

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 14-238

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Determination Regarding PSNH's Generation Assets

PARTIAL LITIGATION SETTLEMENT

Pursuant to RSA 541-A:31, V and Puc 203.20, the Office of Energy and Planning, Designated Advocate Staff, the Office of Consumer Advocate, New Hampshire District 3 Senator Jeb Bradley, New Hampshire District 15 Senator Dan Feltes, the City of Berlin, New Hampshire, Local No. 1837 of the International Brotherhood of Electrical Workers, the Conservation Law Foundation, TransCanada Power Marketing Ltd., TransCanada Hydro Northeast Inc., the New Hampshire Sustainable Energy Association d/b/a NH CleanTech Council, Public Service Company of New Hampshire d/b/a Eversource Energy (hereafter "PSNH"), and Eversource Energy (the "Settling Parties") and Non-Advocate Staff (hereafter "Staff") submit this partial Litigation Settlement as a compromise of disputed issues and in order to simplify the issues to be addressed at the final hearing in this docket scheduled to begin on February 2, 2016. The Settling Parties and Staff hereby agree as follows:

I. Near-Term Divestiture of PSNH's Generation Assets Is in the Public Interest and Advances the Economy in PSNH's Service Territory as well as the Ability to Attract and Retain Employment Across Industries

1. Pursuant to RSA 369-B:3-a, as amended by SB 221 (2015), "divestiture of PSNH's generation plants and securitization of any resulting stranded costs . . . is in the public interest" RSA 369-B:3-a, I.

2. As part of SB 221 (2015), the General Court enacted a “public interest” standard for the Commission’s expedited review of the 2015 Public Service Company of New Hampshire Restructuring and Rate Stabilization Agreement (the “Settlement Agreement”). RSA 369-B:3-a, II (“As part of an expedited proceeding, the commission shall review the 2015 settlement proposal and determine whether its terms and conditions are in the public interest.”).

3. In addition, RSA 363-B:3-a, II requires that the Commission shall “take into account the impact on all PSNH customer classes,” and “consider the impacts on the economy in PSNH’s service territory, the ability to attract and retain employment across industries, and whether the proposed rate design fairly allocates the costs of divestiture of PSNH’s generation plants among customer classes.”

4. Following the submission of direct and rebuttal testimony by all parties, Non-Advocate Staff initiated a further analysis of the estimated net financial impact of divestiture on PSNH’s retail customers in order to provide a more complete record to the Commission, and solicited collaboration from the Settling Parties.

5. The Settling Parties and Staff recognize and agree that any projection of customer savings must rely on forecasting of future market and regulatory conditions, and therefore can provide a reasonable directional estimation. In support of the initial settlement between the Company and the state negotiating team and the Legislature’s consideration of SB 221, Mr. Eric Chung of PSNH prepared a long-term (15 year) analysis of the impacts of the terms of the Settlement Agreement, including divestiture. Mr. Chung’s analysis arrived at an estimate of potential savings based on the comprehensive Settlement Agreement in the range of \$380 million over the initial 5-year period following a near-term divestiture of PSNH’s generating assets.

6. Staff consultant, the Brattle Group, conducted a new analysis at the request of Staff and with the Agreement of the Settling Parties regarding the estimated benefits to customers of divestiture and non-divestiture scenarios using updated inputs from industry recognized sources (the “Brattle Analysis”) resulting in customer savings of approximately \$165 million (over the initial 5 years), based on a full sale of divestiture assets effective on January 2017.

7. Through a collaborative process, PSNH provided projected cost and operational inputs related to the PSNH generation fleet, which the Settling Parties and Staff agree represent reasonable estimates of those inputs for the near-future in a non-divestiture scenario.

8. Through a collaborative process, the Settling Parties and Staff reached agreement that the commercially available SNL forecasts of natural gas prices and forward capacity prices represent a reasonable projection of future market conditions.

9. The Settling Parties and Staff agree that these agreed-upon inputs and forecasts fall within a reasonable range of projections of near-term conditions in a non-divestiture scenario.

10. Using the agreed upon inputs and forecasts, the Brattle Analysis projects that retail customers will derive economic benefit in the first five years following a prompt divestiture of PSNH’s generation assets.

11. The Settling Parties and Staff agree that in light of the economic benefits reasonably expected from divestiture, the prompt divestiture of PSNH’s generation assets is in the economic interest of retail customers of PSNH.

