1997, 1998, 2007 and 2012.
- d. See Attachments 1 through 3 which has the 2012, 2007 and 1998 AYFR Technical Updates.

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**Witness: Robert A. Baumann, William H. Smagula
Request from: New Hampshire Public Utilities Commission Staff**

Question:

Reference Exhibit 7 from December 19, 2011 hearing. Please explain and define the term "operational usefulness" as it applies to each of PSNH's generating units. Does the usefulness pertain to both physical and economic usefulness?

Response:

The operational usefulness of a generating unit is an engineering determination of the expected useful life of the asset using the latest available data based on the condition of the equipment and the projected operational service.

Witness: Frederick White
Request from: New Hampshire Public Utilities Commission Staff

Question:

Reference Baumann/White joint technical statement, item 1.

- a. Please provide details and an explanation of the \$1.8 million expense relating to coal deliveries and inventory management.
- b. Please explain what is meant by the "removal of an assumed sell-back (in the December filing) of \$5.0 million. Did that anticipated coal sale not happen? Please provide details.

Response:

a. REDACTED

In its June 12, 2012 ES filing PSNH has updated the subject \$1.8 million expense figure to \$2,295k, [BEGIN CONFIDENTIAL] [END CONFIDENTIAL]. This expense is offset by savings to energy expenses [BEGIN CONFIDENTIAL] [END CONFIDENTIAL], based on an equivalent quantity of energy. PSNH has adjusted coal delivery volumes to better align with its operating plans for the provision of energy service to its customers during the remainder of 2012. The adjustments have been arranged [BEGIN CONFIDENTIAL] [END CONFIDENTIAL], management of PSNH on-site storage volumes, and the relative economics of market energy purchases. PSNH's plan also maintains sufficient quantities that should market energy prices increase generating units could operate for customers' benefit.

b. REDACTED

The anticipated coal "sell-back" (in the December filing) [BEGIN CONFIDENTIAL] [END CONFIDENTIAL], likely will not occur, even though in prior years coal sell backs have been able to be executed. Worldwide market conditions for this particular metallurgical coal have changed such that this transaction currently is no longer feasible. The ES rate as filed recognizes the avoidance of higher energy expenses associated with an equivalent quantity of energy and no associated expense is modeled or anticipated.

The response contains confidential information to which PSNH submits a claim of confidentiality pursuant to Puc 201.06(a)(30).

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Witness: Frederick White, Jody J. TenBrock
Request from: New Hampshire Public Utilities Commission Staff

Question:

Reference Baumann/White joint technical statement, item 3. Please provide details such as quantity, price, timing, etc. concerning the planned sale of oil.

Response:

REDACTED

PSNH's May 2, 2012 filing indicated credits of \$4 million in each of May and June, 2012 representing two separate transactions for a total estimated credit of \$8 million. Both transactions have been completed and are updated in PSNH's June 12, 2012 filing. The first occurred in April, 2012 and realized benefits of \$3,511k. This sale involved [BEGIN CONFIDENTIAL] [END CONFIDENTIAL] barrels sold at a price [BEGIN CONFIDENTIAL] [END CONFIDENTIAL]. The second occurred in May, 2012 and realized benefits of \$4,940k. This sale involved [BEGIN CONFIDENTIAL] [END CONFIDENTIAL] barrels sold at a price [BEGIN CONFIDENTIAL] [END CONFIDENTIAL]. Although PSNH's June 12, 2012 filing shows this second credit in June it was booked in May, 2012. Total benefits from both transactions equal \$8,541k.

The response contains confidential information to which PSNH submits a claim of confidentiality pursuant to Puc 201.06(a)(30).

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Witness: Frederick White
Request from: New Hampshire Public Utilities Commission Staff

Question:

Reference Attachment RAB-2, page 3, lines 4-5. Please explain the changes related to the actual and planned use of the coal units during 2012. Are the changes solely related to economics, or are other factors involved?

Response:

In general, generation from coal units in this filing, in both actual and forecasted periods, is lower than the forecast in the December filing due to lower energy market prices (economics). Regarding the Merrimack units, for the January through March actual period the units ran serving load for both economics and scrubber shakedown/verification tests. Forecasted Merrimack generation during July, August, November, and December is lower due to lower energy market prices. Higher prices could result in additional generation. This generation will serve load, allow completion of required ISO-NE, environmental, and scrubber operational verification tests, and consume contracted coal quantities. Regarding the Schiller units, during the January through March actual period the units ran minimally serving load for both economics and ISO-NE reliability. Forecasted Schiller generation during July, August, and December is lower due to lower energy market prices. Although the Schiller units are not forecast to run during these periods they have operational flexibility beyond that modeled and are available for generation on higher priced days/periods.

