

# Memorandum

**To:** Michael Pace and the Board of Directors  
**From:** John D. Clark, Operations Division Head  
**Date:** December 13, 2002  
**Re:** Jet Reserve

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There is currently \$20 million in a reserve account designated as *Energy Project EGF Operations Fund*. Legal covenants made at the time of closing in December 2000 that restrict the amount that may be drawn from that reserve account. One of the requirements was that the Authority shall “maintain a minimum amount of Restructuring Reserves (Minimum Balance) such that the Minimum Balance, together with the amount of net profits projected by the Authority to be generated from the operation of the Jets (based on existing contracts or revenues and expense projections) will, together with investment earnings on each of the foregoing, be projected by the Authority to be equal to or greater than the projected costs to the Authority of operating the EGF during the term of the Electricity Generation Agreement.” This requirement was the result of CRRA’s acquiring the South Meadow’s site, including the Electric Generation Facility (EGF). Since the EGF was and is not part of the Mid Connecticut “System”, the cost of operating and maintaining the EGF must be met solely by the Minimum Balance and the revenue generated from the jet turbines, not out of revenues generated through tipping fees or electric revenue.

At the November Finance Committee meeting, I presented three cases, demonstrating that between \$13 and \$19 million of this reserve account may be available to support ongoing operations, while meeting the Minimum Balance requirement. In that memo I indicated that the review was on-going and would require the assistance of outside engineering or power marketing support to provide an opinion on a number of factors. The main issues that are in need of further refinement and justification included:

- The future salvage value of the jets
- The future revenue stream from the jets if the election is to continue operation
- The probability of Select Energy (purchaser of the capacity of the jets) calling for an early termination of the Power Purchase and Sales Agreement
- Future projections for the Installed Capacity Market (ICAP) through ISO New England and the New England Power Pool (NEPOOL)
- Future projections for the need for and prices of peaking power

The model presented to the Finance Committee assumed a salvage value for the jets of \$25 million in 2005 and \$13 million in 2010. These values were selected based on an initial market analysis and negotiations in late 1999 and early 2000. At that time, CRRA received two separate offers to purchase the jet engines. Both offers were for \$25 million. Rather than accepting this offer for an outright purchase, CRRA elected to enter into a 10-year contract with Select Energy (Select), which provided for total net revenue of approximately \$50 million over the 10-year term. The contract with Select does include a Contract provision that allows either party to terminate the Contract with a 24-month notice, provided that such notice cannot be given prior to May 2003 (reducing the contract term to 5-years). The value of the contract based on the minimum 5-year term was approximately \$26 million.

The energy market has drastically changed since late 1999 and early 2000. At that time, there was a projected shortage of installed capacity and backlogs of orders for generating equipment. This drove up the cost of installed, used, and new generating equipment. Equipment and energy prices plunged after the Enron bankruptcy filing. On November 15, 2002, CRRA received a report from Northeast Generation Services Company (NGS) indicating that the estimated salvage value of the jets was estimated to be between \$6 and \$8 million dollars, significantly less than the \$25 million estimated in 1999. A copy of the NGS report, which also outlines the other options that may be available to CRRA, is attached.

Projections that the Select contract would generate \$26 million of net jet engine revenue over the 5-year term are on target. If the jet turbines are sold for \$8 million in 2005, the net present value of the revenue stream over the 5-year period (approximately \$28 million) is greater than the \$25 million offers to purchase the jets received in 1999-2000. CRRA staff continues to believe that there is greater value in leaving the units installed and operational in their present location than in selling the units.

Over the past year, CRRA has had numerous discussions with Select on these issues, and on the purchase of the electric output from the waste-to-energy facility. Select has informally indicated that the current contract rates for the jet engines are above market and that Select is considering canceling the contract in 2005. CRRA staff has agreed to consider an alternative proposal offered by Select. The alternative would result in reduced contract rates, providing less revenue for CRRA, but would commit Select to a new fixed contract term to be coincident with the term of the South Meadows waste-to-energy contracts (2012). CRRA is waiting for a proposal from Select, expected by early January 2003. When this information is available it will be incorporated into the model to determine what portion of the reserves this would make available, and if the terms are beneficial to CRRA and its member towns. It is anticipated that a substantial portion of the reserves would be made available under this scenario.

