



ATTACHMENT 3

Testimony of Eric H. Chung

**THE STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION**

PREPARED TESTIMONY OF ERIC H. CHUNG

**APPLICATION OF
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
d/b/a EVERSOURCE ENERGY
FOR APPROVAL OF THE SALE OF ITS GENERATION ASSET OWNERSHIP
INTERESTS**

DOCKET NO. DE 17-124

OCTOBER 12, 2017

- 1 **Q. Please state your name, title and business address.**
- 2 A. My name is Eric H. Chung. I am employed by Eversource Energy Service Company as
3 Director, Revenue Requirements (NH) and Regulatory Projects. My business address is
4 247 Station Drive, Westwood, Massachusetts 02090.

- 5 **Q. Have you previously testified before the Commission?**
- 6 A. Yes, I have testified before the Commission in many proceedings, including, *inter alia*,
7 Docket No. DE 11-250 (Investigation of Merrimack Station Scrubber Project and Cost
8 Recovery); Docket No. DE 13-274 (2014 Stranded Cost Recovery Charge Rate Change);
9 Docket No. DE 13-275 (2014 Default Energy Service Rate Change); Docket No. DE 13-
10 108 (Reconciliation of Energy Service and Stranded Costs for Calendar Year 2012);
11 Docket No. DE 14-238 (2015 PSNH Restructuring and Rate Stabilization Agreement);
12 Docket No. DE 15-464 (Lease Agreement Between PSNH and Northern Pass
13 Transmission); Docket No. DE 16-693 (PSNH PPA with Hydro-Renewable Resources);
14 and, Docket No. DE 17-105 (Sale of Wyman 4 Interest).

- 15 **Q. Please describe your educational background.**
- 16 A. I have a Bachelor of Arts in physics with honors from Harvard College, as well as a
17 Master's of Business Administration in finance and economics from the University of
18 Chicago Booth School of Business.

1 **Q. Please describe your professional experience.**

2 A. I was appointed to my current position at Eversource Energy in February 2015. From
3 August 2013 to January 2015, I was Director of Revenue Requirements for Eversource's
4 operating companies in both Massachusetts and New Hampshire, including Public
5 Service Company of New Hampshire ("PSNH" or the "Company"). From 2011 to 2013, I
6 was a Senior Manager in the Power Utilities Advisory practice at Ernst and Young LLP.
7 From 2009 to 2011, I worked for PacifiCorp, a vertically-integrated electric utility
8 serving approximately 1.7 million customers across six states in the Western United
9 States, where my primary role was Director of Environmental Policy and Strategy. I have
10 also served as an Associate Partner in the Utilities practice at Oliver Wyman, a Senior
11 Engagement Manager in the Power practice at Strategic Decisions Group, and a Senior
12 Programmer Analyst at Goldman Sachs. I have approximately twenty years of relevant
13 management consulting and industry experience, with most of my career dedicated to the
14 power and utilities sectors.

15 **Q. What is the purpose of your testimony in this proceeding?**

16 A. I am filing testimony on behalf of PSHN to request that the Commission approve the sale
17 of PSHN's generating assets pursuant to New Hampshire law and the "2015 Public
18 Service Company of New Hampshire Restructuring and Rate Stabilization Agreement,"
19 filed with the Commission on June 10, 2015, as amended and approved by the
20 Commission in Order No. 25,920 dated July 1, 2016 (the "2015 Settlement Agreement").
21 PSNH has entered into two Purchase and Sale Agreements ("PSA") that are included
22 with PSHN's Application – one for the sale of the Company's Thermal generation units
23 (Merrimack, Newington, Schiller, Lost Nation and White Lake Stations) (the "Thermal
24 Assets") to Granite Shore Power LLC ("Granite Shore Power"), a 50-50 joint venture
25 between Atlas FRM LLC d/b/a Atlas Holdings LLC ("Atlas") and Castleton
26 Commodities International (CCI) and the second for the sale of the Company's Hydro
27 generating units (Smith, Gorham, Canaan, Ayers Island, Eastman, Hooksett, Garvins
28 Falls, Amoskeag and Jackman Station as well as the Company's ownership shares in the
29 Androscoggin Reservoir Company) (the "Hydro Assets") to HSE Hydro NH AC, LLC

1 (“HSE Hydro”), a subsidiary of HSE Hydro NH Co-Invest Fund, LP and an affiliate of
2 Hull Street Energy, LLC.

