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November 5, 2004

Mary L. Cottrell, Secretary
Department of Telecommunication and Energy
One South Station, 2nd Floor
Boston, MA 02202

Re: D.T.E. 04-85 — Petition of Boston Edison Company and Commonwealth Electric Company for Approvals Relating to the Restructuring of Power Purchase Agreements with Northeast Energy Associates Limited Partnership

Dear Secretary Cottrell:

Enclosed please find the responses of Boston Edison Company and Commonwealth Electric Company d/b/a NSTAR Electric (the "Companies") to discovery questions asked by the Attorney General and the Department of Telecommunications and Energy in the above-referenced proceeding, as listed on the following Discovery Log. Please note that certain documents that are responsive to these questions are confidential and are being filed under separate cover with the Attorney General and the Hearing Officer only.

Thank you for your attention to this matter.

Very truly yours,

John K. Habib

John K. Habib

Enclosures

cc: Service List
Joan Foster Evans, Hearing Officer (2)
Colleen McConnell, Assistant Attorney General (2)

LOG OF RESPONSES FILED

D.T.E. 04-85

November 5, 2004

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Information Request AG-1-7

Please indicate whether any of the attorneys of Keegan, Werlin and Pabian have provided or is providing services to NEA or any of its owners.

Response

The Company objects to this request insofar as it seeks information that is not relevant to the Department's determination in this proceeding. Whether attorneys from Keegan, Werlin & Pabian, LLP ("KWP") are providing or have provided legal services to NEA is not material to the disposition of the case and/or the extent to which the Company's proposal maximizes the mitigation of transition costs associated with the NEA power-purchase agreements.

Without waiving the above-stated objection, no attorneys at KWP are presently engaged by, or are providing legal services to, NEA; nor have such services been provided by any attorneys at KWP over the past decade.

Information Request AG-1-13

Referring to Exhibit NSTAR-RBH-6, page 2, Column "Total KWh," please provide the workpapers, calculations, formulas, assumptions, and supporting documentation for the KWh amounts shown for each year along with citations to the power agreement where applicable.

Response

Please refer to Attachment AG-1-13 **(CONFIDENTIAL CD-ROM)**, which is the electronic version of the spreadsheet that contains Exhibit NSTAR-RBH-6 and all of the supporting workpapers, calculations, formulas, assumptions and documentation. For the calculation of the Total KWH, please refer to worksheet "NEA 1 AN", column C, rows 12 through 54, as well as worksheet "NEA 1" cell F7. Also please refer to Exhibit NSTAR-COM-GOL-1, the Power Purchase Agreement dated November 26, 1986, Article I, Paragraph (a) (Petition, Appendix A, Bates page 0306[1]) the First Amendment to the Agreement, dated August 15, 1988, Section Two (Bates page 0329) and the Settlement Agreement dated July 9, 1993, (Bates pages 0339 through 0346).

The capacity factors used for each contract were based on the most recent full year of data available when the model was developed. Specifically, the estimated capacity factors used are:

Contract	Capacity Factor	Cell reference/Sheet
NEA A	95.31%	C6, NEA A
NEA B	94.72%	C7 NEA B
NEA 1	96.23%	C7, NEA 1
NEA 2	96.23%	B7, NEA 2

For reasons discussed below, the assumed capacity factors are not the same across the four NEA contracts.

For NEA A, there are two primary contract attributes which affect the calculated capacity factor. The contract requires Boston Edison to purchase a percentage of the actual output, See Second Amendment to the NEA A Power Purchase Agreement Bates number 0111. The assumed capacity factor is based on a fixed, seasonally differentiated, capacity amount. Consequently, months during which ambient conditions enable the unit to produce energy in excess of the assumed capacity and the unit may

[1] Citations to "Bates page" numbers in this response refer to the Appendix A of the Petition.

produce a calculated capacity factor in excess of 100 percent. NEA A also provides the ability to "refuse" energy for up to 200 hours per year (Article 3, Paragraph (c), Bates page 0071). Boston Edison generally exercises this right in November and December of each year. Finally, NEA A provides for a 0.02889 percent adjustment for losses (Bates page 0141).

