**REDACTED**

**Request IR-1:**

**GRA 2012. DE-03 – DE-04 page 10 states that world prices for coal and petcoke have increased by "30 percent in the last six months alone"; please indicate the beginning and end months referred to in this statement and which particular published coal and petcoke prices are referred to.**

Response IR-1:

The statement reflects the comparison between the weekly average [redacted] for the beginning of July 2010 and end of December 2010. For petroleum coke, the statement compares the price of petcoke in the 2011 BCF forecast to the price of petcoke in the 2012 GRA forecast, which are calculated using the September and December 2010 quarterly price forecasts [redacted] for the open position.

**REDACTED**

**Request IR-2:**

**Please explain the native mercury capture rate assumptions for each coal-fired plant which underlie the reduction of [redacted] million in mercury capture additives from the 2011BCF (GRA 2012. DE-03 – DE-04, page 21 and OE-01A Attachment 1, page 3).**

Response IR-2:

Mercury emissions are a result of numerous variables such as fuel types and blends.

The 2011 native capture rates are referenced in NSPI Undertaking 6 of the 2011 Fuel Adjustment Mechanism Base Cost of Fuel (NSUARB P-887(2)) process. Listed below are the 2012 native capture rates.

2012 Mercury Native Capture Rates

| | |
|---|---|
| LIN | [redacted] |
| POA | [redacted] |
| TRE5 | [redacted] |
| TRE6 | [redacted] |
| POT | [redacted] |

**REDACTED**

**Request IR-3:**

**GRA OE-01A Attachment 1 pages 16 and 17 show substantial month to month variability in per tonne costs of coal (implying very different calorific values for the coal) from [redacted] per tonne in April 2012 to [redacted] in May, and then decreasing to [redacted] in October. Please explain these changes.**

Response IR-3:

The month to month variability is due to rounding within the financial software. Fuel consumption is rounded to the nearest "100" for both MT and MMBtu. Calculations involving smaller values such as Trenton 5 consumption have higher sensitivity to this rounding. The monthly financial figures are divided by rounded consumption values, causing month to month fluctuations.

**REDACTED**

**Request IR-4:**

**GRA 2012 OE-01A Attachment 1, page 4 shows an imported coal cost for 2012 of [redacted]/tonne or [redacted]/MMBtu.**

**(a) Please explain how this price was forecast using the data sources listed in SR-03.**

**(b) list the precise numbers and issue or bid dates used from the three sources of coal information itemized in SR-03.**

Response IR-4:

(a) This price is the imported coal cost for consumption at the plants, which is calculated using a weighted average of the cost of the starting inventory at the piers and the plants, and the delivered cost of coal that is forecast to be delivered in 2012. The coal that is forecast to be delivered includes the coal that is contracted for 2012, and the open tonnage for 2012. The data sources listed in SR-03 are used in forecasting the cost of the open tonnage. Please refer to the POA, Appendix B, Fuel Forecast, for the method in which the sources listed in SR-03 are used.

(b) Please refer to OE-01K of the Application.

**NON-CONFIDENTIAL**

**Request IR-5:**

**Please provide the calculation and analysis which support the increase in ocean freight coal transportation costs shown in GRA 2012 OE-01C, Attachment 2, page 1.**

Response IR-5:

Please refer to Liberty IR-16.

**REDACTED**

**Request IR-6:**

**(a) With regard to GRA 2012. OE-01E Attachment 1, page 1, please indicate the date of this solid fuel information.**

**(b) Please provide information on additional contracts for imported coal, domestic coal and petcoke signed by NSPI since this table was prepared and the present time.**

**(c) As of the second week of June 2011 is NSPI engaged in any solid fuel tenders, bid appraisals or final contract negotiations?**

Response IR-6:

(a) The solid fuel information is as of December 31, 2010.

