



R. Cameron Winton  
Vice President & General Counsel  
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1333 Northland Drive, Suite #210  
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April 10, 2012

NHPUC APR13'12 PM12:02

Debra A. Howland  
Executive Director & Secretary  
NHPUC  
21 S. Fruit St., Suite 10  
Concord, NH 03301-2429

DG 11-040  
National Grid USA et al. Joint Petition  
for Authority To Transfer Utility Ownership  
To Liberty Energy Utilities Co. et al.

Dear Ms. Howland,

Attached please find the comments of Outland Energy Services, LLC, with respect to the above-captioned docket. A copy has been provided to everyone on the service list.

Sincerely,

A handwritten signature in black ink that reads "R. Cameron Winton". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

R. Cameron Winton

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

**DG 11-040**

**National Grid USA *et al* Joint Petition  
for Authority To Transfer Utility Ownership  
To Liberty Energy Utilities Co. *et. al.***

**COMMENTS OF OUTLAND ENERGY SERVICES, LLC**

On March 4, 2011, National Grid USA, National Grid NE Holdings 2 LLC, Granite State Electric Company d/b/a National Grid ("Granite"), EnergyNorth Natural Gas, Inc. d/b/a National Grid NH ("EnergyNorth") (collectively, "National Grid"), Liberty Energy Utilities Co. ("Liberty Energy"), and Liberty Energy Utilities (New Hampshire) Corp. ("Liberty Energy NH") filed with the New Hampshire Public Utilities Commission ("Commission") a joint petition for authority to transfer ownership of Granite and EnergyNorth to Liberty Energy NH for cash in accordance with separate stock purchase agreements and pursuant to RSA 374:30 and RSA 374:33.

Granite, a wholly owned direct subsidiary of National Grid USA, serves approximately 43,000 electric customers in southern and western New Hampshire. EnergyNorth, also wholly owned by National Grid USA, serves approximately 86,000 gas customers in southern and central New Hampshire and in Berlin. Liberty Energy NH, formed for the purpose of acquiring ownership of the stock of Granite and EnergyNorth, is a wholly-owned, indirect subsidiary of Algonquin Power and Utilities Corp. ("Algonquin"), a publicly traded Canadian corporation with power generation and regulated utility services business units. According to the petition, Algonquin has been doing business in New Hampshire since 1998 when it began acquiring the first of its eight New Hampshire hydroelectric facilities.

The petition raises, inter alia, issues related to the effects of the proposed transaction on the rates, terms, safety, reliability, and operations of Granite and EnergyNorth; whether the proposed transaction is lawful, proper and in the public interest and for the public good, and should be approved; and whether the other requested regulatory approvals should be granted.

Outland Energy Services, LLC (“OES”) is a Minnesota-based provider of operation and maintenance services for utility-scale wind projects. OES submits these comments for the consideration of the Commission.

***The Commission Should Carefully Review the Potential Effect of the Financial Condition of Algonquin and its investments on ratepayers***

If the petition is granted, New Hampshire ratepayers will be trading the stability of their utility being part of a company that is owned by “one of the largest investor-owned energy companies in the world”<sup>1</sup> for a company with a balance sheet a mere fraction of the size of National Grid’s. For 2011, National Grid reported an adjusted operating profit of approximately \$5.7 billion. For 2010, the most recent year posted on its web site, Algonquin reported adjusted net earnings of approximately \$20 million, a mere 1/3 of 1 percent of National Grid’s.

The creditworthiness of the parent of a utility company has an effect on the way the financial markets view the subsidiaries of that parent. A less financially secure group will have a higher cost of capital. The higher cost of capital would result in a higher cost of capital of the

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<sup>1</sup> See, [www.nationalgrid.com](http://www.nationalgrid.com)

subsidiaries. The higher cost of capital of a less stable group would result in less availability to capital and higher rates for ratepayers because the ratepayers will be required to fund the higher cost of capital of the utility.

In the case of a relatively small group, there also may be limitations on the group's ability to access the capital markets. As a result, the investments or other acquisitions of the group, whether regulated or nonregulated, may have a direct effect on the ratepayers of regulated utilities. Moreover, because of such a limitation, there may likely be an internal competition within the group itself for the allocation of the access to the capital markets.

The Commission should review carefully the potential short-term and long-term impact of both Granite and EnergyNorth being part of the Algonquin group as opposed to National Grid.