12. The Settling Parties and Staff agree that the prompt divestiture of PSNH’s generation assets will eliminate customer risks arising from potential future capital costs and

future regulatory and environmental compliance costs, and will effectuate the Legislature's intent to "harness the power of competitive markets" set forth in the "Electric Utility Restructuring" enactment in 1996 at RSA 374-F:1, I.

13. The Settling Parties and Staff agree that in light of reasonably expected customer savings, divestiture will have a positive economic impact on the economy in PSNH's service territory and will not hinder the ability to attract and retain employment across industries.

14. The Settling Parties and Staff agree that divestiture of PSNH's generation assets and securitization of any resulting stranded costs will mitigate the risk of increased migration of retail customers, which would result in increasing default service rates to cover PSNH's cost of owning and operating generation assets.

15. Accordingly, the Settling Parties and Staff agree that the prompt divestiture of PSNH's generation assets is in the public interest.

16. The Settling Parties and Staff agree, consistent with RSA 369-B:3-a, I, that securitization of stranded costs resulting from divestiture of PSNH's generation assets, as set forth in the Settlement Agreement, will result in savings for retail customers and is in the public interest.

17. The Settling Parties and Staff agree that the prompt divestiture of PSNH's generation assets and securitization of the resulting stranded costs will benefit the economy in PSNH's service territory and the ability to attract and retain employment across industries.

II. Design of the Asset Auction Process Should be Determined in a Separate Proceeding

18. Pursuant to Section IV of the Settlement Agreement, the Settling Parties set forth the objectives of an asset auction. Section IV of the Settlement Agreement further recommends

that the Commission retain an expert auction advisor to establish the design and details of an asset auction under the direct supervision of the Commission Staff.

19. The Settling Parties and Staff agree that it is premature to establish a specific auction design prior to the Commission's retention of an expert auction advisor.

20. The Settling Parties and Staff agree that selection of an expert auction advisor by the Commission should be accomplished through a competitive request for proposals ("RFP") process conducted by the Commission with appropriate input from other parties to this proceeding.

21. The Settling Parties and Staff agree that it would be in the interest of ratepayers for the RFP for an auction advisor to commence prior to a final Commission order on the Settlement Agreement and this Litigation Settlement, so long as payment under any contract entered into with an auction advisor is conditioned upon Commission approval of the Settlement Agreement.

22. The Settling Parties and Staff agree that the participation of designated Advocate Staff in the Commission's selection and management of an auction advisor would be in the interests of the Commission, the parties, and ratepayers.

23. Accordingly, pursuant to RSA 363:32, IV and RSA 363:33, the Settling Parties and Staff stipulate to the immediate removal of Advocate Staff's designation with regard to the selection and management of an expert auction advisor. A joint motion of the Settling Parties and Non-Advocate Staff to remove Advocate Staff's designation as outlined above is submitted concurrently with this Litigation Settlement.

24. In order to effectuate the above stipulated agreements, the Settling Parties submit herewith an amendment to Section IV of the Settlement Agreement with regard to the asset auction process.

25. In order to simplify the issues presented at hearing, and in recognition of the above stipulated agreements and the amendment to the Settlement Agreement, the Settling Parties and Staff agree that the issue of specific auction design(s) shall be presented in a separate adjudicatory docket to be opened by the Commission rather than in the February hearings in this docket.

III. Stipulation of Testimony to be Submitted as Evidence at Hearing

26. In support of the agreements set forth in this Litigation Settlement, including the agreement that the prompt divestiture of PSNH's generation assets is in the public interest, Staff submits herewith Supplemental Testimony of Leszek Stachow and new pre-filed testimony of Dean Murphy of the Brattle Group, which addresses the Brattle Analysis.

