

**Public Service Company of New
Hampshire**
Docket No. DE 09-091

Data Request OCA-01

**Dated: 07/28/2009
Q-OCA-017
Page 1 of 1**

Witness: William H. Smagula
Request from: Office of Consumer Advocate

Question:

Please explain how PSNH's generating sector was impacted by the December 2008 Ice Storm.

Response:

The generating facilities did not experience any damage associated with the December 2008 ice storm.

**Public Service Company of New
Hampshire**
Docket No. DE 09-091

Data Request OCA-01

**Dated: 07/28/2009
Q-OCA-018
Page 1 of 1**

Witness: William H. Smagula
Request from: Office of Consumer Advocate

Question:

If any generation sector employees were "loaned" to the Distribution sector to assist in the December Ice Storm restoration, please explain in detail.

Response:

A limited number of generation employees were loaned to distribution. Generation employees were loaned only after approval from generation management was obtained, which confirmed that no generation activities would be impacted.

**Public Service Company of New
Hampshire
Docket No. DE 09-091**

Data Request OCA-01

**Dated: 07/28/2009
Q-OCA-019
Page 1 of 1**

**Witness: Robert A. Baumann
Request from: Office of Consumer Advocate**

Question:

Are 100% of all ISO-NE credits received by PSNH automatically credited to ES customers? If not, please explain. Similarly, are 100% of all ISO-NE credits received by NU and allocated to PSNH automatically credited to ES customers? If not, please explain.

Response:

Generation related credits received from ISO-NE on PSNH's bill or allocated to PSNH from the NU bill are all booked when received and credited to PSNH's ES customers.

**Public Service Company of New
Hampshire
Docket No. DE 09-091**

Data Request OCA-01

**Dated: 07/28/2009
Q-OCA-020
Page 1 of 1**

**Witness: Richard C. Labrecque
Request from: Office of Consumer Advocate**

Question:

Referring to Staff 01-012, Actual Customer Migration started to greatly exceed estimates in November, 2008 and continued in December. What steps did PSNH take at that time to minimize costs to the remaining ES customers?

Response:

As customer migration increases, the energy required to serve default energy service customers decreases. PSNH and NU Wholesale Power Contracts staff continuously monitor the load and supply resource balance and make portfolio adjustments to serve the remaining DES customers with the optimal mix of available resources. This may require curtailing production from the least economic generation resource or reselling surplus power into the market. The magnitude of the migration increase during November and December 2008 did not require any notable, significant portfolio adjustments.

**Public Service Company of New
Hampshire
Docket No. DE 09-091**

Data Request OCA-01

**Dated: 07/28/2009
Q-OCA-021
Page 1 of 1**

**Witness: William H. Smagula
Request from: Office of Consumer Advocate**

Question:

Referring to Staff 01-031, page 1 of 2, why were the 2008 capital expenditures for Newington Station more than twice those budgeted?

Response:

When Newington Station was returning to service after its scheduled overhaul, the main generator's exciter was subjected to a thermal excursion which resulted in the exciter needing extensive repairs or replacement. PSNH obtained a rebuilt exciter rotor which avoided delays associated with the replacement or repair of the failed exciter, which could have taken up to 6 months. The rebuilt exciter rotor replacement cost \$1.5 million resulting in Newington exceeding its capital budget by \$1.4 million. PSNH has submitted an insurance claim for the associated property damage. There was no replacement power cost associated with this outage.

**Public Service Company of New
Hampshire
Docket No. DE 09-091**

Data Request OCA-01

Dated: 07/28/2009

Q-OCA-022

Page 1 of 1

Witness: Robert A. Baumann
Request from: Office of Consumer Advocate

Question:

Attachment RAB-2 lists the outages and corresponding replacement power costs. Please confirm that these costs occur during station outages. Please provide the same table that notes which outages are related to the Merrimack Station Outages for both the turbine replacement and the turbine malfunction.

Response:

Attachment RAB-2 includes outages and related replacement power costs for all unscheduled outages in excess of two days at either Newington Station or at the two units at Merrimack Station; and in excess of four days at the three units at Schiller Station and Wyman. Attachment RAB-2 does not include annual scheduled maintenance outages. Annual outages are scheduled with ISO to insure the system has adequate generation capabilities and to minimize disruptions.