Such a review seems increasingly warranted in light of Algonquin's newest announced transaction. On March 9, 2012, Algonquin announced an acquisition of four wind projects in the United States. The transaction is described in Attachment 1, which was published by Algonquin. Algonquin announced that it was acquiring approximately 480 megawatts ("MW") of wind projects in the United States from Gamesa, which is a Spanish wind turbine manufacturer. The total consideration announced is approximately \$888 million or \$1.85 million per MW. That price is significantly higher than other recently reported transactions. For example, Minnesota Power has stated to the Minnesota Public Utilities Commission that its most recent wind projects will cost approximately \$1.495 million per MW.<sup>2</sup>

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<sup>2</sup> See, Petition of Minnesota Power for approval of the Bison 2 wind project in Docket No. 11-234, at p. 7, which is available at <https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=showPoup&documentId={F9745683-575C-46AC-A535-CE03FE92E199}&documentTitle=20113-60580-02> ; See, Petition of Minnesota Power for approval of the Bison 3 wind project in Docket No. 11-626, at p. 7, which is available at

The \$888 million price of the Algonquin transaction is approximately 24% higher on a per MW basis, or \$170 million higher overall than the Minnesota Power transaction. The Commission should review the potential effect that acquisitions such as those may have on the Algonquin group, and its subsidiaries, and the potential ripple effect to the ratepayers of Granite and EnergyNorth. If the projects are overvalued, then that overvaluation would potentially have a negative effect on Algonquin and all its subsidiaries including Granite and EnergyNorth. New Hampshire ratepayers should not be put in the position of potentially paying higher rates due to higher cost of capital from what some might call Enron-type market risks.

Even if the projects are not overvalued, such investments might have an adverse effect on Granite's and EnergyNorth's ability to raise capital or borrow to invest in reliability or other improvements for the benefit of New Hampshire ratepayers. The internal competition for capital within a utility group can adversely affect reliability and other aspects of a utility's system. A recent example of that in Minnesota is the system of Interstate Power & Light ("IPL") which transferred its transmission assets to ITC Midwest LLC in 2008. IPL acknowledged that its transmission system suffered dramatically due to internal competition for capital because the company had the potential for higher returns elsewhere.

In the case of Algonquin, the Commission should review whether that competition for capital will mean that New Hampshire ratepayers might suffer so that Algonquin can take risks on wind projects in Iowa and other places.

There are also other aspects of the Algonquin-Gamesa transaction that may be of concern to the Commission and New Hampshire ratepayers.

One of the projects being acquired is the Pocahontas Prairie (“Pocahontas”) wind project, which is located in Iowa within the transmission area of the Midwest Independent Transmission System Operator, Inc. (“MISO”). The project is MISO Service agreement 2136. The Algonquin announcement indicates that there currently is no off-take arrangement in place for any of the energy that will be generated from the Pocahontas wind project.

MISO has recently testified in Docket No. ER12-309 at the Federal Energy Regulatory Commission (“FERC”) that all of its members have met their renewable portfolio requirements for the near future, limiting power purchase agreements.<sup>3</sup> As a result, the Commission may wish to review what potential adverse affect there may be on Algonquin and Granite/EnergyNorth from the merchant risk of the Pocahontas wind project.

There also is another issue with respect to the Pocahontas wind project that may have the potential for a ripple adverse effect on Granite and EnergyNorth. The FERC has recently ruled in Docket No. ER12-309 that it is prepared to approve net zero interconnection service (“NZIS”) within MISO.<sup>4</sup> NZIS may have a significant impact on merchant projects, and other projects without committed off-takers that assume curtailment and redispatch risk.

NZIS has the potential to idle projects such as the Pocahontas wind project because of curtailment or redispatch. *See*, Comments of the Electric Power Supply Association (“EPSA”), which represents 40 percent of the installed generating capacity in the United States (stating

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<sup>3</sup> *See*, MISO Deficiency Response Letter dated January 30, 2012, Docket No. ER12-309 at pp.2-3, which is available at [http://elibrary.FERC.gov/idmws/file\\_list.asp?accession\\_num=20120130-5318](http://elibrary.FERC.gov/idmws/file_list.asp?accession_num=20120130-5318).

<sup>4</sup> *See*, Midwest Independent Transmission Operator, Inc., 138 FERC ¶61,233 (2012).