3 In my testimony, I will describe PSNH’s role in the various phases of the auction, plus
4 highlights of the commercial terms of sale for the two transactions. I will also discuss the
5 benefits customers will receive as a result of the sale of these generating assets, and
6 describe how the sale is consistent with both New Hampshire law and with the 2015
7 Settlement Agreement.

8 **Q. Please summarize the 2015 Settlement Agreement.**

9 A. As described and approved in docket DE 14-238, the 2015 Settlement Agreement was
10 executed by a wide variety of parties including Senator Jeb Bradley, Senator Dan Feltes,
11 the Office of Energy and Planning, Designated Advocacy Staff of the NHPUC, the Office
12 of Consumer Advocate, the IBEW Local 1837 union, the Retail Energy Supply
13 Association, the New England Power Generators Association, the Conservation Law
14 Foundation, the New Hampshire Sustainable Energy Association, TransCanada Power
15 Marketing and TransCanada Hydro Inc. The Agreement requires the expeditious
16 divestiture of PSNH’s generating assets. It provides for securitization of stranded costs,
17 extends the Reliability Enhancement Program, and requires PSNH to forego recovery of
18 \$25 million related to the Merrimack scrubber project. The Agreement also requires that
19 any divestiture will ensure that the plants remain in service for at least 18 months after the
20 sale; specifies specific employee protections; provides for certain tax stabilization
21 payments over a three-year period; establishes a stay-out period for PSNH distribution
22 rate cases; and, provides a \$5 million contribution by Eversource’s shareholders to New
23 Hampshire’s clean energy fund. The Agreement was approved on July 1, 2016.

24 **Q. What is your role in PSNH’s divestiture of its generating assets?**

25 A. I am the overall Eversource lead for the divestiture. In this role, I have served as the
26 primary business principal representing the Company for all aspects of the transaction.

1 **Q. Please identify PSNH's Thermal and Hydro Assets.**

2 A. The Thermal Assets include five generating facilities: Merrimack Station, Newington
3 Station, Schiller Station, the Lost Nation remote combustion turbine, and the White Lake
4 remote combustion turbine. The Hydro Assets include nine generating facilities: Smith
5 Station, Gorham Station, Canaan Station, Ayers Island Station, Eastman Falls Station,
6 Amoskeag Station, Hooksett Station, Garvins Falls Station, and Jackman Station.
7 Additionally, PSNH's 12.5% share in the Androscoggin Reservoir Company ("ARCO")
8 is included with the Hydro Assets. Please refer to the testimony of Mr. Neil Davids of
9 J.P. Morgan ("JPM"), as he describes the assets in further detail in his pre-filed
10 testimony.

11 **Q. Please describe PSNH's role in the auction process.**

12 A. As required by the 2015 Settlement Agreement approved by this Commission,
13 Commission Staff was responsible for administration and oversight of the entire auction
14 process, with JPM acting as the Commission's auction advisor. PSNH worked
15 collaboratively with both JPM and Commission Staff to support the success of all phases
16 of the auction.

17 *Pre-auction preparation*
18 PSNH conducted significant work in preparation for the auction process prior to JPM's
19 retention by the Commission. In mid-2015, the Company engaged Concentric Energy
20 Associates, under the leadership of Mr. John Reed, pursuant to the 2015 Settlement
21 Agreement requirement that, "PSNH shall engage an expert consultant regarding typical
22 divestiture processes and submit testimony from that expert as part of the Commission's
23 proceeding to review this Agreement." Mr. Reed appeared in Docket No. DE 14-238 on
24 behalf of the Company, and his team collaborated with the Company across a series of
25 internal work streams to help ensure Eversource would be adequately prepared by the
26 time the auction commenced.

