

La Capra Associates

**PSNH GENERATION ASSET
AND PPA VALUATION
REPORT**

AUGUST 2015 UPDATE

PUBLIC EXECUTIVE SUMMARY VERSION

**PREPARED FOR
New Hampshire
Public Utilities Commission**

**PREPARED BY
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TECHNICAL REPORT

N.H.P.U.C. Case No.	14-238
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1. PUBLIC EXECUTIVE SUMMARY

In 2013, La Capra Associates, Inc. (La Capra Associates) and ESS Group, Inc. (ESS) were retained by the New Hampshire Public Utilities Commission (NHPUC) to conduct an economic valuation of the fossil, hydro and biomass generating assets of Public Service of New Hampshire (PSNH) as well as the market value of the Purchased Power Agreements (PPAs) with the Lempster Wind and Burgess BioPower facilities. The valuation was part of NHPUC Docket IR 13-020, "Investigation into Market Conditions Affecting PSNH and its Default Service Customers and the Impact of PSNH's Ownership of Generation on the Competitive Electric Market." ESS reviewed the environmental issues associated with the assets owned by PSNH. La Capra Associates performed studies to determine the economic value of these assets. On March 31, 2014, La Capra Associates issued a report describing the results of the economic valuation.

In early July 2015, the NHPUC approached La Capra Associates to discuss whether changes in market conditions could impact the valuations provided in our March 31, 2014 report. Since that report was issued, two significant market changes have occurred. Due to changes in existing generation and market rule revisions, capacity prices in recent ISO-New England ("ISO-NE") Forward Capacity Market ("FCM") auctions cleared at levels that were higher than previously forecast. Also, prices for natural gas delivered to the ISO-NE control area have declined. All else being equal, higher capacity prices would increase the value of the PSNH assets and PPAs, while lower natural gas prices, which are the prime driver behind regional electric energy prices, would decrease their value. The NHPUC requested that La Capra Associates examine the impact of these market changes on the conclusions reached in our March 31, 2014 report. This report provides the results of that analysis.

Table 1 below provides a comparison of the original and updated valuation for PSNH's generation fleet. As shown in this table, the values in our updated assessment have generally declined from the values in our original study, with the notable exception of Newington. This is due to the decline in forecasted natural gas prices having a larger impact than did the increases in forecasted capacity prices.

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Table 1: Summary of Original and Updated PSNH Generation Assets Valuation

Plant/Unit	Original Reconciled Value	Updated Reconciled Value
Fossil Plants		
Merrimack Station	\$10	\$10
Schiller Station	\$5	\$5
Newington	\$90	\$130
Combustion Turbines		
Lost Nation	\$0	\$0
White Lake	\$0	\$0
Hydroelectric Units		
Ayers Island	\$14.5	\$10.9
Canaan	\$2.5	\$2.0
Gorham	\$3.5	\$2.5
Eastman Falls	\$5.5	\$4.9
Smith	\$47.0	\$36.0
Merrimack River Project (Amoskeag, Garvins and Hooksett)	\$45.0	\$29.7
Jackman	\$2.0	\$1.4
All Hydro	\$120.0	\$88.1
Total PSNH Fleet¹	\$225	\$235

Table 2 below provides a comparison of the original and updated valuation for PSNH's PPAs. As shown in this table the updated values for the PPAs have also declined for the same reason stated above.

¹ Does not include PSNH minority ownership share in Wyman Station. Numbers may not add due to rounding.

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Table 2: Original and Updated Market Valuation of PPAs

	Million 2014\$	
	Original Valuation	Updated Valuation
Burgess BioPower PPA	(\$125)	(\$131)
Lempster Wind PPA	\$5.0	\$0

We believe that these updated valuation results represent a reasonable assessment of the impact of the market changes since our original study.