There are three outages associated with the MK turbine replacement, two of which occurred in 2008 and one that will take place in 2009 as noted below:

- (1) 2008 planned HP/IP turbine replacement - outage start on 04/01/08 at 1346 through 05/22/08 0804 totaling 50.8 days
- (2) 2008 inspection outage related to HP/IP performance and subsequent finding of foreign material - June 20 - July 14, 2008 and
- (3) 2009 scheduled repair of the HP/IP turbine due to the foreign material issues found in the June-July 2008 outage.

The first outage was part of an annual scheduled maintenance outage, and accordingly, not included on RAB-2. As stated in response to data request Staff 01, Q-Staff-029 in this docket, "Merrimack 2 Annual Outage in April-May 2008 was completed 51 hours ahead of its scheduled ISO window. There were a number of long projects completed during the outage, including the HP/IP turbine replacement, and none of them exceeded the ISO window and thus there was no incremental outage cost (energy costs) to customers associated with the HP/IP replacement."

The second outage of Merrimack 2 related to inspection of the new HP/IP turbine performance, and other boiler and plant equipment which required an unplanned outage from June 20, 2008 through July 14, 2008. This forced outage has an estimated replacement power cost of \$13.2 million as shown and listed on Attachment RAB-2.

The third outage will occur in 2009 beginning August 1. It is expected that this repair outage will last 18 weeks. A 2009 annual scheduled outage planned to take 4 weeks was originally scheduled to occur in the spring of 2009. This outage work was shifted to occur during the HP/IP repair outage. Therefore, the net impact of this repair work is an additional 14 weeks of outage. The estimated cost of this additional 14 weeks of outage is \$5.2 million.

In addition, please see the response to OCA-01, Q-OCA-023 which further discusses the replacement costs and potential insurance proceeds.

**Public Service Company of New
Hampshire
Docket No. DE 09-091**

Data Request OCA-01

**Dated: 07/28/2009
Q-OCA-023
Page 1 of 1**

**Witness: William H. Smagula
Request from: Office of Consumer Advocate**

Question:

Referring to Staff 01-029, page 2 of 4, the Merrimack Station outage that lasted from June 20 to July 14, 2008 has an estimated cost of \$13.2 million included in energy service for 2008. a. Please explain if that includes replacement power costs. b. Is this amount net of \$6 million in insurance proceeds booked in December 2008? c. What is the net amount related to this outage of June 20-July 14, 2008 included in this reconciliation docket? d. Are additional proceeds expected that will be netted against the total 2008 costs?

Response:

The response to Staff 01-029 understood the question to ask for the impact to energy costs, that is "Please provide your calculations of the net economic impact to energy costs of the results of the HP/IP turbine replacement from the beginning of the initial outage on 4/1 through the 2009 planned maintenance outage." The response outlined the energy costs associated with each of the 3 outages requested. Specifically the "inspection outage of Merrimack 2, including the damage to the new HP/IP turbine, and other boiler and balance of plant equipment, required an unplanned outage from June 20 through July 14, 2008. This forced outage has an estimated cost of \$13.2 million." Therefore, in response to a) above, the \$13.2 million estimated cost is the replacement power cost associated with the inspection outage from June 20 through July 14. In response to b), this same response to Staff-029, page 2 of 4, goes on to explain that " There is a 60-day exclusion period prior to the beginning of the replacement power coverage." This inspection outage occurred during the replacement power exclusion period. c) The expense costs associated with this outage are included in the reconciliation docket. These inspection outage costs were submitted to the insurance company as part of the claim and were reimbursed as part of the \$6 million insurance payment. d) Replacement power costs associated with November and December 2008, approximately \$1.5 million, have been submitted as part of the insurance claim. Payment for this cost has not yet been received.

**Public Service Company of New
Hampshire
Docket No. DE 09-091**

Data Request OCA-01

**Dated: 07/28/2009
Q-OCA-024
Page 1 of 1**

**Witness: Richard C. Labrecque
Request from: Office of Consumer Advocate**

Question:

As a follow up to confidential responses Staff 01-009, what was the net cost to ES customers of PSNH's continued ownership and operation of Newington Station? Please provide the work papers.

Response:

The Newington Station 2008 revenue requirements are provided in Staff 01-009. There are no additional work papers.