CRRA has rerun the model with a contract termination of 2005 and an \$8 million jet salvage value. This model is attached and shows that only \$1.18 million can be made available to fund on going operations and the balance of \$18.82 million must be maintained as the Minimum Balance. A second model, assuming a 2010 contract term with no changes to contract terms and an \$8 million jet salvage value is also attached. This model indicates that the full \$20 million would be available under those hypothetical conditions. However, without commitment by Select the funds cannot be freed up at this time. The anticipated commitment by Select, however, will not likely permit the full \$20 million to be freed up.

# EGF OPERATIONS AND MAINTENANCE PROJECTIONS - 2005 Contract Termination - \$8 million jet salvage value

JETS REVENUES	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
	DOPTED BUDGET FY02	ACTUAL FY03	PROJECTED FY04	PROJECTED FY05	PROJECTED FY06	PROJECTED FY07	PROJECTED FY08	PROJECTED FY09	PROJECTED FY10	PROJECTED FY11	PROJECTED FY12
Jets Capacity	\$6,650,000	\$7,395,285.17	\$5,414,688	\$4,550,688	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Jets Variable	\$267,500	\$191,013.62	\$268,000	\$268,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Jets Backstop	\$18,000	\$40,503.78	\$15,000	\$15,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Black Start Credit	\$0	\$300,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
O&M Compensation	\$2,108,976	\$878,740	\$23,328	\$23,328	\$23,328	\$25,028	\$25,028	\$25,028	\$26,728	\$26,728	\$26,728
Billboard Lease (LeMar)	\$21,600	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Office space rental	\$10,000	\$0	\$2,205	\$2,205	\$2,205	\$2,205	\$2,205	\$2,205	\$2,205	\$2,205	\$2,205
TCI Cable maintenance fees	\$2,205	\$357,528	\$381,329	\$395,018	\$385,310	\$471,404	\$397,904	\$324,986	\$248,836	\$169,379	\$86,471
Interest Income (Reserve Fund)	\$1,200,000	\$880,537	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Miscellaneous income	\$0	\$245,633	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Sale of Jets</b>											
<b>Total Revenues</b>	<b>\$10,278,281</b>	<b>\$6,379,021</b>	<b>\$6,104,550</b>	<b>\$5,254,239</b>	<b>\$8,000,000</b>	<b>\$498,637</b>	<b>\$425,137</b>	<b>\$352,219</b>	<b>\$277,769</b>	<b>\$198,312</b>	<b>\$115,404</b>
<b>JETS EXPENDITURES</b>											
General Administration	\$759,984	\$567,274	\$71,337	\$73,120	\$37,474	\$38,411	\$39,371	\$40,356	\$41,364	\$42,399	\$43,459
Fees/Licenses/Permits	\$12,357	\$10,664	\$12,400	\$12,400	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Assessment/Taxes	\$0	\$117,411	\$123,355	\$126,439	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Insurance Premiums	\$136,400	\$154,718	\$281,645	\$288,687	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Contract Operating Charges	\$660,000	\$695,772	\$695,772	\$695,772	\$0	\$0	\$0	\$0	\$0	\$0	\$0
NGS Fixed Fee	\$267,500	\$268,000	\$268,000	\$268,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
NGS Variable Fee	\$18,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
NGS Backstop offset	\$300,000	\$15,000	\$75,000	\$75,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
NGS Pass-through expenses	\$111,000	\$0	\$50,000	\$50,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital upgrades	\$500,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
N0x Reduction capital upgrades	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Operating Charges	\$90,000	\$5,000	\$25,000	\$25,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Engineering	\$230,800	\$215,131	\$278,804	\$285,774	\$292,919	\$300,242	\$307,748	\$315,441	\$323,327	\$331,410	\$339,696
Insurance Premiums	\$2,800,000	\$2,782,535	\$3,007,785	\$3,082,979	\$3,160,054	\$3,239,055	\$3,320,031	\$3,403,032	\$3,488,108	\$3,575,311	\$3,664,693
Contract Operating Charges (C1 Bu)	\$400,000	\$496,000	\$270,000	\$552,000	\$154,000	\$549,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000
Contract Operating Charges (C2 Bu)	\$0	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Other Operating Charges	\$90,000	\$12,881	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Engineering	\$0	\$330,924	\$200,000	\$205,000	\$210,125	\$215,378	\$220,763	\$226,282	\$231,939	\$237,737	\$243,681
Other Utilities	\$0	\$6,052,785	\$5,384,098	\$5,765,171	\$3,879,571	\$4,367,086	\$4,262,913	\$4,360,111	\$4,459,738	\$4,561,857	\$4,666,528
<b>TOTAL EXPENDITURES</b>	<b>\$6,376,051</b>	<b>\$1,252,702</b>	<b>\$720,452</b>	<b>-\$510,932</b>	<b>\$4,531,272</b>	<b>-\$3,868,448</b>	<b>-\$3,837,776</b>	<b>-\$4,007,892</b>	<b>-\$4,181,969</b>	<b>-\$4,363,545</b>	<b>-\$4,551,124</b>
<b>Net Revenues</b>	<b>\$3,902,230</b>	<b>\$18,817,261</b>	<b>\$20,069,963</b>	<b>\$20,279,483</b>	<b>\$24,810,755</b>	<b>\$20,942,306</b>	<b>\$17,104,530</b>	<b>\$13,096,638</b>	<b>\$8,914,669</b>	<b>\$4,551,124</b>	<b>\$0</b>
<b>Reserve at end</b>											