NEA B has a hard cap of 92 MW in the winter and 68 MW in the summer (Article 3 (b), Bates 0211. The unit output was adjusted to reflect the effect of these seasonal caps. Further, the percentage of assumed total output represented by the hard cap differs by season based on the assumed seasonal output (E.g. 92/328.6 is approximately 28 percent of estimated winter capability and.68/265.4 is 25.62 percent of estimated summer capability). The other contracts take a fixed percentage of actual output (subject to adjustment for losses and refused energy). Accordingly, for NEA B, the capacity factor based on the capped output, is not subject to loss adjustments (as is NEA A) and the impact of the fixed denominator (based on assumed capacity) varies by season because of the differing percentage of output represented by the capped capacity.

The NEA 1 and NEA 2 capacity factors reflect contractually mandated reductions of 1% (see Article 3 (b) in each contract, Bates 0308 and 0389 respectively) and vary by month, also at times exceeding 100 percent for the reasons explained above, i.e., the actual output under the contract is measured against the estimated output at the specified percentage of a fixed projected plant capability. Fixed losses under the contract are already deducted from the reported invoiced kWh used to calculate plant capacity factor.

Please note, CEA has updated footnote number one on page two. The previous capacity factor shown in the footnote was incorrect.

Information Request AG-1-14

Referring to Exhibit NSTAR-RBH-6, page 2, Column "Variable Component," please provide the workpapers, calculations, formulas, assumptions, and supporting documentation for the Variable Component amounts shown for each year along with citations to the power agreement where applicable.

Response

Please refer to Attachment AG-1-13 **(CONFIDENTIAL CD-ROM),** worksheet "NEA 1", column C, rows 28 through 70. Also, the calculation of the Variable Component is discussed in Exhibit NSTAR-COM-GOL-1 the Power Purchase Agreement between Commonwealth and Northeast Energy Associates Ltd., dated November 26, 1986, Article III (Bates page 0308) and Appendix B (Bates pages 0323 through 0324).

The Variable Component, as described in Appendix B, is 60 percent of 4.5 cents per kilowatt hour times the Actual Fuel Cost ("AFC") divided by the Base Fuel Cost ("BFC"). The AFC for purposes of this valuation is a forecast of No. 6 residual 2.2 percent sulfur fuel oil. The BFC, as stated in Appendix B, is $16.69 per barrel, the DRI forecast average cost of No. 6 residual 2.2% sulfur fuel oil for the expected first full year of operation of the unit.

Information Request AG-1-15

Referring to Exhibit NSTAR-RBH-6, page 2, Column "Production Component," please provide the workpapers, calculations, formulas, assumptions, and supporting documentation for the Production Component amounts shown for each year along with citations to the power agreement where applicable.

Response

Please refer to Attachment AG-1-13 **(CONFIDENTIAL CD-ROM),** worksheet "NEA 1", column D, rows 28 through 70. Also, the calculation of the Production Component is discussed in Exhibit NSTAR-COM-GOL-1, the Power Purchase Agreement between Commonwealth and Northeast Energy Associates Ltd., dated November 26, 1986, Article III (Bates page 0308) and Appendix B (Bates pages 0323 through 0324).

The production component = (PF – 0.85) times 4, where PF is the production factor which is the quotient of (1) the total kilowatthours metered (before transmission losses) during the most recent 12 billing months times Commonwealth's entitlement percentage and (2) 25,000 kilowatts times the number of hours during the most recent 12 billing months. (PF is a measure of the plant capacity factor). The production component cannot be greater than 0.4 cents / kWh which is equivalent to a 95 percent capacity factor.

Since the forecast capacity factor is greater than 95 percent, the production component is calculated as 0.4 cents per kWh for the forecast period.

Information Request AG-1-16

Referring to Exhibit NSTAR-RBH-6, page 2, Column "Capacity Charge," please provide the workpapers, calculations, formulas, assumptions, and supporting documentation for the Capacity Charge amounts shown for each year along with citations to the power agreement where applicable.