(b) In January 2011, NSPI [redacted]. As a result of a Request for Proposal issued in January 2011, [redacted]. These changes will be reflected in the updated Fuel and Purchased Power forecast to be filed as required by the FAM, and at the same time in this GRA process.

(c) [redacted].

**REDACTED**

**Request IR-7:**

**How do the solid fuel volumes contracted, [redacted] thousand tonnes, shown in GRA 2012 OE-01E Attachment 1, page 1 relate to the [redacted] thousand tonnes contracted shown in GRA 2012 OE-01J Attachment 1, page 1?**

Response IR-7:

The contract for coal to be supplied by [redacted], was [redacted] for [redacted] for a total of [redacted] MT in each of the years [redacted]. [redacted]. The [redacted] is showing as being under contract in OE-01J Attachment 1, page 1, but showing open in OE-01E attachment 1, page 1. [redacted], the intent would be to show it as open as of December 31, 2010. Therefore, the total amount contracted shown in GRA 2012 OE-01J should be [redacted] MT.

**REDACTED**

**Request IR-8:**

**Gas prices at Tufts Cove in GRA 2012 OE-01A Attachment 1, page 23 are provided in "$/MMBtu" and "$/MMBtu w/o Hedges". In all months except December 2012, gas prices without hedges are lower than hedged prices. Please explain this.**

Response IR-8:

For December of 2012, NSPI has locked into fixed price hedges of [redacted] USD/MMBtu and the average forward curves for December 2012 are [redacted] USD/MMBtu. Since the fixed price is less than the forward price in December the hedges are in a gain position; therefore, the $/MMBtu would be lower than the $/MMBtu w/o hedges. In all other months the fixed price for the hedges are higher than the average forward curve price for the month.

**REDACTED**

**Request IR-9:**

**GRA 2012, SR-03 indicates the use of a price strip for natural gas from NYMEX, basis to [redacted] in developing the natural gas price forecast for 2012; GRA 2012 OE-01A Attachment 2, page1 has a natural gas price strip for 2012 dated December 31, 2010 [redacted]. Please explain how both of the above documents were used in developing the GRA 2012 gas price forecast.**

Response IR-9:

The delivered commodity price was derived using the December 31, 2010 monthly average of the daily strips for 2012 as at December 31, 2010 per the FAM POA (Appendix B, page 9). The contract pricing uses the hub and the basis as well as other pricing components. Please refer to FAM confidential data room Binder GE0022 available for viewing at NSPI offices for confidential details.

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**Request IR-10:**

**(a) Please indicate the date of the natural gas information on GRA 2012 OE-01E Attachment 1, page 1.**

**(b) Please indicate how the volumes of contracted gas, natural gas positions required, and open dated December 31, 2010 in the 4th Quarter 2010 FAM, page 1 and the very different volumes in these categories found in the 1st Quarter 2011 FAM, page 1 of March 31, 2011 relate to the volumes shown in GRA 2012 OE-01E Attachment 1, page 1.**

Response IR-10:

(a) The date of the information is December 31, 2010.

(b) The report referred to in (a) is a report based upon physically contracted volume (minimum obligation under the contract(s)). The reports referred to in (b) are hedged volumes. For natural gas, physically contracted volumes and hedged volumes are not the same. The hedge percentage requirements are described in the Appendix D of the Fuel Manual.

**REDACTED**

**Request IR-11:**

**GRA 2012 OE-01J Attachment 1, page 1 shows [redacted] of 2012 natural gas as hedged.**

**(a) Please explain how this volume related to the gas volumes shown in GRA 2012 OE-01E Attachement 1, page 1 where it appears that [redacted].**

**(b) How do hedged volumes relate to contracted volumes?**

Response IR-11:

(a-b) The volumes referred to in GRA 2012 OE-01J Attachment 1, page 1, refer to volumes of natural gas that have been hedged. The hedge percentage requirements are described in the Appendix D of the fuel manual. The percent hedged referenced in GRA 2012 OE-01J is the result of dividing the quantity of gas hedged by the total 2012 gas requirements. GRA 2012 OE-01E Attachment 1, page 1, refers to physically contracted volumes. There is no direct link between physical contracted volume and hedged volume.