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OPTIONAL METHOD - no salvage-keep operational at reduced ICAP payments  
 use ICAP instead of Salvage Y/N  
 ICAP base year price -\$/kw-month \$ 1.00  
 average jet installed capacity 184,320  
 STILL HAVE VALUE OF JETS AT END OF CONTRACT

CPI Adjustment	2.50%
Required Reserve Fund	\$18,817,261
Total w/interest at	1.9%
Borrowing Rate	6.0%
Jets expiration	2005
Base Capacity payments	\$ 5,013,600
capacity improvement	108%
variable passthrough	\$ 268,000
blackstart credit	\$ 300,000
backstop energy \$	\$ 15,000
Salvage value of jets	\$ 8,000,000

**Available for Operations**  
**\$1,182,739**

# EGF OPERATIONS AND MAINTENANCE PROJECTIONS - 2010 Contract Termination - \$8 million jet salvage value

JETS REVENUES	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
	DOPTED BUDGET FY02	ACTUAL FY03	PROJECTED FY04	PROJECTED FY05	PROJECTED FY06	PROJECTED FY07	PROJECTED FY08	PROJECTED FY09	PROJECTED FY10	PROJECTED FY11	PROJECTED FY12
Jets Capacity	\$6,650,000	\$5,414,688	\$5,414,688	\$5,414,688	\$5,414,688	\$5,414,688	\$5,414,688	\$5,414,688	\$4,550,688	\$0	\$0
Jets Variable	\$267,500	\$268,000	\$268,000	\$268,000	\$268,000	\$268,000	\$268,000	\$268,000	\$268,000	\$0	\$0
Jets Backstop	\$18,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$0	\$0
Black Start Credit	\$0	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$0	\$0	\$0	\$0
O&M Compensation	\$2,108,976	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Billboard Lease (LeMar)	\$21,600	\$21,600	\$23,328	\$23,328	\$23,328	\$25,028	\$25,028	\$25,028	\$26,728	\$26,728	\$26,728
Office space rental	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TCI Cable maintenance fees	\$2,205	\$2,205	\$2,205	\$2,205	\$2,205	\$2,205	\$2,205	\$2,205	\$2,205	\$2,205	\$2,205
Interest Income (Reserve Fund)	\$1,200,000	-\$13,186	\$12,582	\$24,965	\$30,342	\$41,448	\$43,309	\$46,953	\$42,881	\$20,213	\$86,471
Miscellaneous income		\$245,633									
<b>Total Revenues</b>	<b>\$10,278,281</b>	<b>\$6,008,307</b>	<b>\$6,035,803</b>	<b>\$6,048,186</b>	<b>\$6,053,563</b>	<b>\$6,066,369</b>	<b>\$6,068,230</b>	<b>\$5,771,874</b>	<b>\$4,905,502</b>	<b>\$8,000,000</b>	<b>\$115,404</b>
<b>JETS EXPENDITURES</b>											
General Administration	\$759,984	\$69,597	\$71,337	\$73,120	\$74,948	\$76,822	\$78,743	\$80,711	\$82,729	\$42,399	\$43,459
Fees/Licenses/Permits	\$12,357	\$10,664	\$12,400	\$12,400	\$12,710	\$13,028	\$13,353	\$13,687	\$14,029	\$0	\$0
Assessment/Taxes	\$0	\$117,411	\$123,355	\$126,439	\$129,600	\$132,840	\$136,161	\$139,565	\$143,054	\$0	\$0
Insurance Premiums	\$136,400	\$154,718	\$281,645	\$288,687	\$295,904	\$303,301	\$310,884	\$318,656	\$326,622	\$0	\$0
Contract Operating Charges											