27 Early in the process, the Company engaged transaction legal counsel to assist with the
28 commercial aspects of the auction, as well as certain environmental and regulatory

1 matters. The Company conducted a competitive Request for Proposals process to
2 determine which legal firm could provide the necessary assistance at the most cost-
3 efficient price. As a result of that process, the law firm of Balch & Bingham (“Balch”)
4 from Birmingham, Alabama was engaged. Balch has provided the Company with
5 generation environmental counsel for many years, and was awarded the divestiture
6 contract with Eversource based on their ability to provide substantial expertise with
7 generation sales at cost-effective billing rates. Moreover, Balch has a strong FERC
8 practice, allowing them to assist with the development of interconnection agreements and
9 the preparation of the application to FERC that would be necessary to transfer to the
10 Company’s FERC hydro licenses to the successful bidder.

11 Our generation group employees were highly involved in many aspects of the pre-auction
12 and auction stages of the divestiture, and deserve high praise for their efforts throughout.
13 As part of the pre-auction preparation process, the Company’s generation employees
14 made efforts to ensure that each of the generating assets was visually ready to attract
15 interested bidders. Aerial videos of each of our generating plants were obtained to
16 provide visual overviews of the assets, and were leveraged to aid discussions during the
17 auction’s management presentations.

18 The Company also sought external assistance to conduct a fast-paced and high-level
19 review of its readiness for a post-divestiture transition. Such a planning exercise is typical
20 and reasonable for complex transactions of this nature, and has been conducted for prior
21 transactions in Eversource’s history. After conducting a comprehensive Request for
22 Proposals process, the Company engaged the Strategy&, a division of PwC, led by
23 experienced management consultant Tom Flaherty, to conduct the review. The review
24 concluded that, despite the complexity associated with the separation of the Generation
25 business and expedited divestiture schedule, there were no substantial issues or gaps
26 observed that were likely to impede the success of the transition.

27 Finally, when JPM was retained by the Commission, Eversource was able to leverage its
28 substantial pre-auction preparation efforts towards the completion of a final set of

1 comprehensive auction-related materials. Eversource and JPM conducted a significant
2 joint work effort whose deliverables includes the following: a Confidential Information
3 Memorandum (“CIM”) that described the key aspects of the Generation business; a
4 Management Presentation that would later be delivered to Round 2 bidders; an
5 independent engineering report developed by Leidos Engineering; a market analysis
6 conducted by PA Consulting; and the preparation of a comprehensive Virtual Data Room
7 (“VDR”) that, when fully populated, contained many thousands of documents describing
8 the general portfolio and the assets individually.

9 Auction rounds

10 Round 1 and Round 2 of the auction are described in the testimony of Mr. Davids. In
11 cooperation with JPM, the Company managed initial administrative processes for entities
12 asking to participate in Round 1 of the process. Non-disclosure agreements were
13 provided by Balch and negotiated and executed with a myriad of interested bidders.

14 Following execution of those NDAs, Round 1 parties received copies of initial
15 confidential auction materials from JPM. These materials included the CIM, independent
16 engineering report, and market analysis study. PSNH cooperated with JPM and
17 Commission Staff in the analysis of the Round 1 indicative bids to determine which
18 bidders should be included in Round 2.

19 After the conclusion of Round 1, the Company hosted individual management
20 presentations for each Round 2 bidder. These presentations, which typically spanned an
21 entire day, provided a comprehensive review of Eversource’s generating portfolio and an
22 opportunity for Round 2 bidders and their technical consultants to ask detailed questions
23 about the assets. As part of its oversight responsibilities, Commission Staff attended each
24 of the management presentations as an observer. Meanwhile, JPM was responsible for
25 arranging each meeting, preparing meeting materials, ensuring the confidentiality of
26 bidder identifications, and ensuring that the auction process moved expeditiously through
27 the management presentation process, onsite visits, and detailed due diligence questions.

1 Furthermore, visits to each site were conducted for every Round 2 bidder. As with the
2 management presentations, each of these site visits included representatives from JPM
3 and Commission Staff. The visits were led by managers from the Company's generation
4 business. These management guides had the knowledge necessary to respond to
5 questions from the visiting bidder; their role as guide also allowed the Company to
6 demonstrate the high-quality of our managing workforce and supporting staff.

7 During the due diligence period, the Company responded to approximately 2,000
8 questions across all Round 2 bidders. Due diligence questions sought very detailed
9 information regarding each generating asset. Topics of due diligence included
10 operations, fuel use, fuel contracting, permits, environmental matters, real estate, labor
11 issues, financials, taxes, ISO-NE matters, and interconnection agreements.