Witness: William H. Smagula, Frederick White
Request from: New Hampshire Public Utilities Commission Staff

Question:

Reference Attachment RAB-2, page 3, lines 17-19. Please provide the assumptions used regarding the operation and dispatch of Newington Station and explain how those assumptions impact the forecasted ES costs. Have there been any changes to the planning assumptions used for Newington Station as compared to the assumptions used in the earlier part of this proceeding? If so, please explain in detail. In your response, please separately address the use of oil and natural gas as the primary fuel. Please also explain the variations in GWh generation and energy expense for Newington Station for the months of January – March 2012 as compared to the December 14, 2011 forecast.

Response:

The dispatch of Newington in the modeling used for the purposes of ES rate setting is based on the economics of operating Newington to produce energy (variable operating costs, primarily fuel) versus energy market prices (the alternative source of energy). Newington's delivered fuel costs and market energy prices are based on a consistent set of market prices as quoted on a given day. When Newington economically dispatches in the model the benefits (energy market revenue net variable operating costs) flow to ES customers. Energy market revenues are modeled either in the form of avoided market energy costs, or in a case where Newington's generation is surplus to ES load, as a component of "Surplus Energy Sales" modeled on lines 37 & 38 of RAB-2, page 3. A planning assumption update in PSNH's May 2, 2012 filing changed a component of the natural gas delivery basis adder from TETCO-M3 to Algonquin Citygates. Other assumptions remain unchanged. Regarding gas or oil usage, the dispatch algorithm "chooses" the most economic delivered fuel between the two and the associated MW output; e.g. - MW output is limited to 310 MW when burning only gas. All Newington generation modeled assumes utilization of natural gas as the more economic fuel. This also is unchanged from the December 14, 2011 filing.

Regarding January - March deltas, Newington operated less than modeled in the December 14, 2012 filing generally due to a depressed energy market resulting from warmer than normal winter temperatures. Newington did however operate on some of the few peak days when gas and power prices escalated significantly, explaining the higher average dispatch cost in actual compared to December's forecast.

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Witness: William H. Smagula
Request from: New Hampshire Public Utilities Commission Staff

Question:

Reference Attachment RAB-2, pages 3 and 5. Please explain what effect, if any, planned reduced generation at PSNH's fossil units has had on employment levels at the individual plants.

Response:

As the regional economy began to slow in 2009-2010 and the increased supply of lower priced natural gas began to emerge, PSNH recognized the potential for reduced capacity factors at its generating stations. As part of the effort to adjust costs and PSNH energy rates, given reduced capacity factors, one area focused on by Generation was personnel openings that existed or became available over time at the plants. It was determined that every position that became open would be reviewed to assess if filling it was essential for the short and long term operation of each station. The outcome showed that certain groups in each plant could be allowed to have openings remain unfilled for some period of time. Selected openings created by natural attrition are currently allowed to remain unfilled until it is determined that an alternate action is appropriate. It should be noted that nine new positions were established and filled at Merrimack Station as part of the Clean Air Project during 2010 and 2011.

Witness: William H. Smagula
Request from: New Hampshire Public Utilities Commission Staff

Question:

Reference Attachment RAB-2, pages 3 and 5. Please provide the current number of full-time equivalents (FTEs) for Merrimack Station, Newington Station and Schiller Station. Please also provide the FTEs for each of those generating plants for each of the prior five calendar years.

Response:

The currently approved FTE staffing levels are shown below. Numbers for prior years reflect an average value over each year. It should be noted that the actual staffing levels at any given time may be slightly lower than the listed values due to people leaving a station for various reasons.

Station	Current (2012)	2011	2010	2009	2008	2007
Merrimack	116	113	113	113	108	104
Newington	44	44	44	49	49	50
Schiller	83	83	83	83	84	79

Notes:

Merrimack Station added 9 employees associated with the Clean Air Project.
Schiller Station added 7 employees associated with the Northern Wood Power Project (NWPP) in the 2006 and 2007 period.