NZIS grants “privileged access to existing capacity and potentially requir[es] the redispatch of existing customers to address the resulting overloads.”<sup>5</sup>)

The potential severe adverse effect from NZIS, which was stated by EPSA, is now clearly visible on the horizon for projects such as the Pocahontas project. MISO is planning for the displacement of existing projects by the first NZIS project. In the updated MISO quarterly curtailment spreadsheet, MISO is showing this 200 MW NZIS project to have its full capacity available to it in the fourth quarter of 2012. The MISO analysis indicates that the first existing projects that appear to be a casualty of NZIS are the NextEra merchant projects at Crystal Lake, Iowa, which are electrically close to the Pocahontas project. The 266MW of NextEra Iowa projects, which have historically experienced few operating limitations, are projected to be idled with their output being curtailed to 0MW.<sup>6</sup>

The potential impact of NZIS on Algonquin’s investment, and its potential ripple effect to the cost and availability of capital for Granite and EnergyNorth should be carefully reviewed. Given Algonquin’s small size, even one poor acquisition could have a dramatic ripple effect on Granite and EnergyNorth and New Hampshire ratepayers.

Liberty Energy appears to own an interest in only one other electric utility in the United States: California Pacific Electric Company (“CPEC”), a California utility that provides service in the Lake Tahoe region. Liberty Energy acquired CPEC in 2011. The purchase of CPEC appears to have been financed primarily by borrowing against the assets of CPEC itself, which is reminiscent of the acquisition schemes used by former junk-bond king Michael Milliken.

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<sup>5</sup> See, Protest of the Electric Power Supply Association, November 30, 2011, FERC Docket No. ER12-309 at p.2, available at. [http://elibrary.FERC.gov/idmws/file\\_list.asp?accession\\_num=20111130-5232](http://elibrary.FERC.gov/idmws/file_list.asp?accession_num=20111130-5232)

<sup>6</sup> See, Comments and Answer of Shetek Wind et al. dated February 21, 2012, FERC Docket No. ER12-309 at pp. 8-10, available. at [http://elibrary.FERC.gov/idmws/file\\_list.asp?accession\\_num=20120221-5205](http://elibrary.FERC.gov/idmws/file_list.asp?accession_num=20120221-5205)

CPEC is currently seeking a 10% increase in electric rates. *See*, CPEC General Rate Case Application, California Public Utilities Commission Docket No. 12-02-014.

The Commission should review carefully the potential to borrow against the assets of Granite and EnergyNorth. For example, in addition to the borrowing related to the CPEC transaction, Liberty Water on December 22, 2010, borrowed \$50 million and the proceeds were apparently distributed to the parent company to reduce the parent company's outstanding credit facility.

The Gamesa transaction also contains other questionable features such as a 20-year services arrangement with Gamesa. Such an arrangement dramatically reduces competition in the services area, which has the potential effect of higher costs for projects which may reduce their economic viability and/or result in higher costs for ratepayers. (In the interest of full disclosure, OES has sued Gamesa in the Federal District Court in the Northern District of Illinois for its attempt to monopolize certain wind turbine maintenance markets in violation of Federal and state anti-trust laws.)

In summary, given Algonquin's size, all of its transactions should be of interest to the Commission. The Commission should carefully review the potential effects on Granite/EnergyNorth and New Hampshire ratepayers from the overall financial condition of Algonquin, and its other activities and transactions.

Respectfully submitted,

A handwritten signature in black ink that reads "R. Cameron Winton". The signature is written in a cursive, flowing style.

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Vice President & General Counsel