12 As part of the due diligence process, the Company also participated in approximately 40
13 conference calls with Round 2 bidders on specific topics of interest, such as
14 environmental, human resources, and information technology. I commend every
15 discipline within Eversource that was engaged in the auction due diligence process for
16 their timely, accurate, and complete participation. Unless and until the due diligence
17 questions were answered, the auction process could not move forward to final bids.

18 In concert with our lawyers from Balch, the Company developed the commercial terms
19 and conditions contained in a draft PSA that were presented to bidders that would form
20 the purchase and sales agreements for the transaction. The Company chose to use the
21 PSA from the sale of Seabrook Station as the model for this document, as that PSA had
22 been reviewed and approved by the Commission during the Seabrook divestiture process.

23 Finally, upon receipt of final bids from the various bidders, the Company, its lawyers
24 from Balch, and JPM reviewed each final bid to determine which bid or combination of
25 bids maximized the Total Transaction Value ("TTV"). Components of TTV included not
26 just the "headline" overall bid prices, but factors such as the following: an assessment of
27 liabilities that each bidder was willing to accept; an assessment of what liabilities would

1 remain with the Company; price adjustments due to delays in closing the transaction; and,
2 the hiring expectations for PSNH's generation employees.

3 After the submission of final bids, JPM engaged leading bidders in follow-on discussions
4 regarding the maximization of the value of their bid. Ultimately, JPM recommended that
5 the auction result that maximized the TTV was one with separate bidders for the
6 Company's hydro assets and thermal assets. Following JPM's recommendation, final
7 contract negotiations with the two selected bidders led to the two PSAs presented to the
8 Commission for approval in this Application.

9 **Q. In your opinion, was the auction process fair and inclusive of the appropriate level
10 of oversight?**

11 **A.** Yes, we thought the process was fair. JPM's Auction Report provides a detailed
12 summary of the entire auction process. The auction process complied with the 2015
13 Settlement Agreement, and with the Commission's auction design set forth in Order No.
14 25,967.

15 **Q. Do you accept the recommendation of J.P. Morgan?**

16 **A.** Yes, we agree that the JPM recommended auction result supports the maximization of
17 total transaction value. In addition, the Company has reviewed and accepts the
18 commercial terms of sale as presented in the two PSAs.

19 **Q. Are the sales of PSNH's Thermal and Hydro assets consistent with New Hampshire
20 law?**

21 **A.** Yes. In 2015, the Legislature enacted Chapter 221, "AN ACT relative to electric rate
22 reduction financing." This legislation amended RSA Chapter 369-B, the law allowing
23 securitized financings of certain costs of PSNH, as well as a portion of RSA Chapter 374-
24 F, the restructuring law.

1 RSA 369-B:3-a, as amended in 2015, states in relevant part:

2 *I. The general court finds that divestiture of PSNH's generation plants and*
3 *securitization of any resulting stranded costs pursuant to RSA 369-B:3, IV(c) is in*
4 *the public interest... .*

5 *II. As part of an expedited proceeding, the commission shall review the 2015*
6 *settlement proposal and determine whether its terms and conditions are in the*
7 *public interest. Notwithstanding RSA 374-F:3, VI, the commission may*
8 *incorporate rate designs that fairly allocate the costs of divestiture of PSNH's*
9 *generation plants among customer classes. As part of its review of the 2015*
10 *settlement proposal, the commission shall take into account the impact on all*
11 *PSNH customer classes, and shall consider the impacts on the economy in*
12 *PSNH's service territory, the ability to attract and retain employment across*
13 *industries, and whether the proposed rate design fairly allocates the costs of*
14 *divestiture of PSNH's generation plants among customer classes. The commission*
15 *may approve or reject the 2015 settlement proposal, or condition its approval on*
16 *any modification of the terms and conditions that it determines to be necessary to*
17 *meet the public interest standard, so long as any order to divest provides for*
18 *recovery of stranded costs and such other costs of divestiture as may be approved*
19 *by the commission. If the commission conditions its approval, the settling parties*
20 *may amend or terminate the 2015 settlement proposal.*

21 As noted previously, in Docket No. DE 14-238, the Commission reviewed and approved
22 the 2015 Settlement Agreement, finding that it is in the public interest. As discussed
23 further below, the 2015 Settlement Agreement calls for the divestiture of all of PSNH's
24 generating assets.