**Public Service Company of New
Hampshire
Docket No. DE 09-091**

Data Request OCA-01

**Dated: 07/28/2009
Q-OCA-025
Page 1 of 1**

**Witness: Richard C. Labrecque
Request from: Office of Consumer Advocate**

Question:

As a follow-up to confidential responses Staff 01-030 and 009, please show the annual net cost /benefits to ES customers of PSNH's continued ownership and operation of Newington Station. Please provide the work papers.

Response:

PSNH understands the question to be seeking a forecast of the 2009-2013 Newington Station revenue requirements, including fuel and O&M, in relation to the potential ISO-NE market revenues associated with the facility. PSNH does not maintain such a forecast.

Public Service Company of New
Hampshire
Docket No. DE 09-091

Data Request OCA-02

Dated: 08/14/2009
Q-OCA-009
Page 1 of 1

Witness: Richard C. Labrecque
Request from: Office of Consumer Advocate

Question:

Referring to the response to OCA 1-015, please explain why the FTR loss in 2008 was more than three times greater than any prior year since 2003. Has PSNH made any changes to its FTR approach in light of the 2008 loss? Please explain.

Response:

The level of transmission congestion throughout New Hampshire and all of ISO-NE declined significantly in 2008 relative to prior years. Therefore, many of the financial congestion hedges (aka Financial Transmission Rights) that PSNH procured via auction had a cost that exceeded the realized congestion price differentials.

PSNH's general approach to FTRs has not changed, but our bidding behavior in the auctions has been adjusted to reflect the recent trend of lower transmission congestion; i.e. our bid prices are generally lower in 2009 than in 2008.

Public Service Company of New
Hampshire
Docket No. DE 09-091

Data Request OCA-02

Dated: 08/14/2009
Q-OCA-010
Page 1 of 1

Witness: William H. Smagula
Request from: Office of Consumer Advocate

Question:

Referring to the response to OCA 1-018, what was the period that generation employees where "loaned" to distribution during the Ice Storm? During this was any of their compensation charged to generation? If so, how much? Please provide the supporting work papers.

Response:

The majority of the generation employees loaned to distribution assisted during the period beginning the week of December 14 and ending the week of December 27. In a few instances, close-out work was completed during the next couple of weeks. None of the loaned employees' compensation for any of the storm support work was charged to generation.

**Public Service Company of New
Hampshire**
Docket No. DE 09-091

Data Request OCA-02

**Dated: 08/14/2009
Q-OCA-011
Page 1 of 1**

Witness: William H. Smagula, Robert A. Baumann
Request from: Office of Consumer Advocate

Question:

Referring to the response to OCA 1-021, what is the status of the insurance claim for Newington Station, and what is the amount of the claim?

Response:

The insurance claim has been submitted for an amount of \$773,443.95. The insurance holder has indicated that the loss is a covered event and the claim is currently proceeding through the adjustment process.

**Public Service Company of New
Hampshire
Docket No. DE 09-091**

Data Request OCA-02

**Dated: 08/14/2009
Q-OCA-012
Page 1 of 1**

**Witness: William H. Smagula, Robert A. Baumann
Request from: Office of Consumer Advocate**

Question:

As a follow up to the responses to OCA 1-022 and 1-023 as well as Staff 1-003 and Staff 1-029, please provide an update on the status of insurance proceeds for the Merrimack Station outage in June and July 2008 due to foreign matter. Has the full amount of insurance proceeds been received? If so, what is the total? If not, when does the Company expect to receive all insurance proceeds for the outage?

Response:

The full amount of insurance proceeds associated with the June/July 2008 outage due to foreign material has been received. As stated in OCA 1-23, the expense costs, included as part of the property damage coverage, were reimbursed as part of the \$6 million insurance payment. As stated previously, the \$6 million payment includes approximately \$3 million dollars for O&M expenses associated with the property damage through July and approximately \$3 million associated with the replacement power costs for June through October. This insurance payment was included as a credit to costs in the filing made in this docket.

See Staff-02, Q-Staff-005 for additional information regarding the insurance coverage and claim.