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## **ATTACHMENT 1**

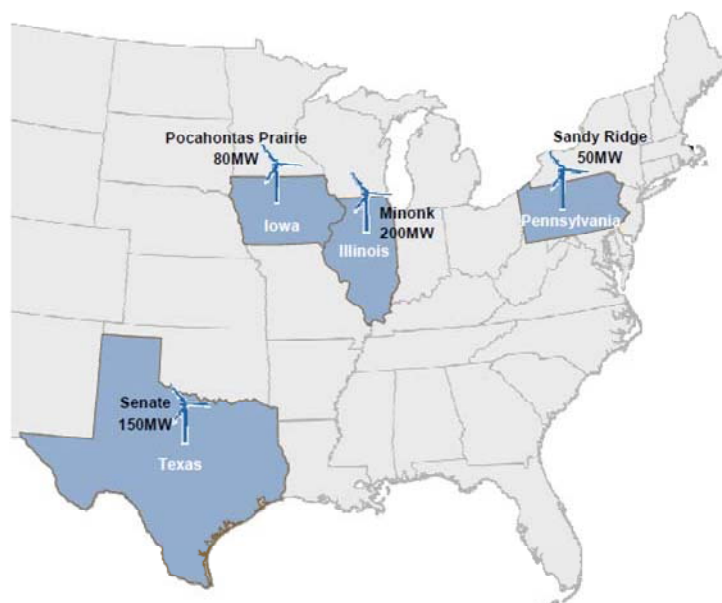


# **American Wind Portfolio Holdings LLC**

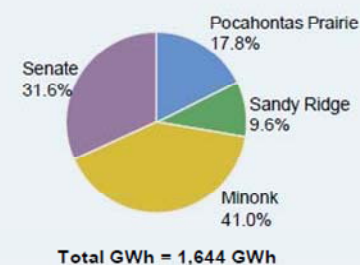
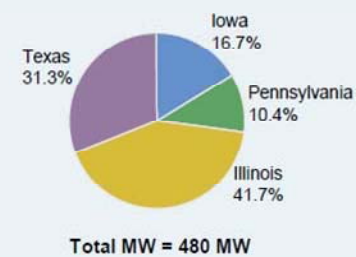
March 9, 2012

# Portfolio Overview

## Geographic location



## Portfolio diversification



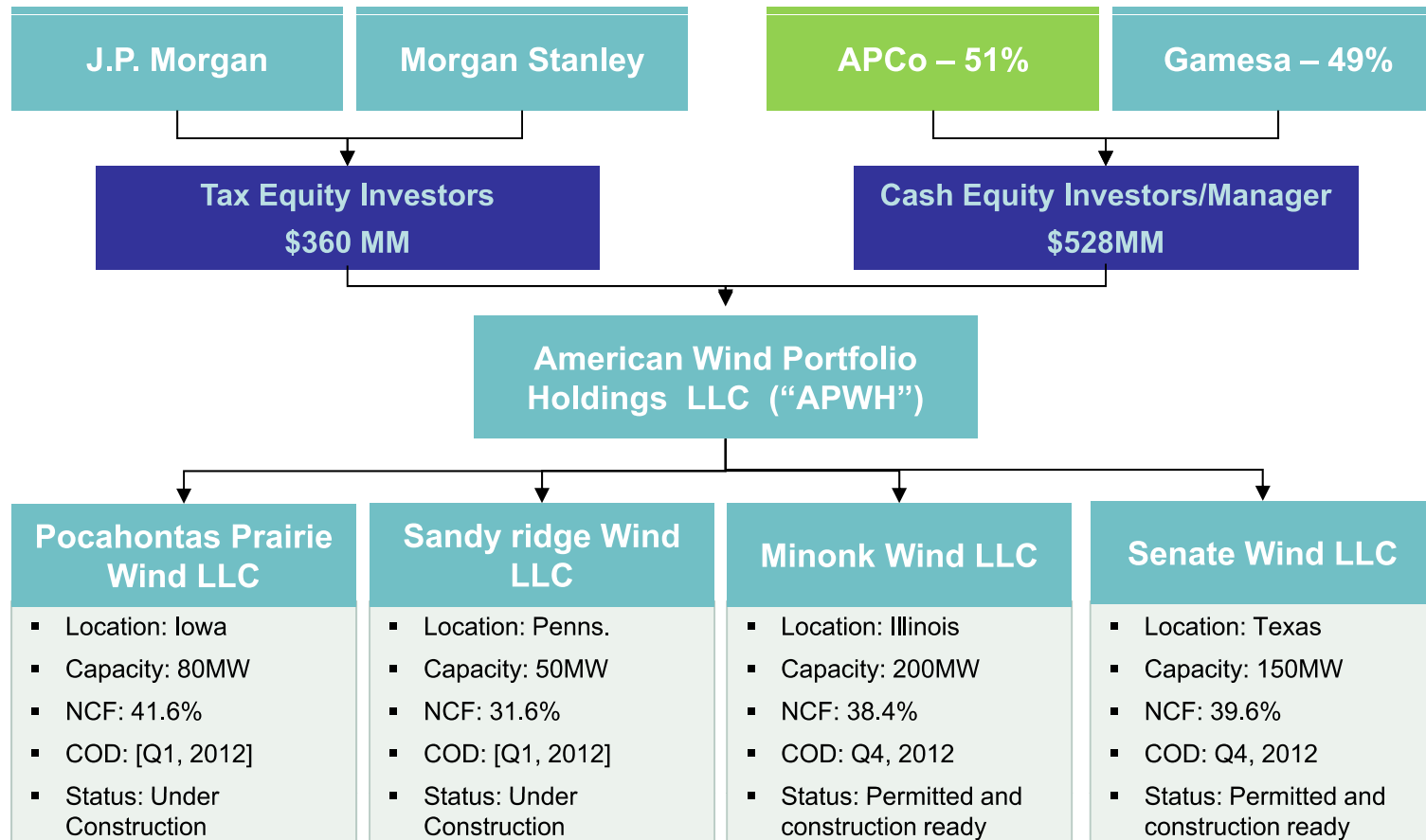
	Pocahontas Prairie	Sandy Ridge	Minonk	Senate
State	IA	PA	IL	TX
Capacity (MW)	80	50	200	150
COD	December 2011	December 2011	November 2012	October 2012
Turbine	40 Gamesa G90 (2.0 MW)	25 Gamesa G90 (2.0 MW)	100 Gamesa G90 (2.0 MW)	75 Gamesa G90 (2.0 MW)
Net capacity factor	41.7%	36.1%	38.4%	39.6%
ISO	MISO	PJM West	PJM NHub	ERCOT-NZ