NGS Fixed Fee	\$660,000	\$695,772	\$695,772	\$695,772	\$695,772	\$695,772	\$695,772	\$695,772	\$695,772	\$0	\$0
NGS Variable Fee	\$267,500	\$268,000	\$268,000	\$268,000	\$268,000	\$268,000	\$268,000	\$268,000	\$268,000	\$0	\$0
NGS Backstop offset	\$18,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
NGS Pass-through expenses	\$300,000	\$88,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$0	\$0
Capital upgrades	\$111,000	\$0	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$0	\$0
N0x Reduction capital upgrades	\$500,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Operating Charges	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Engineering	\$90,000	\$5,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$0	\$0
<b>EGF EXPENDITURES</b>											
Insurance Premiums	\$230,800	\$215,131	\$278,804	\$285,774	\$292,919	\$300,242	\$307,748	\$315,441	\$323,327	\$331,410	\$339,696
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Contract Operating Charges (C2 Buc	\$400,000	\$496,000	\$270,000	\$552,000	\$154,000	\$549,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000
Other Operating Charges	\$0	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Engineering	\$90,000	\$12,881	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Other Utilities	\$0	\$330,924	\$200,000	\$205,000	\$210,125	\$215,378	\$220,763	\$226,282	\$231,939	\$237,737	\$243,681
<b>TOTAL EXPENDITURES</b>	<b>\$6,376,051</b>	<b>\$6,052,785</b>	<b>\$5,126,319</b>	<b>\$5,765,171</b>	<b>\$5,469,031</b>	<b>\$5,968,438</b>	<b>\$5,876,454</b>	<b>\$5,986,146</b>	<b>\$6,098,581</b>	<b>\$4,561,857</b>	<b>\$4,666,528</b>
<b>Net Revenues</b>	<b>\$3,902,230</b>	<b>\$881,988</b>	<b>\$651,705</b>	<b>\$283,015</b>	<b>\$584,532</b>	<b>\$97,932</b>	<b>\$191,776</b>	<b>-\$214,273</b>	<b>-\$1,193,078</b>	<b>\$3,487,289</b>	<b>-\$4,551,124</b>
<b>Reserve at end</b>		<b>-\$219,761</b>	<b>\$1,313,932</b>	<b>\$1,596,947</b>	<b>\$2,181,479</b>	<b>\$2,279,410</b>	<b>\$2,471,186</b>	<b>\$2,256,913</b>	<b>\$1,063,835</b>	<b>\$4,551,124</b>	<b>\$0</b>

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**OPTIONAL METHOD - no salvage - keep operational at reduced ICAP payments**

use ICAP instead of Salvage Y/N      n  
 ICAP base year price -\$/kw-month      \$      1.00  
 average jet installed capacity      184,320

STILL HAVE VALUE OF JETS AT END OF CONTRACT

CPI Adjustment	2.50%
Required Reserve Fund	-\$219,761
Total w/interest at	1.9%
Borrowing Rate	6.0%
Jets expiration	2010
Base Capacity payments	\$ 5,013,600
capacity improvement	108%
variable passthrough	\$ 268,000
blackstart credit	\$ 300,000
backstop energy \$	\$ 15,000
Salvage value of jets	\$ 8,000,000
<b>Available for Operations</b>	<b>\$20,000,000</b>