Witness: William H. Smagula
Request from: Office of Consumer Advocate

Question:

Referring to the responses to Staff 1-027 and Staff 1-029, please provide the prior "Foreign Matter Exclusion Policy" or practices for its fossil stations. Please also provide a comparison of the old policy and the new one, noting the changes. What is the status of the policy provided and dated 7/3/09? When did it go into effect?

Response:

PSNH's generating facilities employ similar foreign material exclusion (FME) practices. Using Merrimack Station as an example, the station utilizes what would be considered industry standard and commonly used practices. For example, when a valve is removed from a piping system, any openings are protected with some form of covering or plug for the period of time the valve is removed. When a section of pipe or tube is removed, the ends are typically wrapped and taped. New components, such as boiler tubing, that are to be installed are inspected for foreign material and blown out with compressed air prior to installation. Visual or borescope inspections are made on critical equipment prior to closure. The PSNH employee in charge of each job is responsible for FME requirements. Also, specific to the steam turbine generators, Siemens (formerly Westinghouse) follows their own FME procedures. To a large degree, these procedures are consistent with those of Merrimack Station regarding the protection of openings and inspection of equipment.

The process of foreign material exclusion from any Merrimack Station system or equipment has essentially remained the same, focusing on the protection of openings so that material cannot enter during on-going maintenance work and then inspecting the openings prior to closure. Changes that have been implemented are summarized as follows:

Additional checks and balances

In order to ensure the reliability of the FME practice, specific personnel are designated to have additional oversight roles and they perform walk-downs of all FME-related jobs during major outages. A list of these jobs is maintained and the controls in place for each item are checked for integrity.

Designated FME Roles

Responsibilities for FME roles are assigned by management. This effort may include just the person performing the work for a routine, non-shutdown job to one or more people performing the duties during an outage. Designation of responsibilities provides greater accountability.

Documentation

Records of inspections and control checks will be maintained. This provides confirmation of efforts to ensure FME and assists the facility to monitor these activities to ensure that no areas have been overlooked.

In summary, the major change that was made from past and present FME practices is that the new practice is clearly formalized and documented, while additional or secondary oversight is utilized as deemed appropriate by the maintenance manager.

The Foreign Material Practice, Revision 6, dated 7/3/09 is the current, approved version for Merrimack Station. This Foreign Material Practice, Revision 6, went into effect prior to 8/1/09 for use at the beginning of the Unit 2 planned Annual Outage.

**Public Service Company of New
Hampshire
Docket No. DE 09-091**

Data Request OCA-02

Dated: 08/14/2009

Q-OCA-014

Page 1 of 1

**Witness: William H. Smagula
Request from: Office of Consumer Advocate**

Question:

Referring to the response to Staff 1-031, please explain what "CAP" means in the footnote to the table. Why is "CAP" not included in the table only for Merrimack Station? What are the amounts of "CAP" for the station?

Response:

"CAP" is the acronym for the Clean Air Project, i.e. the scrubber project, and thus is only applicable to Merrimack Station. CAP for the station was \$27.5 million.

**Public Service Company of New
Hampshire
Docket No. DE 09-091**

Data Request OCA-02

**Dated: 08/14/2009
Q-OCA-015
Page 1 of 1**

**Witness: William H. Smagula
Request from: Office of Consumer Advocate**

Question:

Referring to the response to Staff 1-032, please explain in detail how the company was able to return Merrimack Unit 2 to service 263 hours ahead of schedule on May 22, 2009.

Response:

In 2007, PSNH requested from ISO-NE a scheduled outage window of just over 8 weeks for Merrimack Station which began April 1 at 1400 and ended June 2 at 0700. This outage duration was PSNH's best estimate for the time needed to complete outage work in the following year. During the outage planning process, which is completed in the months prior to the start of the outage, the Station produced an outage schedule of about 53 days. This schedule included the replacement of the generator rotor, rather than a repair of the generator rotor, which shortened the generator rotor work scope duration by an estimated 2 weeks. The final outage duration was 50.8 days, 51 hours ahead of the planned outage schedule and 263 hours ahead of the ISO-NE outage window.

**Public Service Company of New
Hampshire
Docket No. DE 09-091**

Technical Session TECH-01

**Dated: 09/10/2009
Q-TS-001
Page 1 of 1**

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

Question:

Please update Staff Set 02, Q-STAFF-005 to reflect Newington insurance information not Merrimack II. What was the remaining value of the Newington rotor. Please indicate whether this value is net book, salvage or some other value. When would PSNH have replaced the rotor at Newington Station?