- Algonquin Power through its power subsidiary APCo is acquiring a portfolio of 4 wind power facilities in the United States with combined production capacity of 480MW
- The facilities are being developed by Gamesa Technology Corporation, one of the world's leading turbine manufacturers
- The facilities will be acquired from Gamesa following COD of the projects in 2012

# Investment Highlights

- Strategic alignment
  - The wind facilities are exactly aligned with APCo's stated long term investment profile and operational experience
- Ease of integration
  - The 4 facilities can be easily absorbed into APCo's existing portfolio of generation facilities
- Geographic diversification
  - Projects provide further geographic diversification to APCo's portfolio
- No development risk
  - APCo does not assume development risk on the projects
  - All projects will have reached COD and be fully permitted prior to acquisition
- Long term contracts
  - Long term off take arrangements providing certainty with respect to energy pricing
  - Gamesa to provide operations and maintenance services following acquisition under a 20 year O&M services agreement
- Operational characteristics
  - Projects use modern turbine technology developed by Gamesa (Gamesa G90 turbines)
  - Wind resource based on average of 4 years of wind data

# Transaction Structure



- APCo acquires a 51% ownership interest in APWH for \$269 million
  - APCo to control the operation of the facilities and consolidate on its financial statements
  - APCo receives its share of operating cash flows from the projects
- Tax equity investors will invest \$360 million
  - Tax equity receives Production Tax Credits (PTCs) and other tax attributes for their investment

# Financing Structure

Assets		Liabilities	
Pochahontas	\$96,300	APCo Bond	\$120,000
Sandy Ridge	\$119,600	Tax assisted equity	\$360,000
Senate	\$331,000	Non-controlling interest	\$258,573
Minock	\$340,800	APUC Common Equity	\$149,127
	\$887,700		\$887,700

- Financing arrangements are consistent with APCo's investment grade targeted capital structure
- APUC expected to provide approximately \$150 million of new equity
  - APUC has a proven ability to raise equity through access to the public equity markets and its strategic relationships
- APCo would issue a corporate level bond of \$120 million
  - APCo has a proven ability to access the public debt capital markets
  - The bond would be a corporate level unsecured bond and not project finance
- U.S. Tax assisted equity and a 49% Non-controlling interest provides the balance of the financing

# Post Acquisition Capital Structure

	2011 Q4	Feb-12 Conversion Series 2A CDs	Acquisition of U.S. Wind Portfolio	2012 Pro Forma Post Acquisition Capital Structure
Senior/project debt	\$331,092		\$120,000	\$451,092
Convertible debentures	122,297	(59,967)		62,330
Tax assisted equity			360,000	360,000
Non-controlling interest	38,497		258,573	297,070
APUC Common Equity	514,198	59,967	149,127	723,292
	<b>\$1,006,084</b>		<b>\$887,700</b>	<b>\$1,893,784</b>
Senior debt to total capitalization	33%			29%
Total debt to total capitalization	45%			33%

