



Public Service of New Hampshire d/b/a Eversource Energy
Docket No. DE 17-075

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Date of Response: 09/21/2017

Request No. STAFF 1-017

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Request from: New Hampshire Public Utilities Commission Staff

Witness: Frederick White, Jody J. TenBrock

Request:

Reference Bates page 42 and beginning on line 25. Please explain why the contract agreement signed December 17, 2007 did not have protections considered for customers such as an inability of the supplier to secure the supply of coal, and explain why the lack of this language is considered by the Company as prudent?

Response:

The subject Canadian Steamship Lines (CSL) agreement was executed primarily to move Venezuelan coal, specifically the coal produced by Peabody's Paso Diablo mine, but the coal supply wasn't restricted in the shipping contract to that specific mine in Venezuela. At the time of entering into the CSL shipping contract other Venezuelan coal mines were operational in the State of Zulia, where the named Venezuelan ports in the shipping contract were located. The diversity of coal mines in Venezuela in 2007 afforded the Company some optionality in supplying coal via CSL.

However, when Peabody declared a force majeure in April, 2010, there was only one other coal mine in Zulia producing any significant amounts of coal. The Company took one cargo of coal from this other Venezuelan mine, Mina Norte, in 2010, before it too became essentially defunct.

The CSL contract also named ports in Colombia where coal could be loaded. This secondary option was included in the contract to allow for some flexibility and to move coal supply for Schiller Station. It is important to understand that Merrimack Station has some difficulty burning Colombian coal due to its inherent fluidity characteristics (its melting temperatures are higher than those of the Venezuelan coals in Zulia). Merrimack Station's boilers are of the 'wet bottom' design which requires lower melting temperatures of the coal for proper boiler performance. Hence, although Merrimack can introduce small fractions of Colombian coal to blend with other coals, it much prefers the better suited Venezuelan coal. By 2011 and 2012, Schiller's capacity factor had markedly declined and less coal was required to fuel the station, and it was working off inventories of mostly Paso Diablo coal.

The Company believes the flexibility of utilizing various supply options in the CSL contract provided sufficient protections for coal supply contingencies to move forward with the contract in 2007. Had anticipated higher capacity factors of the Company's coal-fired generators occurred, the CSL contract could have been fully utilized with the built-in flexibility and contingency protections, despite the inability to obtain coal from the Venezuelan mines.