Response:

Newington Station installed a re-qualified exciter rotor assembly from the Seimens rotor seed program (discussed below). Total costs associated with this project submitted to date are \$1,773,443.95. The insurance coverage associated with this event, includes a Boiler and Machinery (property damage) component which has a \$1 million deductible. There is no replacement power cost associated with this event and therefore no replacement power insurance claim. The insurance holder has indicated that the loss is a covered event and the claim is currently proceeding through the adjustment process. Initial data was submitted 2008 Q3. Additional data, follow up and requested information was submitted 2008 Q4. In 2009 Q2, insurance broker confirmed the claim was in the review process. To complete the claim settlement, PSNH has recently been requested to provide additional documentation of costs and supporting information and discussion. This additional information has been submitted to the insurance broker.

The Newington Station exciter assembly, including the exciter rotor, was the original equipment from 1974, and fully depreciated which gave it a net book value (plant in service net of accumulated depreciation) of \$0.

There was not a specific replacement date for the Newington exciter rotor. To minimize the risk of failure, prior to the replacement of the exciter, Newington Station performs major disassembly inspections during generator inspections. The field inspection procedure was developed by Westinghouse in the mid 1980's. To better manage exciter rotor availability and reliability due to the frequency of failures, Seimens has also developed a rotor seed program to avoid long lead time deliveries and lengthy forced outage when a failure occurs. As exciters age there are a number of risks that can arise including cracks occurring in the shaft, damage occurring to the diode wheel forgings, rims and hubs, cracks occurring in the phase lead shield, etc. . These issues result in failures and major damage which require the exciter assembly to be repaired, refurbished or replaced. The newly installed exciter rotor assembly at Newington Station has eliminated the risk associated with the continued operation of the original exciter.

This replacement was completed with no replacement power costs and was done at a cost of \$1million dollars, the insurance deductible, as compared to a replacement in the future which would have been no less than \$1.7 million and possibly significantly more depending on the corrective actions necessary. With this rotor exchange, PSNH management was successful in negotiating a cap to potential repair costs associated with Newington's turned-in rotor. These repair costs could have added hundreds of thousands of dollars to this completed project or a future seed rotor exchange project.

Public Service Company of New
Hampshire
Docket No. DE 09-091

Technical Session TECH-01

Dated: 09/10/2009
Q-TS-002
Page 1 of 1

Witness: Richard C. Labrecque
Request from: New Hampshire Public Utilities Commission Staff

Question:

Please update Staff Set 01, Q-Staff-026 to reflect the percentage of time charged to PSNH by each individual in the Wholesale Power Contracts Department to PSNH Generation.

Response:

At year end 2008 there were 16 employees in Wholesale Power Contracts. The table below shows the percent of their productive time that each employee charged to PSNH Generation. Each employee is classified by an indicative job title.

<u>Position</u>	Productive Time Charged to PSNH Generation
Supervisor / Manager / Director	2%
Supervisor / Manager / Director	0%
Supervisor / Manager / Director	34%
Supervisor / Manager / Director	18%
Supervisor / Manager / Director	100%
Engineer / Analyst	0%
Engineer / Analyst	0%
Engineer / Analyst	0%
Engineer / Analyst	0%
Engineer / Analyst	0%
Engineer / Analyst	73%
Engineer / Analyst	89%
Engineer / Analyst	24%
Engineer / Analyst	94%
Engineer / Analyst	50%
Administrative Support	1%
Total	32%

**Public Service Company of New
Hampshire
Docket No. DE 09-091**

Technical Session TECH-01

Dated: 09/10/2009

Q-TS-004

Page 1 of 3

Witness: William H. Smagula, Richard C. Labrecque
Request from: New Hampshire Public Utilities Commission Staff

Question:

If Newington Station was not part of PSNH's portfolio for 2010, what measures would PSNH prepare differently to serve the load and power requirements for its Energy Service customers in that year?

Response:

Please refer to data request DE 08-113, TS-01, Q-TECH-002 (copy attached) for a general discussion of Newington's value to customers.

To replace Newington in the 2010 supply portfolio, PSNH would evaluate a number of different options, none of which is a perfect replacement.

