Witness: Terrance J. Large
Request from: New Hampshire Public Utilities Commission Staff

Question:
(RR-4 - Exhibit TC-4) - Please update the response to TC-04, Q-TC-005, part (vi), providing the actual net energy benefits realized by Newington Station for 2011 when running for economics.

Response:
On May 18, 2012, PSNH responded to the original question as follows: Newington's net energy margin for 2011 was calculated to be $3.2 million when running for economics rather than reliability using monthly booked fuel expense allocated back to operating days where #2 oil used for warming was set aside.

On June 4, 2012, PSNH followed up with the following Supplemental Response:

On May 24, 2012, TransCanada Power Marketing Ltd. and TransCanada Hydro Northeast Inc. filed a motion to compel asserting that the question posed in RR-4-Exhibit TC-4 was different than the record request made at the hearing because PSNH added the words "when running for economics" to the end of the question. PSNH had understood the record request was seeking an update of the actual net energy benefits realized by Newington Station for 2011 from the actual net energy benefits previously stated in Exhibit TC-4(vi). At the hearing, Commissioner Harrington restated the record request as follows: "So you're basically asking for what's stated in TransCanada Exhibit 3, Roman VI, on the first page, but for the entire year and not just the first 11 months", to which TransCanada's counsel responded "Yeah, that's right. For all of 2011." Tr. of May 8, 2012 hearing afternoon session, page 25, lines 16-22.
PSNH's initial response (stated above), updates the 2011 number in Exhibit TC-3(vi) using actual monthly booked fuel expense. The original response in Exhibit TC-3(vi) used offer prices to estimate the 2011 annual net energy benefit. The updated number was calculated in a similar manner as the response set forth in Exhibit TC-3(vi) in that real time dispatch that appeared to be mainly to provide operating reserves were excluded. Thus, the $3.2 million is the comparable number to the Energy Service forecast and Levitan model results presented in Exhibit G.17 in PSNH Exhibit 2 and PSNH Exhibit 11, AKA LAI Rebuttal Testimony Exhibit 12.

In an effort to resolve TransCanada's motion to compel, the Company has communicated with TransCanada's counsel and understands that TransCanada seeks "Calendar 2011 total energy settlement dollars less 2011 total fuel and fuel related O&M + 2011 cost of emission allowances = 2011 Net energy benefits. You should also provide 2011 ancilary revenue."

The information depicted in Table 1 below provides the information sought by TransCanada in its May 29, 2012 email to PSNH's counsel. It is important to note that the information being provided in Table 1 below cannot be directly compared to the Levitan forecast/future revenue schedules nor the Energy Service rate forecast because the data provided in Table 1 includes days when the unit ran for reliability purposes, which were not considered in the Levitan and Energy Service forecast calculations.

Table 1 - 2011 Actual Net Energy Margin Using Fuel Accounting Records

	2011
Dispatch Revenues ($000s)	
DA & RT LMP Based Energy Revenue	11,231
NCPC	4,372
Ancillary - RT Reserves	101
Ancillary - Regulation	26
Total Dispatch Revenues	15,730
Dispatch Costs ($000s)	
Fuel	11,293
Fuel Handling	814
Fuel Residuals	71
Emissions	136
Subtotal	12,314
Less Warming Fuel (note 1)	(1,251)
Total Dispatch Costs	11,063
Dispatch Related Net Margin	4,667

Note 1: Warming fuel needs to be removed as it is not a variable cost directly tied to generation and is not included in the ES forecast net energy margin or LAI's model of net energy margin. However, it is part of Newington's going forward costs as fixed O&M just like property taxes and payroll and needs to be included in the continued unit operation analysis as part of fixed O&M.

Table 2 rearranges the information in Table 1 to show the derivation of the $3.2 million in PSNH's initial response to RR-4.

Table 2 - 2011 Actual Net Energy Margin Using Fuel Accounting Records Allocated to Economic and Reliability Operations (as provided in TC Exhibit 4, Record Request 4.)

	2011
Economic Dispatch Operation	
Energy Market Revenues	11,791
Dispatch Cost (Note 1)	8,637
Net Economic Dispatch Margin	3,154
Reliability Operation	
Energy Market Revenue	3,812
Dispatch Cost (Note 1)	2,426
Net Reliability Operation Margin	1,386
Total Net Energy Margin	4,540
Ancillary Markets	
Real Time Operating Reserves	101
Regulation	26
Net Margin Including Ancillary	4,667
Warming Fuel (Note 2)	1,251

Note 1: emission costs allocated 40% to economic dispatch.
Note 2: Warming fuel expense does not vary directly with hourly generation, and therefore is not included as a dispatch cost. Provided for reference only.

The net reliability operation margin results include a) offer costs being different than actual costs, b) inclusion of an O&M allowance in offer prices, c) some impact from the allocation of monthly fuel costs back to operation days, and d) perhaps some days identified as runs for reliability were really more for economics. The introduction of real time offer price mitigation in early 2012 has brought with it rule changes that will significantly curtail the ability to produce net energy margins when running for reliability.