# **South Meadow Station**

## **Units 11 – 14**

### ***Identification / Discussion of Future Options***

Prepared by: Francis X. O'Keefe  
Northeast Generation Services Company  
November 15, 2002

Prepared for: Connecticut Resources Recovery Authority

The Connecticut Resources Recovery Agency (CRRA) has requested Northeast Generation Services (NGS) to assist in identifying future options for the four (4) Pratt & Whitney FT-4 Twin Power Pacs (South Meadow Units 11-14) combustion turbines located at South Meadow Station in Hartford, CT. Based upon limited time frame, this evaluation is limited to identifying and discussing each option, as well as consulting with industry professionals on generally accepted / anticipated practices.

The four FT-4 twin pacs are nominal 40 MW each (winter rating) installed in 1970 by Northeast Utilities to provide peaking power in the Central Connecticut region. Through the Electric Utility restructuring / deregulation, CRRA purchased these units from Northeast Utilities in 1999.

Each Twin Pac consists of two opposed, direct connected, P&W FT4A-9 gas turbines, driving an open cycle air-cooled 46.5 MVA, 13.8 kV, 0.90 power factor, two pole, turbine type generator at 3,600 rpm, with a "drive-through," direct connected brushless exciter. All equipment is housed in an enclosure 32 feet by 105 feet.

Northeast Generation Services Company (NGS), an unregulated subsidiary of Northeast Utilities, currently is under contract to CRRA for providing the annual operation and maintenance services of the Units.

NGS has identified four basic options for the CRRA to consider for future use of the units. The options are grouped as follows:

**Option 1:** CRRA would continue to operate the units at South Meadow and ownership would be retained by CRRA.

**Option 2:** CRRA would sell the units another party, keeping the units operating at South Meadow while allowing the new owner full access to the site.

**Option 3:** CRRA would retire the units and sell the components as spare parts.

**Option 4:** CRRA would sell the units for relocation / reuse by other party.

Each of the above options should be evaluated based upon a trigger date of May, 2005 and May, 2010.

A full discussion of each option follows.

**Option 1: CRRA could continue to operate the units at South Meadow and ownership would be retained by CRRA.**

The details required to perform this evaluation would have to be provided by CRRRA. To properly evaluate this option, several items must be quantified. For the revenue side of the equation, anticipated revenues from each of the products provided by the units, i.e. capacity, spinning reserve, energy, black-start value, etc. must be estimated based upon projections of the unregulated New England energy market. For these, an annual revenue stream would be developed and evaluated based upon its net present value.

The expense side would also be developed. Expenses to be quantified include: current and future operation and maintenance costs, costs related to potential changes in the air regulations and their cost impact, major repairs outside of normal operation and maintenance costs, property taxes, state and federal taxes, cost of capital, depreciation, and fuel costs.

Other issues to consider include the overall risk in the energy markets, as well as CRRRA's internal rate of return requirements.

NGS could provide assistance to CRRRA in evaluating this option.

The resulting Net Income (Present Value) should be used in comparison to the other three (3) options.

**Summary Option 1:** CRRRA to perform Net Income (Net Present Value) analysis of the going forward costs of continuing to operate the South Meadow Twin Pacs. NGS could provide assistance in quantifying costs and revenues.

**Option 2: CRRRA could sell the units to another party, keeping the units operating at South Meadow while allowing the new owner full access to the site.**

CRRRA would use their anticipated net income calculated for Option 1 (above) as a basis of negotiation for the sale of the units to remain operating on site. The final negotiated price for the sale of the units would be reduced by any potential risks associated with the assumptions in the analysis. The risks that could potentially reduce the selling price would include:

1. Assumptions in revenues based upon the maturity of the energy market in New England.
2. Potential costs associated with changes in regulations, primarily NOx air regulations and the capital improvements required for compliance.
3. Unanticipated major component replacements not assumed in the Operation and Maintenance budget based upon the units being in operation for 30 plus years.
4. The climate for the repurchase of electric generating facilities in Connecticut is currently depressed as seen through the sale of the former United Illuminating / Wisvest Units as well as the current status of the former CL&P



Units now owned by NRG. Also, to consider is the current status of the new facility under construction in Meriden by NRG.