Response

Please refer to Attachment AG-1-13 **(CONFIDENTIAL CD-ROM),** worksheet "NEA 1", column F, rows 28 through 70. Also, the calculation of the Capacity Charge is discussed in Exhibit NSTAR-COM-GOL-1, the Power Purchase Agreement between Commonwealth and Northeast Energy Associates Ltd., dated November 26, 1986, Article III (Bates page 0308) and Appendix B (Bates pages 0323 through 0324).

The Fixed Capacity Component, as stated in Appendix B, is fixed at 2.0 cents per kilowatt hour for the entire term of the contract.

Information Request AG-1-18

Referring to Exhibit NSTAR-RBH-6, page 2, Column "Capability Adjustment," please provide the workpapers, calculations, formulas, assumptions, and supporting documentation for the Capability Adjustment amounts shown for each year along with citations to the power agreement where applicable.

Response

Please refer to Attachment AG-1-13 **(CONFIDENTIAL CD-ROM),** worksheet "NEA 1", column L, rows 28 through 69. Also, the calculation of the Capability Adjustment is discussed in Exhibit NSTAR-COM-GOL-1, the Settlement Agreement dated July 9, 1993 (Bates pages 0339 through 0346) to the Purchase Power Agreement dated November 26, 1986 between Commonwealth and Northeast Energy Associates Ltd.

The Capability Adjustment Charge is the result of a Settlement Agreement between Commonwealth and NEA wherein both parties agreed that the NEA 1 and NEA 2 PPAs were intended to limit the Commonwealth's power purchase obligations to the Commonwealth's entitlement only. As discussed in the Settlement Agreement, from time to time, Commonwealth purchased power that exceeded its entitlement and the Capability Adjustment Charge was developed in order to compensate Commonwealth for excess power allocated to Commonwealth at times when there is no economic value to the excess power. Attachment 1 to the Settlement Agreement (Bates page 0343) shows the annual and monthly Capability Adjustment Charges which apply to both of the Commonwealth contracts and are allocated 54.35 percent to NEA 1 and 45.65 percent to NEA 2 based on their share of the plant's capacity. This allocation is shown in worksheet "NEA 1", Column Q through T Lines 7 through 23.

Information Request AG-1-21

Referring to Exhibit NSTAR-RBH-6, page 3, Column "Energy Charge," please provide the workpapers, calculations, formulas, assumptions, and supporting documentation for the Energy Charge amounts shown for each year along with citations to the power agreement where applicable.

Response

Please refer to Attachment AG-1-13 **(CONFIDENTIAL CD-ROM),** worksheet "NEA 2", column C, rows 17 through 29. Also, the calculation of the Energy Charge is discussed in Exhibit NSTAR-COM-GOL-1,the Power Purchase Agreement between Commonwealth and Northeast Energy Associates Ltd., dated August 15, 1988, Article III (Bates page 0389) and Appendix B (Bates page 0407).

As shown in Appendix B, the Energy Charge is a different amount per kilowatt hour for each year through 2014. The contract is silent after 2014 through the end of the contract regarding the Energy Charge. For purposes of this valuation, CEA applied the 2014 Energy Charge to years 2015 and 2016.

Information Request AG-1-23

Referring to Exhibit NSTAR-RBH-6, page 3, Column "Capability Adjustment," please provide the workpapers, calculations, formulas, assumptions, and supporting documentation for the Capability Adjustment amounts shown for each year along with citations to the power agreement where applicable.

Response

Please refer to Attachment AG-1-13 **(CONFIDENTIAL CD-ROM),** worksheet "NEA 2", column F, rows 17 through 28. Also, the calculation of the Capability Adjustment is discussed in Exhibit NSTAR-COM-GOL-1, the Settlement Agreement dated July 9, 1993 to the Purchase Power Agreement dated August 15, 1988 between Commonwealth and Northeast Energy Associates Ltd (Bates page 0413 through 0420).

