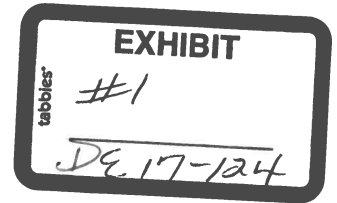


**STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**



Docket No. DE 17-124

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

Sale of Generating Facilities

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

Pursuant to RSA 374:30, RSA 369-B:3-a, and the 2015 Public Service Company of New Hampshire Restructuring and Rate Stabilization Agreement approved by the Commission in Order No. 25,920, Public Service Company of New Hampshire d/b/a Eversource Energy ("PSNH" or the "Company") respectfully requests that the Commission approve the sale of its generation assets.

I. Statement of the Application

PSNH applies to the Commission for approval of the sale of its generation assets.

Divestiture of these generation assets implements public policies set forth in RSA Chapters 369-B and 374-F. The sale was also agreed to by the signatories to the "2015 Public Service Company of New Hampshire Restructuring and Rate Stabilization Agreement," filed with the Commission on June 10, 2015 (the "2015 Settlement Agreement,") as subsequently amended by the January 26, 2016 "Amendment to Settlement" and the January 26, 2016 "Partial Litigation Settlement." These

agreements (collectively, the “2015 Settlements”) were approved by the Commission in Order No. 25,920 dated July 1, 2016.

In this Application, PSNH seeks the Commission’s approval of two Purchase and Sale Agreement(s) (“PSA”) under RSA 369-B:3-a, including specific rulings that the sale meets the requirements of New Hampshire law set forth in RSA 374:30. Per RSA Chapter 369-B, PSNH requests that the Commission expeditiously act on and approve this Application.

The PSAs comply with the terms of the 2015 Settlements, including, *inter alia*, the employee protection provisions governed by RSA 369-B:3-b. Due to delays in the auction process, the Collective Bargaining Agreement (“CBA”) between the Union (IBEW Local 1837) and PSNH in place when the 2015 Settlement Agreement was signed expired on May 31, 2017, and was replaced by a new CBA. Certain provisions in the terms agreed to and contained in the 2015 Settlement Agreement between the Union and PSNH became ambiguous and uncertain as a result of the CBA expiration due to the requirement in RSA 369-B:3-b for the provision of employee protections “no less than those set forth in the then-current collective bargaining agreement.” A clarifying Memorandum of Agreement between the Union and PSNH dated September 7, 2017 (the “2017 MOA”) relating to these issues is included with this Application and presented for the Commission’s review and approval. (Attachment 4).

In addition, to maximize the Total Transaction Value (as defined in the 2015 Settlement Agreement) from the divestiture process, PSNH, Commission Staff, and the Commission’s auction agent, J. P. Morgan, have carefully balanced the responsibility for potential environmental liabilities by retaining certain liabilities and gaining an increased sale price, while mitigating that risk by obtaining insurance to protect customers in the event future liabilities may arise. PSNH seeks the Commission’s approval of that expenditure as a stranded cost to be

recovered as part of the securitization process consistent with the 2015 Settlement's goal of maximizing the Total Transaction Value.

Section II of this Application and the supporting testimony describe facts relevant to the Commission's review of this Application. Section III sets forth the statutory criteria for approval of this transaction and reasons why the Agreement meets these criteria. Section IV is the concluding request for rulings and for approval of the sale.

II. Factual Background

A. Sales Process

In RSA 369-B:3-a (2015), the Legislature found that divestiture of PSNH's generation plants and securitization of any resulting stranded costs pursuant to RSA 369-B:3, IV(c) is in the public interest, subject to the Commission finding that it is in the economic interest of retail customers of PSNH. In Order No. 25,920 approving the 2015 Settlement Agreement, the Commission included approval of the "2016 Litigation Settlement" (Hearing Exhibit C in Docket No. DE 14-238). The 2016 Litigation Settlement included as paragraph 11 the stipulation that "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." The Commission specifically stated that "the 2015 Settlement Agreement and 2016 Litigation Settlement serve the public interest as defined by the Legislature in SB 221, Chapter 374-F, and related statutes." Order No. 25,920 at 67.

Pursuant to the 2015 Settlement, "Conduct of the [divestiture] auction will be under the oversight and administration of the Commission, with the Commission retaining such direction and control as it deems necessary." 2015 Settlement Agreement at 18.

The auction sale process and the results of the sale are described in the testimony of Neil Davids of JPMorgan. Mr. Davids confirms that the overall sale was conducted in a manner consistent with the 2015 Settlement Agreement and applicable statutory and regulatory requirements. He further testifies that the sale prices are reasonable and in line with the intent to produce the greatest Total Transaction Value.