25 In addition, 2014 N.H. Laws, Chapter 310, "An Act relative to the divestiture of PSNH
26 assets and relative to the siting of wind turbines," at Section 310:1 provides:

27 *The purpose of allowing the public utilities commission to determine if divestiture*
28 *of Public Service Company of New Hampshire's (PSNH) remaining generation*
29 *assets is in the economic interests of PSNH's retail customers should be to*
30 *maximize economic value for PSNH's retail customers, minimize risk to PSNH's*
31 *retail customers, reduce stranded costs for PSNH's retail customers, promote the*
32 *settlement of outstanding issues involving stranded costs, and, if appropriate,*
33 *provide for continued operation or possible repowering of PSNH's generation*
34 *assets.*

35 The proposed transaction fulfills all of the requirements of 310:1, as it maximizes the
36 economic value of PSNH's generation assets to benefit retail customers; minimizes risk
37 to PSNH's retail customers by resolving future liabilities; reduces stranded costs to
38 customers by selling at the highest transaction value that the market produced; and will

1 result in the continued operation of the assets for at least eighteen months following the
2 financial closings.

3 RSA 374:30 requires a public utility seeking to transfer any portion of its works or
4 system to obtain a finding from the Commission that such transfer will be for the public
5 good. In light of the 2015 amendments to RSA 369-B:3-a wherein the Legislature
6 statutorily determined that divestiture of PSNH's generation assets is in the public
7 interest, the requirements of RSA 374:30 are met since the process used to arrive at the
8 PSAs is consistent with the 2015 Settlement Agreement and, per the accompanying
9 testimony of JPM, the Commission's Auction Advisor, the overall sales price is
10 reasonable and consistent with the goal of maximizing the Total Transaction Value from
11 the divestiture of PSNH's generating assets.

12 Therefore, the proposed sales of PSNH's generation assets as set forth in the two PSAs is
13 entirely consistent with state law.

14 Q. **Do the PSAs conform to the provisions of the 2015 Settlement Agreement?**

15 A. Yes.

16 Q. **Please describe the key terms of the Hydro Asset Sale.**

17 A. The key terms of sale for the Hydro Asset Sale are presented in the table below. Please
18 refer to the attached PSA (Attachment 1) for a more detailed description of all terms,
19 including those listed below.

Key term of sale	Description
Final headline price, including inventory and prior to closing adjustments	\$83.3mm (\$83mm for assets; \$0.3mm for inventory)
Costs associated with liabilities for unknown future issues, including environmental	Seller assumes pre-closing liabilities for unknown issues subject to \$8.3mm cap and 5-year term; buyer assumes all remaining pre-closing liabilities and all post-closing liabilities
Employee considerations	Agrees to fulfill required employee protections; intends to hire all hydro unit employees plus interview management and designated EESCO staff for consideration
Transition services	Limited; to be agreed upon between signing and closing

1 **Q. Please describe the highlights of the Thermal Asset Sale.**

2 A. The key terms of sale for the Thermal Asset Sale are presented in the table below. Please
3 refer to the attached PSA (Attachment 2) for a more detailed description of all terms,
4 including those listed below.

Key term of sale	Description
Final headline price, including inventory and prior to closing adjustments	\$175.0mm (\$97mm for assets; \$78mm for inventory)
Costs associated with liabilities for unknown future issues, including environmental	Seller assumes pre-closing liabilities for unknown issues subject to \$25mm cap and 7-year term; buyer assumes all remaining pre-closing liabilities and all post-closing liabilities
Costs associated with unknown future issues related to removal of retired Schiller Station mercury boilers	Liability included as part of \$25mm cap above, but 7-year duration starts after completion of removal project
Employee considerations	Agrees to fulfill required employee protections; will hire no less than 80% of staff designated for fossil sale
Working capital treatment	Contract has a closing price adjustment to sale proceeds based on updates to fuel and non-fuel inventory as of closing
Additional closing date adjustments	Contract has a closing price adjustment to sale proceeds beyond 1/1/2018 based on energy and capacity markets
Transition services	Information technology, plus limited support with financial services, human resources, fuel procurement, ISO-NE bidding/scheduling, regulatory/environmental, and assets/interconnection separation

5 **Q. Do you think the commercial terms of sale described in the PSAs are reasonable?**

6 A. Yes. Based on the advice of our legal counsel, Balch & Bingham, and of the
7 Commission's auction advisor, JPM, we understand the collective set of terms of the sale,
8 and each term generally, to be consistent with the range of market standards for similar
9 transactions.