All these factors and associated risks will reduce any potential selling price of the units for remaining in operation at the South Meadow site.

**Summary Option 2:** Based upon completion of Option 1 analysis, CRRA to issue Request for Quotations (RFQ) to further quantify selling price. NGS could assist in developing the RFQ, including technical assistance, preparation of drawing packages, etc. and evaluation of proposals.

**Option 3: CRRA could retire the units and sell the components as spare parts.**

This option is dependant upon the market need of the major components as well as their condition. Also, the value of the components sold as spare parts would be determined by their current need. The issue of similar units needing major component replacement and the parts available from the South Meadow units tend to be a timing issue. In addition, the Original Equipment Manufacturer or other repair service companies could be contacted to provide a firm price to remove all salvageable / saleable components. The estimated spare parts value for the engine and free turbine is approximately \$ 600,000 - \$ 800,000 per twin pac. This assumes that there is an interested buyer for the components.

Any potential revenues from the sale of components as spare parts would be reduced by the fact that all sold components would have to be disassembled / removed from the units. Competing suppliers of spare parts may have the components sitting in a warehouse ready for shipment. Other considerations to include are any potential site restoration requirements, i.e. after removal of potential spare parts, will the remaining structures, tanks, components be removed / scrapped and the site restored?

This is all based upon current information. Projections for the market in 2010 would be difficult at best. Most industry professionals believe that most existing gas turbines developed pre-1970 will be retired over the next 5 to 10 years making retired components available as spare parts. This would decrease the value of the South Meadow Units for spare parts as time goes on.

**Summary Option 3:** CRRA to issue an Expression of Interest to potential buyers of components. This request would require budgetary quotations from potential suppliers to assist CRRA in further evaluating this option. NGS could provide assistance to CRRA with the development of the packages, evaluation of proposals, etc.

**Option 4: CRRA could sell the units for relocation / reuse by other party.**

This option is compared to cost of purchasing / installing new units as well as the location, city, state, country in which the units are to be relocated. A similar designed new unit would sell for approximately \$ 10 - \$ 12 million. These units would include state-of-the-art emission controls as well as being 25% to 30% more efficient. Also, generally the new units are capable of firing gas or liquid fuels.

Based upon several conversations with industry professionals, the units are estimated to be worth \$ 2.0 to \$ 2.5 million per twin pac to sell. This value is based upon information gathered from other recent sales, comparison to new units, disassembly costs, and potential markets.

The selling price would be reduced by the disassembly costs. Other similar units for sale would be packaged and ready for shipment sitting in a warehouse. Based upon costs associated with careful disassembling of similar units in preparation for shipment and reassembly, the selling price could be reduced by \$ 400,000 to \$ 500,000 per twin pac. This cost would include disassembly of the enclosures, partial unit disassembly, emptying / cleaning fuel tanks, etc.

In addition, the selling price would also be affected by the new potential location. If the new owners are anticipating that these units will need to be upgraded to meet emission standards, any costs related to capital improvements would reduce the price further in comparison to new units.

This is all based upon current information. Projections for the market in 2010 would be difficult at best. Some industry professionals believe that the price for gas turbines of this vintage has essentially bottomed out and that there would be no further decrease in value. Others believe that with newer generations of gas turbine being developed over the next 5 to 10 years, that this vintage would decrease further in value and have little or no remaining value over time.

**Summary Option 4:** It appears that the preliminary estimate of selling the South Meadow Twin Packs would net approximately \$ 1.5 – \$ 2.0 million per twin pac. This is subjectively based upon a selling price of \$ 2.0 to \$ 2.5 million reduced by disassembly / packaging costs \$ 400,000 to \$ 600,000. To more accurately quantify this value, CRRA could issue a formal RFQ to potential buyers / marketers. NGS could provide assistance in the development of the RFQ, identifying potential buyers and evaluating proposals.

**References:**

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