1. Procure firm replacement power at a fixed market price (e.g. 400MWs for the entire year). This power would be available as a hedge against market price increases and unplanned outages at PSNH's baseload stations. This option would involve the risk that power market prices are less than the purchase price, and that the surplus power is resold to the market at a loss, recoverable from customers.
2. Same as option #1, except different volumes, e.g. 200MWs in the volatile months of Jan, Feb, Jul, & Aug. The risks of reselling surplus are similar to option #1 but this option also involves the risk that an insufficient volume of replacement power was procured and that PSNH's customers are exposed to market prices.
3. Procure Call Options that provide PSNH the right, but not the obligation, to procure power at a fixed price on a daily or monthly basis. These Call Options could also be indexed to the daily spot market for residual fuel oil or natural gas (whichever is less expensive), to more closely mimic Newington's dual fuel capability. Call Options, especially those indexed to daily commodity market prices, are not standard market products and would require direct negotiations with a limited set of potential suppliers to agree on price and terms.

In all options, the recovery of all replacement costs and all market risks involved would be in addition to the continued recovery of Newington's 2010 non-fuel revenues requirements via the ES rate.

Filed on: 11/20/2008
Public Service Company of New Hampshire
Docket No. DE 08-113

Technical Session TS-01
Dated: 11/06/2008
Q-TECH-002
Page 1 of 2

Witness: William H. Smagula, Richard C. Labrecque
Request from: New Hampshire Public Utilities Commission Staff

Question:

Technical session question 2 from OCA --- Please provide reasoning as to why continued operation of Newington is beneficial to customers, both in qualitative and quantitative manner.

Response:

Please refer to the following data requests that discuss the benefits to customers of continued operation of Newington:

DE 07-108	NSTF-01	Q-STAFF-020	(Apr 18, 2008)
DE 08-066	NSTF-01	Q-STAFF-006	(Jul 29, 2008)
DE 08-066	NSTF-01	Q-STAFF-008	(Jul 29, 2008)
DE 08-066	NSTF-01	Q-STAFF-008-F01	(Jul 29, 2008)
DE 08-113	NSTF-01	Q-STAFF-10	(Oct 7, 2008)

During 2007, 2008, and perhaps again in 2009, Newington's primary customer benefit is the ISO-NE capacity market. Newington provides approximately 4,800 MW-months of capacity to the ISO-NE market. Currently, capacity is valued at \$3,750 per MW-month. This escalates to \$4,100 starting in June 2009 and to \$4,250 starting June 2010. The future price of capacity is unknown. That price will be determined by periodic auctions administered by ISO-NE. At the \$4,250 per MW-month value, Newington's capacity is worth \$20.4 million per year. This \$20.4 million is a direct reduction to Energy Service costs, and thus benefits Energy Service customers.

In addition to capacity value, Newington can generate 400 MW of energy per hour to serve a significant portion of Energy Service load. Customer benefit associated with this energy is both "financial" and "physical". Newington is used in power supply planning as a "financial hedge" that precludes the need to execute firm, fixed-price supplemental energy contracts. If the price of oil in inventory or under future contract is economic versus the forward bilateral energy market, planners can utilize forecasted production from Newington to avoid more expensive supplemental contracts. During actual week-to-week and day-to-day operation of PSNH's system, Newington is used as a "physical" hedge. When ISO-NE spot market prices exceed Newington's fuel cost, the unit can be dispatched to create customer benefits. Using Newington is superior in many ways to using bilateral contracts, primarily due to the ability to follow hourly load and to be used only when needed (versus a monthly bilateral contract which is for a fixed amount of power for the entire month).

Newington also provides customer value during periods when economic energy production is not forecasted (i.e. when the forward market price for energy exceeds Newington's variable production costs). As a reserve asset, Newington can be used in planning as a form of power supply insurance to respond to infrequent periods of increased demand (i.e. during a forced outage at one of PSNH's baseload unit or when extreme weather leads to higher customer usage). When these occasions arise, Newington is available as a physical asset capable of producing energy at a known price (i.e. the fuel cost times the conversion efficiency of the unit). This insulates customers from the uncertain and volatile ISO-NE market, in which merchant generators are not required to offer their energy to ISO-NE at cost-based rates. Without Newington on reserve, PSNH's planners would need to evaluate costly forms of power supply insurance to address these infrequent, but potentially expensive, periods.

