



## **EXHIBIT D**

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

Docket No. DE 15-xxx

PETITION FOR APPROVAL OF LEASE AGREEMENT BETWEEN  
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE  
D/B/A EVERSOURCE ENERGY AND NORTHERN PASS TRANSMISSION LLC

**PRE-FILED TESTIMONY OF SALVATORE GIULIANO**

October 19, 2015

1 THE STATE OF NEW HAMPSHIRE

2 BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

3 Docket No. DE 15-xxx

4 PRE-FILED TESTIMONY OF SALVATORE GIULIANO

5 PETITION FOR APPROVAL OF LEASE AGREEMENT BETWEEN  
6 PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE D/B/A EVERSOURCE ENERGY  
7 AND NORTHERN PASS TRANSMISSION LLC  
8

9  
10  
11 **Q. Please state your name, title and business address.**

12 A. My name is Salvatore Giuliano. I am employed as the Manager of Real Estate  
13 Management in the Real Estate Department of Eversource Energy Service Corporation,  
14 the service company subsidiary of Eversource Energy ("Eversource"), and my business  
15 address is 107 Selden Street, Berlin, Connecticut 06037.

16  
17 **Q. What are your duties and responsibilities in your position at Eversource?**

18 A. The role of the Eversource Real Estate Department is to provide real estate services to  
19 the Eversource gas and electric operating companies, including Public Service Company  
20 of New Hampshire, d/b/a Eversource Energy ("PSNH"), and to other Eversource  
21 subsidiary companies, as necessary or required. I have responsibility for real estate  
22 acquisitions and dispositions, easements and transactions involving the leasing and  
23 licensing of lands, rights and interests of or for the operating companies, including  
24 PSNH. This includes lease transactions where the operating company may be either the  
25 lessor, or the lessee.  
26  
27

1 **Q. Please summarize your educational background and work experience.**

2 A. I am a 1980 graduate of the University of Connecticut School of Business, with a  
3 business degree in Finance. I am also currently a licensed Connecticut real estate  
4 broker.

5  
6 I have over 35 years of experience in commercial real estate management and  
7 transactions. From 1980 – 1985, I was employed by LAN Associates, a commercial  
8 office park developer with projects throughout central and northern New Jersey. In  
9 December of 1985, I joined the Real Estate Department of what was then Northeast  
10 Utilities (now Eversource). I began as a Real Estate Analyst, and have progressively  
11 worked upward through the Real Estate Department with increasing duties and  
12 responsibilities in real estate matters and operations, until assuming the role of Manager  
13 in 2002.

14  
15 During the course of my work for Eversource, I have also attended numerous seminars  
16 and training sessions in the areas of real estate finance, real estate appraisal, real estate  
17 and contract law, and construction management.

18 My resume is attached as Exhibit SG-1.

19

20 **Q. Please describe your experience in lease transactions for Eversource.**

21 A. I have been directly involved with numerous lease transactions throughout my almost 30  
22 years at Eversource. These have involved the development, negotiation and  
23 management of the terms of various lease agreements and leasing transactions on both  
24 the revenue side, where one or more of our companies have been the lessor; and on the

1 expense side where we have been the lessee. The subject of these leasing  
2 arrangements has included land and facilities, utility corridors, including corridors used  
3 for our electric or gas facilities, building space or locations, and various  
4 telecommunication towers or related facilities. The Eversource lease/license portfolio is  
5 extensive, comprising over 770 revenue and expense agreements, of which more than  
6 100 govern PSNH property.

7  
8 **Q. Have you previously testified before the New Hampshire Public Utilities**  
9 **Commission?**

10 A. No, I have not previously testified before the New Hampshire Public Utilities  
11 Commission.

12  
13 **Q. What is the purpose of your testimony?**

14 A. My testimony is being submitted to support the petition for approval of the proposed  
15 Lease Agreement between PSNH and NPT (the "Lease"), in connection with the  
16 Northern Pass transmission project in New Hampshire. The purpose of my testimony is  
17 to explain that the Lease and its terms, in my opinion, represent a leasing transaction  
18 which is generally consistent with the terms and provisions of a long term lease of this  
19 type and nature, and is fair and reasonable under all the circumstances.