As part of this Application, PSNH provides testimony discussing how the sale of the Generating Assets impacts the Company and its customers.

B. Sale Results

The assets to be sold include the Company's Merrimack Station; Newington Station; Schiller Station; Smith Station; Gorham Station; Canaan Station; Ayers Island Station; Eastman Falls Station; Amoskeag Station; Hooksett Station; Garvins Falls Station; Jackman Station; Lost Nation Combustion Turbine; White Lake Combustion Turbine; and its ownership share of the Androscoggin Reservoir Company (collectively, the "Generating Assets"). Recall that PSNH's minority ownership interest in the Wyman 4 Station was previously sold outside of the formal auction process, as noted in the Commission's Order No. 26,060.

The 2015 Settlement Agreement contemplated that there may be separate buyers for the hydro assets ("Hydro Assets") and the fossil fuel/wood-fired assets ("Thermal Assets"), if that maximized the sale proceeds. In fact, PSNH has entered into a pair of PSAs dated October 11, 2017.

a. Sale of Hydro Assets

The buyer of the Hydro Assets is HSE Hydro NH AC, LLC. HSE Hydro NH AC, LLC is an affiliate of Hull Street Energy and subsidiary of certain investment funds which it controls ("collectively, HSE"). The Hydro PSA is included as Attachment 1. HSE recently completed the acquisition from Carlyle Power Partners of five hydroelectric plants (formerly owned by Western

Massachusetts Electric Company) located in central Massachusetts. The assets being purchased by HSE include real property, personal property, and associated licenses and permits related to Smith Station, Gorham Station, Canaan Station, Ayers Island Station, Eastman Falls Station, Amoskeag Station, Hooksett Station, Garvins Falls Station, Jackman Station, and PSNH's ownership share of the Androscoggin Reservoir Company as specifically set forth in the related Hydro PSA for an overall purchase price of \$83.3 million (subject to certain adjustments at closing), with \$83 million attributed to the generating facilities and \$0.3 million attributed to inventory. As part of the transaction HSE will assume liabilities listed in Section 2.3 of the Hydro PSA. Other liabilities will remain with PSNH, as set forth in Section 2.4 of the Hydro PSA.

HSE has allocated its overall purchase price amongst the various assets it is purchasing as follows:

Smith Station	\$24,950,000
Gorham Station	2,880,000
Canaan Station	1,700,000
Ayers Island Station	10,500,000
Eastman Falls Station	6,150,000
Amoskeag Station	21,260,000
Hooksett Station	1,970,000
Garvins Falls Station	10,640,000
Jackman Station	2,450,000
ARCO	500,000
TOTAL	\$83,000,000

These allocated prices may be subject to certain adjustments at closing, as set forth in the Hydro PSA. Both buyer and seller will be required to agree upon an allocation among the acquired assets of the sum of the Purchase Price and the Assumed Liabilities consistent with Section 1060 of the Internal Revenue Code. In addition, appropriate allocations of the sales proceeds must be made by the parties for purposes of the New Hampshire transfer tax.

The parties to the Hydro Asset sale transaction are targeting a closing as soon as possible following receipt of all necessary regulatory approvals.

In addition to the approval sought from this Commission pursuant to this Application, various approvals for this transaction are also required from the Federal Energy Regulatory Commission (“FERC”): under §203 of the Federal Power Act for the Generation Asset transfer itself; under §205 of the Federal Power Act for interconnection agreements between PSNH and HSE; and under §8 of the Federal Power Act to transfer licenses issued by FERC for various PSNH hydroelectric generating facilities.

Approval is also necessary from the Vermont Public Utility Commission relating to the sale of Canaan Station, which straddles the New Hampshire-Vermont border on the Connecticut River.

b. Sale of Fossil Fueled and Wood-Fired Assets (“Thermal Assets”)

The buyer of the Thermal Assets is Granite Shore Power LLC, a newly-formed joint venture between Atlas Holdings LLC (“Atlas”) of Greenwich, Connecticut and Castleton Commodities International (“CCI”) of Stamford, Connecticut. The Thermal PSA is included as Attachment 2. CCI is a global commodity merchant whose activities include the ownership and operations of 20 power generation assets comprising approximately 2,000 MWs across the US and Europe. Atlas is an industrial holding company. The assets being purchased by Granite Shore Power include real property, personal property, and associated licenses and permits related

to Merrimack Station, Newington Station, Schiller Station, Lost Nation Thermal Turbine and White Lake Thermal Turbine as specifically set forth in the related Thermal PSA for an overall purchase price of \$175 million (subject to certain adjustments at closing), with \$97 million attributed to the generating facilities and \$78 million attributed to fuel and non-fuel inventory. As part of the transaction Granite Shore Power will assume liabilities listed in Section 2.3 of the Thermal PSA. Other liabilities will remain with PSNH, as set forth in Section 2.4 of the Thermal PSA.