11 **Q. Does the 2015 Settlement Agreement require PSNH's divestiture of its generation
12 assets?**

13 A. Yes, it does. One of the specified key components of the 2015 Settlement Agreement is
14 “Expeditious pursuit of the divestiture of PSNH’s generating plants after a final decision

1 by the Commission approving the settlement set forth in this Agreement.” Settlement at
2 lines 33-34. In addition, the 2015 Settlement Agreement contains the following general
3 language regarding divestiture of generation:

4 For the economic benefit of customers, the Commission and PSNH shall
5 expeditiously pursue divestiture of PSNH’s owned generation fleet.... . This
6 divestiture will take place through several processes including the sale of its
7 existing power generation facilities at auction. The goals of the asset auctions are
8 to maximize the net Total Transaction Value (“TTV”), which reflects all of the
9 cash and non-cash elements of the transaction(s), realized from the sale(s) in order
10 to minimize Stranded Costs, to provide a market-based determination of Stranded
11 Costs, and to establish a competitive energy market, while at the same time
12 providing certain employee and host community protections as set forth herein.

13 (Settlement, lines 432-438.)

14 **Q. Do these two PSAs maximize the Total Transaction Value as required by the 2015
15 Settlement Agreement?**

16 A. Yes, they do. The primary driver of Total Transaction Value is the total sale proceeds
17 across the winning bids. As described in the testimony of Mr. Neil Davids of J.P.
18 Morgan, the sum of the headline prices of the winning thermal bid and the winning hydro
19 bid yields a total of \$258.3 million for the assets plus related inventory. This sum exceeds
20 both that of any other combination of individual thermal and hydro bids, as well as any
21 binding bid received for the full portfolio. Furthermore, the winning thermal bidder had
22 the highest headline price across thermal bidders, and the winning hydro bidder had the
23 highest headline price across hydro bidders. It appears from Mr. Davids’s submission that
24 no other potential drivers of transaction value had a meaningful impact on the auction
25 outcome.

26 **Q. Will the sale of PSNH’s generation assets benefit customers?**

27 A. Yes, it will. These sales are consistent with the overall Legislative determination that
28 divestiture of PSNH’s generating assets is in the public interest. The sale of these assets
29 is a prelude to the securitized financing of remaining stranded costs. It is the combination
30 of these sales and the issuance of Rate Reduction Bonds that produce benefits to
31 customers.

1 **Q. What are the financial aspects of the sale of PSNH's generation assets?**

2 A. As shown in Exhibit EHC-1, we have estimated the financial aspects of the sale assuming
3 a placeholder closing date of December 31, 2017. The estimated net book value of all
4 assets, including the facilities and inventory, is \$746.4 million. We estimate that
5 including various closing adjustments, the net sale proceeds as of December 31, 2017,
6 will be approximately \$258.3 million. Given these estimates, there would be
7 approximately \$488.1 million in stranded costs. With these stranded costs, plus the
8 outstanding equity deferral, Schiller boiler removal costs, and other costs and expenses
9 associated with divestiture and securitization, we expect to securitize approximately \$600
10 million.

11 These financials are within a reasonable range of the forecast figures contained in my
12 testimony filed in Docket No. DE 14-238. The Company plans to provide descriptions
13 and updated estimates of costs and expenses in a supplemental filing in Docket No. DE
14 17-096, the securitization financing docket, which the Company expects to file in early
15 November 2017. However, final securitization and costs amounts will only be known
16 with certainty after closing. One reason is that, per the PSAs, final prices at closing will
17 be adjusted to reflect allocations of certain matters, the level of fuel inventories, taxes,
18 and price adjustments due to delayed closing, if applicable. In addition, the extent of
19 prudently-incurred divestiture-related costs can be quantified only after the closings have
20 occurred.