20  
21 **Q. Please describe your familiarity with the Lease.**

22 A. The Eversource Real Estate Department has provided its experience, expertise and  
23 resources to PSNH and NPT in connection with the development of the Lease. Working  
24 with representatives of the Eversource Legal Department, the NPT Project and PSNH

1 Transmission Engineering, among others, we have been involved quite extensively in  
2 the formulation of the form and scope of the lease transaction, the leased real estate  
3 assets involved, and the key terms of the lease transaction itself. I have been personally  
4 involved in the development of the terms and conditions of the Lease, and am very  
5 familiar with the content and purpose of its provisions. While it does carry certain unique  
6 characteristics attributable to the proposed leased use for the Northern Pass project, it is  
7 most closely analogous to a long-term ground lease typically used in utility related  
8 longitudinal projects, and shares many of the characteristics of such a typical ground  
9 lease transaction.

10  
11 **Q. What is a ground lease?**

12 A. A ground lease is a term applied to a commercial lease which is a lease of land or land  
13 interests for a long term, sufficient to support development of the leased property for  
14 improvements through long term financing. It is commonly used for large commercial  
15 development such as shopping centers, or large office buildings or building complexes  
16 where improvements typically constructed upon the ground lease area are owned by the  
17 Lessee in return for payment of rent to the Lessor.

18  
19 **Q. How is the Lease analogous to a ground lease?**

20 A. The ground lease concept is being applied in this case to the development of the  
21 Northern Pass project, a new electric power transmission line, proposed to be sited,  
22 constructed and operated in part within certain already existing electric power  
23 transmission line corridors owned and used by PSNH in New Hampshire. It features a  
24 long term lease by PSNH to NPT of certain real estate rights and interests of PSNH

1 comprising its right of way corridors, for the use by NPT for the construction and  
2 operation of the Northern Pass transmission line, in return for the payment to PSNH, as  
3 the lessor, of defined rental income over the life of the lease. In addition to sharing this  
4 key, long term characteristic of a commercial development ground lease, the Lease also  
5 allows for the ability of NPT, as the lessee, to collateralize its leasehold interest and  
6 improvements under the ground lease to secure necessary project financing.

7  
8 **Q. Can you please comment on the Lease terms and provisions in relation to the**  
9 **Lessor PSNH's perspective?**

10 A. Yes, the Lease as proposed provides for a number of advantages and protections to  
11 PSNH, as the Lessor, of the type that one would expect to see in a long term  
12 commercial lease of this type.

13  
14 Once the Northern Pass transmission line project has received the necessary regulatory  
15 permits and approvals and begins construction of the line, the Lease provides PSNH  
16 and its customers with a steady income stream in the form of defined annual rent, for  
17 leased properties which are not currently being utilized by PSNH for its utility business.  
18 The rent has been derived from an independent, fair market value appraisal of the  
19 leased properties, and the rent payable under the Lease will escalate annually based on  
20 a fixed percentage increase. In addition to the rental payments, the Lease provides for  
21 a mechanism whereby the Lessee, NPT, will be required to reimburse the Lessor for its  
22 fair share of property taxes and vegetation maintenance costs attributable to the leased  
23 properties being used and occupied under the Lease.

24

1 The Lease has been developed to narrowly limit the scope of the leased properties and  
2 NPT's leased use to only what is needed to construct, operate and maintain the NPT  
3 line. Any additional or expanded use by the Lessee, or by third parties, is generally not  
4 permitted or relinquished by the Lessor. The location and design of the NPT line within  
5 the leased properties is subject to prior engineering review and approval by PSNH;  
6 where existing PSNH lines and facilities may need to be relocated and rebuilt within the  
7 PSNH power line corridor to accommodate the construction of the NPT line, the entire  
8 costs of relocating and rebuilding will be paid for by NPT. The Lease further provides  
9 that the NPT project facilities may not interfere with or prevent the continued or future  
10 use of the PSNH power line corridor by PSNH.

11  
12 PSNH, as the Lessor, will continue to own all of its rights and interests in the leased  
13 properties covered by the Lease. Although the Lease does allow for the leasehold  
14 interest of the Lessee, NPT, to be subjected to lender financing, PSNH's leased fee  
15 interest in the leased properties will not be subjected to any such encumbrance, and  
16 may not be foreclosed upon in connection with any such financing.