The Capability Adjustment Charge is the result of a Settlement Agreement between Commonwealth and NEA wherein both parties agreed that the NEA 1 and NEA 2 PPAs were intended to limit Commonwealth's power purchase obligations to Commonwealth's entitlement only. As discussed in the Settlement Agreement, from time to time, Commonwealth purchased power that exceeded its entitlement and the Capability Adjustment Charge was developed in order to compensate Commonwealth for excess power allocated to Commonwealth at times when there is no economic value to the excess power. Attachment 1 to the Settlement Agreement (Bates page 0343) shows the annual and monthly Capability Adjustment Charges which apply to both of the Commonwealth contracts and are allocated 54.35 percent to NEA 1 and 45.65 percent to NEA 2 based on their share of the plant's capacity. This allocation is shown in worksheet "NEA 1", Column Q through T Lines 7 through 23.

Information Request AG-1-26

Referring to Exhibit NSTAR-RBH-6, page 5, Column "Peak KWh," please provide the workpapers, calculations, formulas, assumptions, and supporting documentation for the Peak KWh amounts shown for each year along with citations to the power agreement where applicable.

Response

Please refer to Attachment AG-1-13 **(CONFIDENTIAL CD-ROM)**, which is the electronic version of the spreadsheet that contains Exhibit NSTAR-RBH-6 and all of the supporting workpapers, calculations, formulas, assumptions and documentation. For the calculation of the Peak KWH, please refer to worksheet "NEA B", column M, rows 28 through 65, as well as worksheet "NEA B" cell J8. Also please refer to Exhibit NSTAR-COM-GOL-1, the Power Purchase Agreement dated January 28, 1988: Article One, Section (cc) (Bates page 0203); Article 3, Section (a) and (b) (Bates pages 0210 through 0211); and Article Eight, Section (a) and (b) (Bates pages 0222 through 0224).

The Peak KWh is the total production of the plant times the entitlement percentage under the contract of 28.97 percent times the peak hours for the month.

Information Request AG-1-27

Referring to Exhibit NSTAR-RBH-6, page 5, Column "Off-Peak KWh," please provide the workpapers, calculations, formulas, assumptions, and supporting documentation for the Off-Peak KWh amounts shown for each year along with citations to the power agreement where applicable.

Response

Please refer to Attachment AG-1-13 **(CONFIDENTIAL CD-ROM)**, which is the electronic version of the spreadsheet that contains Exhibit NSTAR-RBH-6 and all of the supporting workpapers, calculations, formulas, assumptions and documentation. For the calculation of the Off-Peak KWH, please refer to worksheet "NEA B", column N, rows 28 through 65, as well as worksheet "NEA B" cell J8. Also please refer to Exhibit NSTAR-COM-GOL-1, the Power Purchase Agreement dated January 28, 1988, Article One, Section (aa) (Bates page 0203), Article 3, Section (a) and (b) (Bates page 0210 through 0211) and Article Eight, Section (a) and (b) (Bates pages 0222 through 0224).

The Off-Peak KWh is the total production of the plant times the entitlement percentage under the contract of 28.97 percent times the off-peak hours for the month.

Information Request AG-1-32

Please provide an update to the May 2004 market price of energy, capacity, and fuel for the Henwood Energy Service Inc.'s Northeast Electricity and Gas Price Outlook.

Response

CONFIDENTIAL ATTACHMENT

Attachment AG-1-32 is the Fall 2004 Henwood Power and Fuel Forecast received by the NSTAR Electric on November 1, 2004. The Fall 2004 forecast changed the composition of the load zones and nodes within the Northeast market and did not provide a forecast for the SEMA-RI zone. Therefore, NSTAR Electric does not have a comparable forecast that is an update to the Fall 2003 forecast used in this case. At NSTAR Electric's request, Henwood will prepare an updated SEMA-RI load zone forecast, which should be available to NSTAR Electric on or about Tuesday November 9, 2004. NSTAR Electric will provide the updated forecast as soon as it is available and will update exhibits, as requested, based on that forecast upon receipt.