21 **Q. How will the differences between the sales prices and the book value of the assets be
22 dealt with?**

23 A. PSNH will request this amount, along with other expense items that occur due to the
24 transaction, to be securitized using low-interest rate reduction bonds ("RRBs") as
25 authorized by RSA Chapter 369-B. As described in the Company's filings in Docket No.
26 DE 17-096, RRBs will be recovered across all customer classes using the allocation
27 established in the 2015 Settlement Agreement and within a total term of approximately
28 15 years. The Company's supplementary testimony in Docket No. DE 17-096 described

1 above will include an estimate of the bond issuance amount that reflects the expected
2 results of the auction.

3 **Q. Are there any ongoing benefits that customers will receive as a result of the sale?**

4 A. Yes, there are. Overall, the sale fulfills the New Hampshire public policy mandate as
5 described earlier in my testimony. Turning to the transaction itself, the sale will result in
6 real customer savings by recovering the maximum value of the assets from the sales
7 process and refinancing the remaining costs of the plant investment from PSNH's 9.81%
8 generation return on equity to a Triple A-rated bond interest rate, currently in the 3-4%
9 range.

10 Finally, the transaction structure results in limitations on customer exposure to potential
11 future costs. PSNH was able to negotiate with the buyers the sharing of liabilities related
12 to unknown issues. As I describe below, the assumption of liabilities greatly mitigates the
13 future financial risk borne by customers.

14 Thermal Assets

15 After extensive negotiations, the buyer of the Thermal Assets has agreed to assume all
16 costs related to post-closing liabilities, plus costs related to pre-closing liabilities as
17 follows:

- 18 • For issues other than those related to the removal of the retired mercury boilers at
19 Schiller Station, the buyer will assume costs related to pre-closing liabilities in
20 excess of \$25 million for seven years beyond the closing of the sale. After the
21 end of the seven-year term, the buyer will assume all costs related to pre-closing
22 liabilities without a dollar limitation.
- 23 • Any costs to treat unknown issues deemed related to the boiler removal are also
24 included within the \$25 million liability cap. However, the seven-year term of
25 that assumed liability commences with the completion of the removal project.

26 Hydro Assets

27 After extensive negotiations, the buyer of the Hydro Assets has agreed to assume costs

1 related to all post-closing liabilities, plus costs related to pre-closing liabilities in excess
2 of \$8.3 million for five years beyond the closing of the sale. After the end of the five-
3 year term, the buyer will assume all costs related to pre-closing liabilities without a dollar
4 limitation.

5 **Q. Has PSNH taken any other actions to mitigate any future environmental liabilities?**

6 A. Yes. PSNH will be obtaining environmental liability insurance to cover the amounts
7 above for terms that meet or nominally exceed the time periods in the thermal and hydro
8 contracts. We are requesting in this petition the recovery of prepayment of related
9 insurance premiums as prudent for inclusion in stranded costs. In addition, as described
10 in Order 25,956 (“Order Approving Removal of Mercury Boilers from Schiller
11 Generation Station”) in Docket No. DE 16-817, PSNH was ordered to remove the retired
12 Schiller mercury boilers to maximize the amount of the auction’s Total Transaction
13 Value. Under the circumstances, having PSNH manage the removal project directly
14 (versus a new owner) likely results in the best mitigation of future environmental
15 liabilities related to these boilers, as PSNH has the greatest knowledge of this station at
16 this point in time and can likely manage the project in a way that best minimizes overall
17 costs and risks.

18 **Q. Both State Law and the 2015 Settlement Agreement require that the employees in
19 PSNH’s generation segment receive certain employee protections. Are these sales
20 consistent with both that law and the 2015 Settlement Agreement?**

21 A. Yes, they are. RSA 369-B:3-b, “Employee Protections” requires:
22 In the event of divestiture or retirement of any or all of PSNH’s generation assets,
23 employee protections no less than those set forth in the then-current collective bargaining
24 agreement shall be provided to affected employees.

25 The 2015 Settlement Agreement sets forth its required Employee Protection requirements
26 in Article VII.

1 In both PSAs, the Buyers have agreed to assume and honor the Collective Bargaining
2 Agreement (“CBA”) with IBEW Local 1837 that covers PSNH’s generation operations.
3 The CBA includes both the “Memorandum of Agreement Extending Current CBA Upon
4 Divestiture by PSNH of any Generating Asset” and its referenced “Exhibit A” and
5 “Exhibit B” attached to the 2015 Settlement Agreement as Appendix B.