- APUC's recent conversion of Series 2A CDs further strengthens its balance sheet, improves credit metrics and provides financial flexibility
- Following the acquisition, APUC's consolidated capital structure will continue to be strong and consistent with its stated goal of maintaining solid investment grade credit metrics



# Power Sales Contracts

Power Sales Contracts	Pocahontas	Sandy Ridge	Senate	Minonk
Contract Duration (years)	N.A.	10	15	10
Net Price Received Under Power Sales Contracts (\$/MW-hr)	N.A.	\$42.37	\$37.72	\$30.13
Maximum Contracted Quantity under Power Sales Contracts (GW-hrs)	0.0	132.7	435.2	582.6
Power Sales Pricing Hub	MISO - MinHub	PJM - West	ERCOT - NZ	PJM - NI Hub
Expected Energy for Market Sales in Excess of Maximum Committed Quantities (GW-hrs)	292.0	25.6	85.2	91.1

- Long term off take arrangements are committed, having an average length of 11.8 years
- Provides substantial certainty on energy pricing for 73% of energy revenues
- Investment grade counterparty on the power contracts is JP Morgan

# Tax Assisted Equity

- Tax Equity is invested by JP Morgan and Morgan Stanley
  - Tax Equity benefits from the Production Tax Credit (PTC”) cash flows which are provided by the US Federal Government as an incentive to construct renewable energy projects
- Tax Equity is a common financing structure used in the U.S. to finance renewable energy projects
  - Tax equity invests in a renewable energy project and in return is entitled to PTCs and accelerated tax depreciation
  - Tax equity in the project is reduced over time as it realizes on the PTCs and accelerated depreciation
  - After a period of approximately 10 years, its residual ownership is reduced to 5%
- APCo has negotiated attractive terms for the tax equity financing
  - APCo receives 100% of the operating cash flow from the facilities for the first 7 years
  - APCo shares operating cash flows with tax equity for three years (years 8 to 10) at the rate of Tax equity 65%, APCo 35%
  - Thereafter, APCo receives 95% of operating cash flow from the facilities

# FACILITY DETAILS

Wind Portfolio Holdings

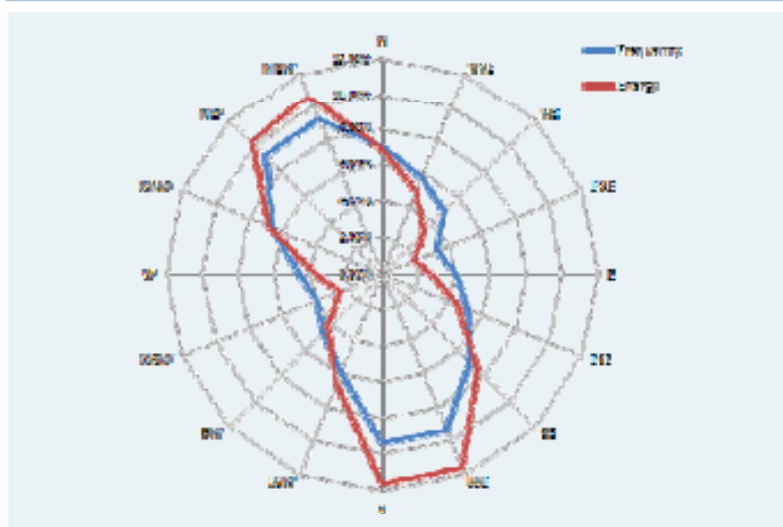
# Pocahontas, IA Site Overview

Consultant	■ GL Garrad Hassan America, Inc. ("GLGH") dated November 2011
Onsite data	■ 3.3 years of valid onsite data at 3 met masts and 1 SODAR unit.
Reference data	<ul style="list-style-type: none"> <li>■ 14.2 years from nearby ASOS and MERRA grid points available from August 1996 to October 2011</li> <li>■ Measure-Correlate-Predict methodology indicates suitability of long-term reference data</li> </ul>
Long-term wind speed	■ 8.30 m/s (P50)
Hub height	■ 100 m
Air density	■ 1.189 kg/m <sup>3</sup>
Net capacity factor	■ 41.64% (P50)
Gross annual production	■ 349.9 GWh/year (P50)
Losses	<ul style="list-style-type: none"> <li>■ Availability—6.2%</li> <li>■ Wake—2.3%</li> <li>■ Total—17.8%</li> </ul>
Net average annual production	■ 292.0 GWh/year (P50)
Wind resource management plan	■ None required based on GLGH and Gamesa review