Granite Shore Power has allocated its overall purchase price amongst the various assets it is purchasing as follows:

Newington Station	\$80,000,000
Merrimack Station	75,000,000
Schiller Station	10,000,000
Lost Nation	5,000,000
White Lake	5,000,000
TOTAL	\$175,000,000

The parties to the Thermal Asset sale transaction are targeting a closing as soon as possible following receipt of all necessary regulatory approvals. The purchase price of the Thermal Assets is based upon a January 1, 2018, closing date, with downward price adjustments should the closing take place after that date.

In addition to the approval sought from this Commission pursuant to this Application, various approvals for this transaction are also required from the Federal Energy Regulatory Commission (“FERC”): under §203 of the Federal Power Act for the Generation Asset transfer

itself, and under §205 of the Federal Power Act for interconnection agreements between PSNH and Granite Shore Power.

III. Criteria for Review and Requested Approvals and Findings

A. New Hampshire Statutory Requirements

New Hampshire statutes set forth the specific criteria that must be met for the Commission to approve this transaction.

In accordance with RSA 369-B:3-a, “Divestiture of PSNH Generation Assets; Review of 2015 Settlement Proposal”:

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

RSA 374:30 requires:

Any public utility may transfer or lease its franchise, works or system, or any part of such franchise, works or system, exercised or located in this state, or contract for the operation of its works and system located in this state, when the commission shall find that it will be for the public good and shall make an order assenting thereto, but not otherwise. The commission may, by general order, authorize a public utility to transfer to another public utility a part interest in poles and their appurtenances for the purpose of joint use by such public utilities.

RSA 369-B:3-a, as amended in 2015, provides unequivocal direction from the Legislature that the sale of PSNH’s generation plants is in the public interest.

The sale transactions are also consistent with RSA Chapter 374-F. As described in the testimony of Mr. Chung (Attachment 3) the sale process was conducted to maximize the “Total Transaction Value” in order to mitigate stranded costs borne by PSNH’s retail customers (RSA 374-F:3, XII(c)). The net proceeds from the sales will be used to reduce PSNH’s stranded costs, per the requirements of the 2015 Settlement Agreement.

Finally, the proposed transactions are also consistent with 2014 N.H. Laws, Chapter 310, “An Act relative to the divestiture of PSNH assets and relative to the siting of wind turbines.”

Section 310:1 provides:

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

The transactions fulfill all the requirements of 310:1 as they maximize the economic value of PSNH’s Generation Assets to benefit retail customers; minimize risk to PSNH’s retail customers by allowing PSNH to exit the generation business; reduce stranded costs to customers by maximizing the Total Transaction Value; and will result in the continued operation of the Generating Assets for at least eighteen months following their sale.

The transactions also comply with the requirements of RSA 369-B:3-b, “Employee cProtections,” and the employee protection provisions of the 2015 Settlement Agreement. RSA 369-B:3-b requires that, “In the event of divestiture or retirement of any or all of PSNH’s generation assets, employee protections no less than those set forth in the then-current collective bargaining agreement shall be provided to affected employees.”

B. New Hampshire Regulatory Requirements

In addition to the statutory requirements for approval discussed above, the Commission has previously issued orders addressing the sale of PSNH’s generating assets. These orders were issued in Docket Nos. DE 14-238 and DE 16-817 By Order No. 25,920, the Commission approved the 2015 Settlement Agreement that expressly calls for the sale of PSNH’s Generating Assets via an auction process. By Order No. 25,967, the Commission approved the auction

design and the selection of JPMorgan as the Commission's Auction Advisor. On February 10, 2017, the New Hampshire Supreme Court summarily affirmed the Commission's decision in Order No. 25,967.

IV. Discussion

A. Testimony

The testimony of Mr. Neil Davids and Auction Report being filed by JPMorgan, and the accompanying testimony of Mr. Chung, support the propositions that: the generation divestiture process was performed in accordance with the procedure approved by the Commission; New Hampshire municipalities were given the opportunity to participate in the auction process; the PSAs reflect a reasonable and proper balancing of liabilities; that PSNH's purchase of insurance to protect against costs of potential future liabilities was reasonable and necessary to achieve the PSAs; that the cost of such insurance is reasonable and is a stranded cost that will be recoverable via the securitization process; that the employee protections, as clarified by the 2017 MOA, comply with RSA 369-B:3-b and are consistent with the 2015 Settlement Agreement; and that overall, the PSAs submitted for approval maximize the Total Transaction Value and effectuate the overall intent of the 2015 Settlements.