Additionally, Newington is able to burn either residual fuel oil or natural gas. Thus, the unit can provide economic energy value to customers in a variety of possible commodity market price scenarios. Not only does this create direct benefits for customers, but it provides energy security value to all of New England. Specifically, Newington's ability to burn an inventory of on-site oil is critical during winter periods when extreme demand for natural gas can strain the ability of gas-fired generators to serve ISO-NE loads. This can occur during periods of extremely cold weather and during gas supply emergencies that can disable multiple large-scale generating facilities. During these times, not only are ISO-NE spot market prices extremely volatile, but the overall reliability of the ISO-NE system may be compromised. When there is a gas supply shortage, dispatchable, oil-fired power plants are essential for ISO-NE reliability.

Public Service Company of New
Hampshire
Docket No. DE 09-091

Technical Session TECH-01

Dated: 09/10/2009
Q-TS-005
Page 1 of 2

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

Question:
Please complete

- a) the attached table - "Merrimack Station Unit 2 2008 Costs Related to Foreign Material Damage to Turbine,
- b) indicate the total coverage of each policy, the respective deductibles, and the remaining coverage available after taking account of the amounts reported in each column on the table.

Response:

- a) The attached table has been populated with the information requested.
- b) The total coverage policy associated with replacement power is \$31 million per event with a 60-day exclusion (deductible) period. The requested reimbursement for replacement power during 2008 was \$4.5 million of which \$3 million was received and booked in December 2008. Additional requests for replacement power cost reimbursement are being made in 2009.

The boiler machinery (property damage) has a deductible of \$1 million with no policy cap. During 2008, covered expenses of \$3 million were requested, and \$3 million were received and booked in December 2008. Additional requests for maintenance expense reimbursement are being made in 2009.

In summary, the following identifies the insurance coverage deductibles and caps.

Boiler and Machinery: -- deductible \$1M
(i.e. property damage)

Replacement power (specific to MK2):
(RPC)

- 60 day waiting period
- Daily Cap \$417K/daily max Dec-Feb, Jun-Aug
- Daily Cap \$316K/daily max Mar-May, Sept-Nov
- Policy Cap \$31M

Merrimack Station Unit 2 2008 Costs related to Foreign Material Damage to Turbine						
	Total (Gross) Costs	Avoided Costs due to Plant out of Service	Net Cost and Date Expense Booked to Energy Service	Insurance Amounts Received to Date	Date(s) Insurance Proceeds Booked to Energy Service	Status & Amounts of Additional Insurance Claim Amounts not yet received
Replacement Power Costs (RPCs)						
Jun 1 – Jul 31 2008	\$19.1M	\$5.9M	\$13.2M ⁽¹⁾ Date: Jun, Jul	NA ⁽²⁾	--	NA ⁽²⁾
Aug 1 – Oct 31 2008	\$3M ⁽³⁾	\$0M ⁽⁵⁾	\$3M ⁽³⁾ Date: Aug, Sep, Oct	\$3M	Dec 2008	\$0
Nov 1 – Dec 31 2008	\$1.5M ⁽⁵⁾	\$0M ⁽⁵⁾	\$1.5M Date: Nov, Dec	\$0M	--	\$1.5M Submitted 2009-Q1
Property Damage Expense						
Jun 1 – Jul 31 2008	\$3M	\$--	\$3M ⁽⁴⁾ Date: Jun- Sep	\$3M ⁽⁶⁾	Dec 2008	\$0
Aug 1 – Oct 31 2008	\$0M	\$--	\$-- Date:	\$--	--	NA
Nov 1 – Dec 31 2008	\$0M	\$--	\$-- Date:	\$--	--	NA

(1) \$13.2M RPC associated with turbine inspection outage from June 20 – July 14 (all within the 60 day exclusion period)

(2) No insurance due to 60 day exclusion period

(3) Includes last 10 days of July

(4) Costs incurred during June, July; billing/payments over subsequent months

(5) RPC generation losses during August – December are associated with incremental generation and therefore have no avoided costs.

(6) The \$1M deductible will be deducted from the final payment expected in 2010.