## Energy production estimates

Probability of exceedance	Net energy production (GWh/year)		Net capacity factor	
	1-year	Long-term	1-year	Long-term
P50	292.0	292.0	41.6%	41.6%
P75	272.0	277.2	38.8%	39.5%
P90	254.1	263.9	36.2%	37.6%
P95	243.3	256.0	34.5%	36.5%
P99	223.1	241.0	31.8%	34.4%

## PA018 Met Mast Wind Rose



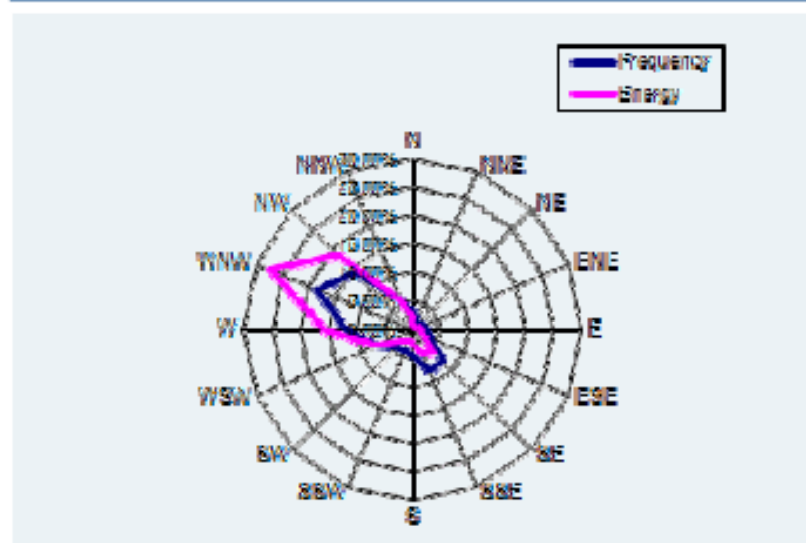
# Sandy Ridge, PA Site Overview

Consultant	■ GL Garrad Hassan America, Inc. ("GLGH") dated October 2011
Onsite data	■ 4.4 years of valid onsite data at 3 met masts
Reference data	<ul style="list-style-type: none"> <li>■ 4.7 years from nearby Allegheny site collected from April 2003 to August 2008</li> <li>■ Measure-Correlate-Predict methodology indicates suitability of long-term reference data</li> </ul>
Long-term wind speed	■ 8.00 m/s (P50)
Hub height	■ 100 m
Air density	■ 1.141 kg/m <sup>3</sup>
Net capacity factor	■ 38.12% (P50)
Gross annual production	■ 193.9 GWh/year (P50)
Losses	<ul style="list-style-type: none"> <li>■ Availability—6.2%</li> <li>■ Wake—4.9%</li> <li>■ Total—10.8%</li> </ul>
Net average annual production	■ 158.3 GWh/year (P50)
Wind resource management plan	■ None required based on GLGH and Gamesa review

## Energy production estimates

Probability of exceedance	Net energy production (GWh/year)		Net capacity factor	
	1-year	Long-term	1-year	Long-term
P50	158.3	158.3	38.1%	38.1%
P75	144.5	147.8	33.0%	33.7%
P90	132.1	138.4	30.1%	31.6%
P95	124.7	132.8	28.5%	30.3%
P99	110.8	122.2	25.3%	27.9%