B. Auction Procedure

In Order No. 25,967 issued on November 10, 2016, in Docket No. DE 16-817, the Commission approved the design for the generation divestiture process. As discussed in Mr. David's testimony and JPMorgan's Auction Report, the actual divestiture process complied with the design approved by the Commission. Interested municipalities that are host towns for the generation assets were provided the opportunity to participate in the auction process per Order No. 25,967. In particular, interested municipalities were provided with early access to the

engineer's report, independent market report, the Confidential Information Memorandum, and the electronic data room as required by the Order. JPMorgan offered to consult with interested municipalities regarding indicative Round (Phase) 1 bids. The PSA reflects an allocation of the purchase price amongst the various generation assets.

C. Environmental Liabilities

The PSAs represent a thoughtful and carefully negotiated balancing of responsibility for potential future environmental liabilities that may arise at any of the generating assets. PSNH, JPMorgan, and Commission Staff weighed the retention of responsibility of such liabilities with the impact on the purchase price of those generating assets. The purchase of insurance to protect against a portion of the cost of any potential future claim of liability was deemed to be an economic measure that maximized the Total Transaction Value. PSNH and PUC Staff support the recovery of the cost of such insurance as a reasonable stranded cost resulting from the divestiture of PSNH's generation assets, recoverable via the securitization process per RSA 369-B:1, XVI.

D. Employee Protections

Due to delays in the auction process, the prior Collective Bargaining Agreement ("CBA") between the Union (IBEW Local 1837) and PSNH expired on May 31, 2017, and was replaced by a new CBA. As a result, certain provisions in the employee protections as set forth in the 2015 Settlement Agreement became ambiguous and uncertain. Due to the requirement in RSA 369-B:3-b for the provision of employee protections consistent with those contained in the CBA in effect as of the date of any divestiture - - i.e., the new CBA - - a clarifying Memorandum of Agreement between the Union and PSNH dated September 7, 2017, was entered into. The effectiveness of this 2017 MOA is conditioned upon Commission approval, and is presented for such review and approval herein. Per RSA 374-F:2, IV,(e), all costs incurred as a result of

fulfilling employee protection obligations pursuant to RSA 369-B:3-b are deemed to be recoverable stranded costs.

E. Maximization of Total Transaction Value

Per the 2015 Settlement Agreement (at line 434):

The goals of the asset auctions are to maximize the net Total Transaction Value (“TTV”), which reflects all of the cash and non-cash elements of the transaction(s), realized from the sale(s) in order to minimize Stranded Costs, to provide a market-based determination of Stranded Costs, and to establish a competitive energy market, while at the same time providing certain employee and host community protections as set forth herein.

JPMorgan, as auction advisor, was given the responsibility to ensure that the divestiture process met this goal. In its Order approving the auction design, the Commission stated, “JPM has described a number of principles that will guide a successful auction of electric generation facilities and will maximize the value received from bidders.” Throughout the divestiture auction process, these principles espoused by JPMorgan were followed. JPMorgan developed a robust interest in the generating assets per the plan approved by the Commission. Municipalities were provided with the opportunities to participate in the auction process as required by the Commission’s Order. The due diligence process was detailed and comprehensive, providing all bidders with more than ample opportunity to understand the nature and scope of every aspect of the generation assets.

Final bids were carefully analyzed by JPMorgan’s experts and PSNH to facilitate a complete knowledge of those bids, including their value and the related commercial terms and conditions.

A consensus was reached by JPMorgan and PSNH regarding the identity of the winning bidders. The PSAs were developed to memorialize the details of the sales agreements arrived at as a result of the overall divestiture process. The PSAs represent the best net Total Transaction Value consistent with the goals of the 2015 Settlements.

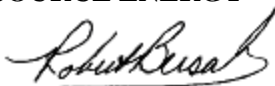
V. Request for Rulings and Approval of the Sale

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

Therefore, PSNH respectfully requests that the Commission: (1) issue separate orders for the two PSAs; (2) find that the results of the sale comply with New Hampshire law and that the sale of the generation assets is in the economic interest of PSNH's retail customers; (3) find that the balancing of potential future liabilities reached in the PSAs as hedged by insurance is reasonable and that the costs of such insurance may be included as a stranded cost to be recovered via securitization financing; (4) approve the 2017 MOA; (5) expeditiously approve the PSAs for the sale of the Company's Generating Assets; and, (6) grant such other relief as the Commission deems reasonable and proper to effectuate RSA Chapters 369-B and 374-F and the 2015 Settlements.

Respectfully submitted this 12th day of October 2017.

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
d/b/a EVERSOURCE ENERGY**

By: _____

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I hereby certify that on October 12, 2017, I served an electronic copy of this Application with each person identified on the Commission's service list for this docket pursuant to Rule Puc 203.02(a).



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