**REDACTED**

**Request IR-12:**

**GRA 2012 OE-01E Attachment 1, page 1 shows contracted natural gas volumes from [redacted] and [redacted] for 2012 as [redacted] MMBtu. How does this relate to the [redacted] MMBTU shown in GRA 2012 OE-01L Attachment 1, page 1 as purchased for 2012 from [redacted] and [redacted]?**

Response IR-12:

The volumes shown in GRA 2012 OE-01E Attachment 1, page 1, are minimum volumes NSPI is required to take under the contracts. GRA 2012 OE-01L Attachment 1, page 1, is the optimized purchases available under the contracts.

**REDACTED**

**Request IR-13:**

**GRA 2012 OE-01Q Attachment 1, page 1 forecasts for 2012 [redacted] MMBtu of natural gas sales [redacted].**

**(a) Please provide the explanation and calculations for this forecast.**

**(b) Why was a [redacted] contract with [redacted] put in place if there is the expectation that the gas not consumed by NSPI [redacted]?**

Response IR-13:

(a) Please refer to Liberty IR-14 (b) and (c). For the calculations, please refer to FAM Data Room confidential binder GE0022, available for viewing at NSPI offices.

(b) Please refer to Liberty IR-14 (a).

**REDACTED**

**Request IR-14:**

**GRA 2012 OE-01A Attachment 1, page 4 shows a petcoke price for 2012 of [redacted]/tonne or [redacted]/MMBtu. Please explain how this price forecast was developed and indicate what data sources were used.**

Response IR-14:

Please refer to Avon IR-4. There is currently [redacted]; therefore, the vessel delivery price is [redacted] tonnage pricing as per the POA.

**REDACTED**

**Request IR-15:**

**In GRA 2012 OE-01A Attachment 1, page 18 Bunker C costs per barrel show a high degree of month to month variation: [redacted]/bbl in most months but [redacted]/bbl in June 2012 and then [redacted]/bbl in July 2012.**

**(a) Please provide information on any price forecasts or assumptions underlying these numbers.**

**(b) A similar volatility in Bunker C costs also occurs [redacted]. (GRA 2012 OE-01A Attachment 1, page 21.) Please explain these cost fluctuations in Bunker C.**

Response IR-15:

(a-b) Similar to Avon IR-3, the month to month variability is due to rounding within the financial reporting software where fuel consumption is rounded to the nearest "100" for both MT and MMBtus. Where there are smaller values, the monthly financial figures are more sensitive to rounding effects as they are divided by rounded MMBtus and MTs, causing month to month fluctuations. These numbers are outputs from the forecasting model and do not affect the Total Fuel and Purchased Power.

**NON-CONFIDENTIAL**

**Request IR-16:**

**Were the marine freight studies by Clarksons and Simpson, Spence and Young (SSY) in GRA 2012 OE-01N Attachments 1-3 prepared explicitly for NSPI? If not, for whom were they prepared, when, and how did NSPI come to have copies?**

Response IR-16:

The studies were prepared for NSPI.

**NON-CONFIDENTIAL**

**Request IR-17:**

**GRA 2012 DE-03 – DE-04 page 11 states that in 2012 NSPI is forecasting a decrease in taxes of $72 million due to its renewable investments; please explain the calculations underlying this statement.**

Response IR-17:

The decrease in taxes of $72 million is the tax-effected total reduction in revenue requirement related to income taxes since the last time rates were set. This decrease represents the total tax benefits related to investments in infrastructure and other rate base items, including renewable investments. Tax reductions related to renewable investments are available through accelerated tax depreciation and available tax credits. Please refer to OE-10 – OE-11 of the Application for detailed tax calculations.