## PA015 Met Mast Wind Rose



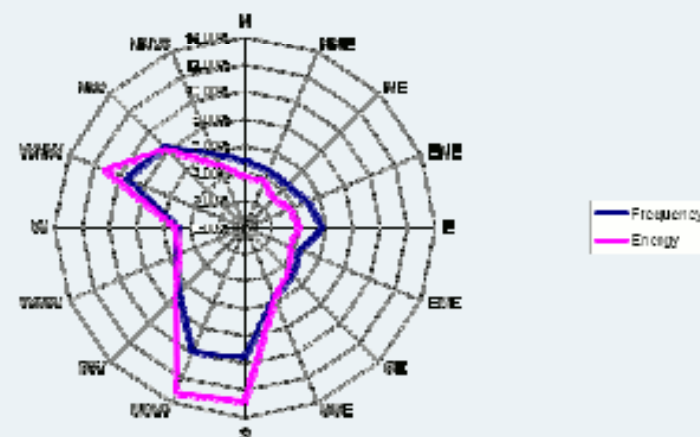
# Minonk, IL Site Overview

Consultant	■ GL Garrad Hassan America, Inc. ("GLGH") dated November 2011
Onsite data	■ 4.2 years of valid onsite data at 4 met masts
Reference data	<ul style="list-style-type: none"> <li>■ 5.9 years from nearby El Paso site collected from July 2005 to August 2011</li> <li>■ Measure-Correlate-Predict methodology indicates suitability of long-term reference data</li> </ul>
Long-term wind speed	■ 8.2 m/s (P50)
Hub height	■ 100 m
Air density	■ 1.203 kg/m <sup>3</sup>
Net capacity factor	■ 38.43% (P50)
Gross annual production	■ 870.3 GWh/year (P50)
Losses	<ul style="list-style-type: none"> <li>■ Availability-6.2%</li> <li>■ Wake-7.5%</li> <li>■ Total-22.7%</li> </ul>
Net average annual production	■ 673.7 GWh/year (P50)
Wind resource management plan	■ Noise curtailment strategy implemented, included in net average annual production shown above

## Energy production estimates

Probability of exceedance	Net energy production (GWh/year)		Net capacity factor	
	1-year	Long-term	1-year	Long-term
P50	673.7	673.7	38.43	38.43
P75	623.2	636.3	35.55	36.29
P90	577.8	602.5	32.96	34.37
P95	550.6	582.4	31.41	33.22
P99	499.5	544.5	28.49	31.06

## PA018 Met Mast Wind Rose



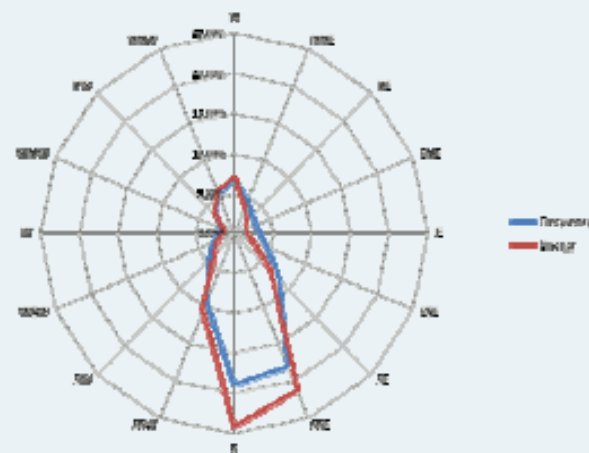
# Senate, TX Site Overview

Consultant	■ GL Garrad Hassan America, Inc. ("GLGH") dated October 2011
Onsite data	■ 3.8 years of valid onsite data at 3 met masts
Reference data	<ul style="list-style-type: none"> <li>■ 3.5 years from nearby Barton Chapel site collected from January 2005 to November 2008</li> <li>■ Measure-Correlate-Predict methodology indicates suitability of long-term reference data</li> </ul>
Long-term wind speed	■ 8.06 m/s (P50)
Hub height	■ 100 m
Air density	■ 1.143 kg/m <sup>3</sup>
Net capacity factor	■ 39.58% (P50)
Gross annual production	■ 632.4 GWh/year (P50)
Losses	<ul style="list-style-type: none"> <li>■ Availability—6.2%</li> <li>■ Wake—4.8%</li> <li>■ Total—18.8%</li> </ul>
Net average annual production	■ 520.4 GWh/year (P50)
Wind resource management plan	■ None required based on GLGH and Gamesa review

## Energy production estimates

Probability of exceedance	Net energy production (GWh/year)		Net capacity factor	
	1-year	Long-term	1-year	Long-term
P50	520.4	520.4	39.58	39.58
P75	477.3	485.2	36.30	36.90
P90	438.5	453.6	33.35	34.50
P95	415.2	434.6	31.58	33.05
P99	371.6	399.0	28.28	30.34

## TX015 Met Mast Wind Rose



# ALGONQUIN



## POWER & UTILITIES CORP.

### Corporate Information

Head Office	Oakville, ON
Exchange	Toronto Stock Exchange
Symbol	AQN
Debenture Symbol	AQN.DB.B
Shares Outstanding	146,746,236
Price*	\$6.35
Dividend	\$0.28
Market Cap	\$932 million

\*Close on March 08, 2012

### Contact Information

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