6 In addition, as noted in PSNH’s Application, due to delays in the auction process, the
7 previous CBA expired on May 31, 2017, and was replaced by a new CBA. Certain
8 provisions in the employee protections agreed to between the Union and PSNH became
9 ambiguous and uncertain as a result of the requirement in RSA 369-B:3-b for the
10 provision of employee protections “no less than those set forth in the then-current
11 collective bargaining agreement.” A clarifying Memorandum of Understanding between
12 the Union and PSNH dated September 7, 2017 (the “2017 MOU”) relating to these issues
13 is included as Attachment 4 and is presented for the Commission’s review and approval.

14 **Q. The 2015 Settlement Agreement provided that the auction process would
15 accommodate the participation of municipalities that host generation assets and that
16 any buyer would fairly allocate among individual assets the sale price of any assets
17 that are sold as a group. Did the auction process comply with these requirements?**

18 A. Yes. The Commission set forth the procedure that would be used for the divestiture
19 taking into account the desires of municipalities that had expressed an interest in
20 potentially participating in the auction process. JPM, in its overall direction of the
21 auction process, complied with the Commission’s decisions relating to such participation
22 by municipalities. In addition, the Buyers have set forth the allocation of their overall
23 purchases prices to individual units.

24 **Q. What is PSNH requesting from the Commission?**

25 A. PSNH requests that the Commission expeditiously find that the sale of its generation
26 assets under the terms and conditions contained in the PSAs meets the requirements of
27 New Hampshire law, that the Commission further find that the sales are in the public
28 good and consistent with RSA 374:30.

1 An expeditious decision is requested for a number of reasons. First and perhaps
2 foremost, the Legislature has declared that “time is of the essence” for matters relating to
3 this divestiture process (RSA369-B:1, XIV) and that the Commission should act in an
4 expedited manner (RSA 369-B:3-a, II).

5 Contractually, time is essential because the Thermal PSA includes a provision calling for
6 a decrease in the sale price if closings on the transactions do not occur expeditiously.
7 Please refer to Schedule 2.6(a)(iv), “Delayed Closing Adjustment Calculation” in the
8 Thermal PSA.

9 PSNH also requests that the Commission approve the 2017 MOU with the Union, as well
10 as the Company’s plan to mitigate on-going environmental liabilities retained under the
11 PSAs via purchase of insurance to cover that risk.

12 Finally, PSNH respectfully requests that the Commission issue a separate order for each
13 PSA. This request is made to expedite closing on the transactions due to there being
14 separate buyers, with differing deal terms and conditions, relating to different generating
15 assets. Should one buyer feel that a single final order is insufficient to move to closing
16 necessitating a request for rehearing, the closing on the other deal could also be delayed.
17 Thus, we request the Commission ultimately issue two orders, one approving the thermal
18 sale and one approving the hydro sale.

19 **Q. Does this complete your testimony?**

20 A. Yes, it does.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE D/B/A EVERSOURCE ENERGY
PRELIMINARY ESTIMATE OF SECURITIZATION AMOUNT*
(BALANCES ESTIMATED AS OF DECEMBER 31, 2017)

Line	Description of items to securitize (\$ millions)	Amount
1	Net book value of generating Assets and inventory	\$ 746.4
2	Sale proceeds	(258.3)
3	Plant-related stranded costs	\$ 488.1
4	Scrubber deferral	102.4
5	Reduction for deferred equity return per settlement agreement	(25.0)
6	Net deferral	\$ 77.4
7	Regulatory assets and liabilities	10.4
8	JPM auction advisor fee	4.0
9	Potential employee separation and severance cost	4.6
10	Environmental liability insurance premiums	0.9
11	Stranded administrative and general expenses	10.5
12	Schiller mercury boiler removal project	30.0
13	Other divestiture costs	6.0
14	Transaction-related costs	\$ 66.4
15	Subtotal of estimated costs to be securitized	\$ 631.8
16	Less: Net present value of tax benefits	(48.7)
17	Plus: Issuance costs	6.3
18	Net securitization amount estimated as of 12/31/2017	\$ 589.4

*Estimated as of October 10, 2017