17  
18 There are a number of additional provisions in the Lease which properly allocate certain  
19 risks to the Lessee, and provide reciprocal protections to the Lessor. These include  
20 certain obligations on the part of the Lessee to fully comply with all applicable permits  
21 and approvals for the construction and maintenance of its improvements on the leased  
22 properties, to fully comply with all worker and other safety standards and work practices  
23 in its activities and operations, to avoid committing waste or using the leased properties  
24 for any unlawful purposes, to prevent against mechanic's liens being imposed against

1 the leased properties, not to use or keep any hazardous materials or substances on the  
2 leased properties, to address in cooperation with the Lessor any third party easement or  
3 encroachment disputes related to the leased properties, and to address radio frequency  
4 (RF), noise or other complaints arising out of the Lessee's use of the leased properties  
5 for the NPT line. Additionally, the Lessee is required to procure and maintain  
6 substantial insurance coverage related to liability and property damage claims or losses  
7 arising out of the Lessee's leased use, and to hold harmless and indemnify the Lessor  
8 from and against such matters.

9  
10 Finally, the Lease affords protections to the Lessor in the event of certain failed  
11 contingencies, or defaults by the Lessee, consistent with typical commercial lease  
12 arrangements. The failure of the Lessee, NPT, to obtain regulatory approvals or to  
13 commence construction by certain defined deadline dates will cause the Lease to  
14 automatically terminate, as will the failure to properly exercise either of the options to  
15 extend the lease term. The Lessee will be in default should there be a failure to cure a  
16 late rental payment after a ten (10) day cure period, or within sixty (60) days after the  
17 failure to cure any other breached covenant or obligation. Late payment charges apply  
18 to past due payments. The Lessor's remedies in the event of default include immediate  
19 termination of the Lease, and the right to expel the Lessee and cause the NPT line and  
20 facilities to be removed from the leased properties. Upon termination at the end of the  
21 Lease term, the Lessee is required to remove its improvements from the leased  
22 properties at Lessee's cost in accordance with regulatory decommissioning  
23 requirements. Should the Lessee fail or refuse to do so, the Lessor may arrange to do so  
24 and charge all of the costs to the Lessee, with a credit for the actual salvage value.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23

**Q. Are there any terms and provisions of the Lease you would like to comment on in relation to the Lessee NPT’s perspective?**

A. Perhaps most significantly, the term of the Lease has been established at a sufficiently long term (40+ years with additional options to extend), to meet the needs of the NPT project for a long term lease which can support the project’s development. The term of a typical ground lease must be long enough so that any construction loan financing secured by the lessee’s leasehold interest and improvements can be fully amortized before the term expires. It is not uncommon for such ground lease transactions to have lease terms of 30 to 40 years, or more. While the full details of NPT’s construction financing have not yet been arranged, the lease term established under the proposed Lease should accommodate reasonable lending institution requirements. Provisions of the Lease do contain appropriate terms and provisions to allow the Lessee to encumber its leasehold estate under the Lease, as well as its improvements.

**Q. How does the Lease compare with any similar lease transactions in your experience at Eversource?**

A. The Lease is similar to a handful of other longitudinal utility lease agreements that I am familiar with, and as to which I participated in the negotiation and drafting of the terms. For example, Eversource has leases in place for electric utility facilities installed in Amtrak, MetroNorth and other rail corridors. These leases contain similar provisions for specific long terms, based upon payment of a market derived rental rate that escalates periodically over time; outline the responsibilities of the parties; provide for maintenance

1 obligations and cost allocations; address abilities to cure default situations; and provide  
2 for the removal of facilities at the conclusion of the lease term.

3

4 **Q. Considering your real estate experience, and in view of your comments on the**  
5 **Lease and its terms and provisions, do you have any opinion on the**  
6 **reasonableness of the Lease?**

7 A. Yes, it is my opinion that the Lease is representative of a fair and reasonable lease  
8 transaction, striking an appropriate balance of terms between the Lessor, PSNH, and the  
9 Lessee, NPT. The Lease contains terms and provisions similar to what one would  
10 expect to see in a long term ground lease. Overall, the Lease contains commercially  
11 reasonable terms and conditions that are consistent with general real estate leasing  
12 practices and leases of this type.

13

14 **Q. Does this conclude your testimony?**

15 A. Yes, it does.

16

17

18

19