

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

**Question:**

Section V starting on page 84 is an Assessment of Supply Resources. For each of PSNH's owned generating units, please provide the annual capital budget for each of the next 5 years, how the budget was derived, and the process PSNH undertakes in determining which investments to make.

**Response:**

Attached\* is the forecasted annual capital budget for each of PSNH's owned generating units for the next 5 years.

To establish the annual budgets, PSNH Generation has goals that are consistent with providing customers low cost generation from reliable plants that are operated safely, efficiently and meet environmental requirements. An appropriate balance of these efforts is maintained by establishing not only cost goals, but also goals related to reliability, availability and other performance goals. If projects are delayed to meet cost goals, the reliability and availability goals can be negatively impacted. Therefore, PSNH maintains an appropriate focus on the collective goal of maximizing customer value.

PSNH Generation management reviews budget requests in the third quarter of each year for the upcoming calendar year as well as projections for future years. Budget requests associated with the repair or replacement of critical components are typically planned well in advance to the start of the project and are included in the 5 year plan. Budgeted expenditures are developed with the intent to cover the cost of the project as it is originally defined. Actual expenditures refer to the actual cost which may often vary from the budgeted value. The variances could be greater than or less than the original budgeted value due to updated pricing, change in scope, etc. When considering replacement or repair options for critical components a review is completed to determine which option is in the best interests of PSNH's customers. PSNH Generation makes budget determinations based on maintenance records, test data, consulting experts, past experiences, and other generating facilities' experiences. This process is a balanced approach and designed to maximize the use and value of each component. As the review and work plans are finalized, budget estimates get updated with vendor quotes and more refined details. Late in the year, budgets are finalized with the latest available information. During the following calendar year, planned work can still change if/when new information is obtained, or there is a change in priority as new work becomes identified, or other dynamics require the work plan to be updated. Also, refinement takes place on actual versus planned scope to focus on expending only what is needed to meet customer needs and goals.

\*The information contained in the documents included in this response is highly confidential. The information is being supplied to the OCA pursuant to the general confidentiality agreement between PSNH and the OCA. Should the OCA intend to include this information in any future discovery requests, testimony or any other communication or document in this proceeding, please inform PSNH in advance. PSNH will file a motion for confidential treatment before the commencement of hearings on the merits, pursuant to Puc §203.08 (d), We trust the information will be kept confidential pursuant to Puc § 203.08(e).

Capital Expenses (000)  
2011 - 2015

<u>Unit</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Schiller	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Newington	\$500	\$500	\$500	\$500	\$500
Merrimack	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Sub Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]