27. The Settling Parties and Staff further agree that certain pre-filed testimony shall not be presented as evidence at the February hearings in this docket:

a. PSNH Testimony

- i. Direct testimony of William J. Quinlan
- ii. Rebuttal testimony of John J. Reed
- iii. Rebuttal testimony of Eric H. Chung
- iv. Rebuttal testimony of Dr. Lisa Shapiro
- v. Rebuttal testimony of Philip J. Lembo and Emilie G. O'Neil

b. Non-Advocate Staff Testimony

- i. Direct testimony of Peter Cramton

- ii. Direct testimony of Michael Cannata, Jr., P.E.
 - iii. Direct testimony of Jay E. Dudley
 - iv. Direct testimony of Leszek Stachow
 - v. Direct testimony of Mark Berkman
- c. Advocate Staff
 - i. Rebuttal testimony of Thomas C. Frantz
- d. Office of Energy and Planning
 - i. Rebuttal testimony of John Antonuk and Jim Letzelter
- e. City of Berlin
 - i. Direct testimony of George E. Sansoucy

28. Similarly, the Settling Parties and Staff agree that certain portions of the following pre-filed testimony shall not be presented as evidence at the February hearing in this docket:

- a. Direct testimony of Eric H. Chung
- b. Direct testimony of John J. Reed
- c. Direct testimony of Thomas C. Frantz
- d. Direct testimony of James Brennan
- e. Direct testimony of William H. Smagula
- f. Rebuttal testimony of Senators Bradley and Feltes

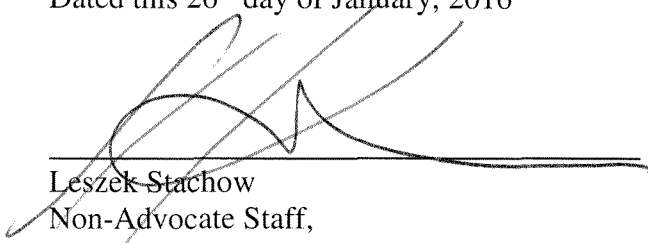
Those portions not to be considered as evidence at the hearing shall be marked with gray shading. Advance copies of the exhibit testimonies with shaded exclusions are submitted herewith for the convenience of the Commission and the parties.

IV. Conclusion

29. The Settling Parties and Staff enter into this Litigation Settlement as a compromise of disputed issues and in an effort to both simplify and strengthen the record presented to the Commission in this docket.

30. This Litigation Settlement may be executed by facsimile and in counterparts, each of which shall be deemed to be an original, and all of which, taken together, shall constitute one agreement binding on all parties hereto.

Dated this 26th day of January, 2016



Leszek Stachow
Non-Advocate Staff,
NH Public Utilities Commission

F. Anne Ross, Esq., General Counsel
Designated Advocate Staff
NH Public Utilities Commission

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Eversource Energy
Public Service Company of New Hampshire
d/b/a Eversource Energy

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NH Office of Energy and Planning

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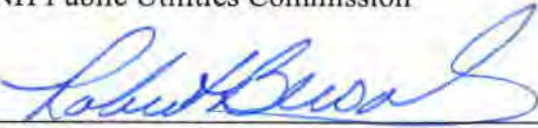
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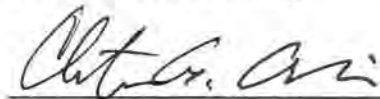
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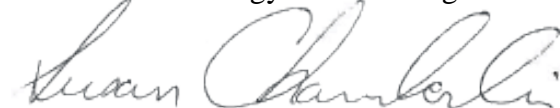
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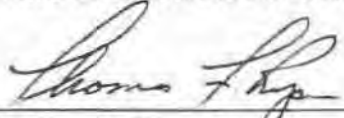
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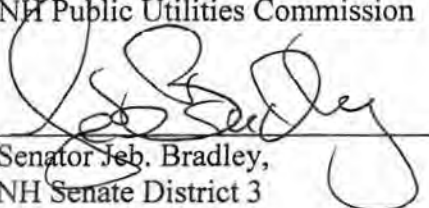
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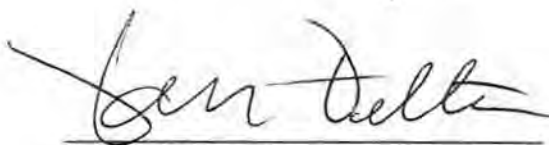
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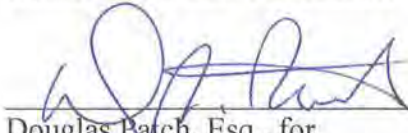
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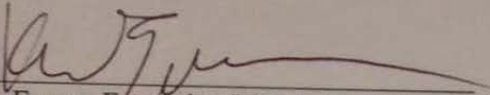
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Christopher Boldt, Esq., for
City of Berlin**

** The City of Berlin enters this Litigation Settlement as to Section II only, without opposition to Sections I and III.

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