

Public Service Company of New Hampshire
Docket No. DE 13-275

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Request No. TECH 1-001

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Request from: New Hampshire Public Utilities Commission Staff

Witness: Frederick White

Request:

Please describe the incremental costs, risks and benefits associated with participation as referenced in response OCA 1-2.

Response:

ISO New England's Winter Reliability Program has an unavoidable cost to ES customers as their share of program costs charged to all load serving entities. This cost is included in the filing and is estimated to be \$2.4 million. Offsetting this cost PSNH's Newington Station bid and was awarded \$4.8 million for its participation in the ISO-NE Winter Reliability Program. However, there are incremental costs and risks associated with participation which reduce the \$4.8 million. Incremental costs and risks include:

- Price risk - the risk of the market price of oil moving over the period from the assumed price in the offer, to procurement, to oil burn/liquidation. Price movement could be detrimental or favorable.
- Delivery risk - the program includes penalties for not having in inventory by certain dates the "contracted" quantity of oil. PSNH has already taken delivery of required quantities.
- Inventory cost/risk - the cost and risk of carrying surplus inventory (above typical amounts) from procurement to beyond the term of the program.
- Unit availability risk - the program includes penalties (forfeiture of daily revenue) for days when the unit is not available.
- Performance test risk - dual fuel units like Newington are required to demonstrate the ability to switch to oil fired generation and achieve full load output. Costs associated with the conduct of a successful test are fully compensated through ISO-NE markets (through a mechanism very similar to NCPC, if necessary). Over market costs associated with an unsuccessful test are borne by the participant. PSNH successfully completed its performance test in November, on its first attempt.

In summary, the benefit reflected in PSNH's preliminary ES rate filing is \$3.4 million of revenue from the program. This revenue resulted in a change from a \$2.4 million cost to customers to a benefit of \$1 million to customers. See OCA 1-2 for additional discussion regarding the Winter Reliability Program.