

customers object to the acceptance for filing of the tendered contracts and request that they be suspended for one day, that the Commission order a formal investigation, and that the Commission allow the filing to become effective subject to reduction and revision retroactive to the effective date.

The primary municipal objection is to the rolling of obsolete Massachusetts Electric and Narragansett generating equipment into the total NEPCO power supply which results in excess annual costs of over \$15,500,000 as compared with costs resulting were there substituted modern equipment.

The New England Power Service Company filing letter states that "These filings are made in accordance with the terms of the Settlement Agreement dated September 1, 1965 * * *." We disagree, Paragraph 3(a) of the Settlement Agreement required NEPCO:

"To review the economics of retaining the steamelectric generating plants of Massachusetts Electric Company as a part of System power supply in the light of possible alternatives, and to determine what, if any, program should be established for the accelerated retirement of such plants."

No such review has been made of the Massachusetts Electric generation; and not only does NEPCO propose to integrate this obsolete equipment into the NEPCO power supply, but, without any effort at economic justification, it proposes to compound the error by doing the same with the obsolete Narragansett generating plants. This roll-in would be accomplished under the following provisions of the proposed contracts:

Narragansett Contract:

Original sheets nos. 13-17 (Exhibit C)

Original sheet no. 21 (Exhibit D, Section III)

Massachusetts Electric Contract:

Original sheets nos. 13-17 (Exhibit C)

Original sheet no. 22 (Exhibit D, Section III)

The extreme obsolescence of the Narragansett and Massachusetts Electric generating plants is obvious upon analysis of the cost data filed by NEPCO in support of the proposed contracts. This data is summarized on Schedule D attached hereto.

The fixed capacity costs¹ of the Narragansett generating plants is \$39.20 per kw year which is over double the standard for current equipment as set in the recent testimony of Dr. Joseph Jessel, Assistant Chief of the Commission's Bureau of Power in the Northfield Mountain case. (*Western Massachusetts Electric Co., et al*, Project Nos. 1889 et al.). Dr. Jessel's comparable capital costs, as set forth in the Examiner's decision of September 12, 1967, are as follows (pp. 7-8):

Peaking fossil-fueled steam-----	\$16.46 per kw year
Base load fossil-fueled steam-----	\$18.36 per kw year
Northfield Mt. pumped storage-----	\$12.08 per kw year

Jessel's peaking steam plant includes units of 210 mw size and a fuel cost per kwh which is less than that of the Narragansett plants.

Indeed, the out-of-pocket costs alone of the Narragansett plants come to \$21.40 per kw year (local taxes, operation & maintenance, insurance, general) which is substantially larger than the total capital and out-of-pocket costs of modern equipment.

The obsolescence of the Massachusetts Electric generation is even more extreme. The fixed capacity costs of the Webster Street plant are \$83.04 per kw year, and of Lynnway \$34.05 per kw year, while together they average out to \$52.62 per kw year. Comparing these to Dr. Jessel's standards, the fixed capacity costs are three times what they would be if replaced by modern equipment. In addition, the modern equipment would save on fuel costs.

A closer look at the makeup of the Massachusetts Electric costs is instructive. Out-of-pocket costs *alone* (local taxes, operation & maintenance, insurance, general) total \$31.67 and thus are about double total capital and out-of-pocket costs of modern equipment. In the case of Webster Street, operation and maintenance costs alone come to \$27.17 per kw year, and local taxes add another \$13.60 per kw year.

Accordingly, there is no question but that these plants are hopelessly obsolete and inefficient, that management cannot justify their continued operation—except perhaps on the basis of imprudent past decisions against modern replacements, and that the Commission should not now permit the roll-in of these costly

¹ This excludes all fuel costs and treats all other costs as fixed costs. Any variables thus included in the above fixed costs would be *de minimus* in this context.