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**COMMISSION AUTHORIZES DIVESTITURE OF EVERSOURCE ENERGY  
GENERATION ASSETS**

The New Hampshire Public Utilities Commission released its order in DE 11-250 and DE 14-238 today approving the 2015 Settlement Agreement and the 2016 Litigation Settlement filed in those two cases. The order concludes the Commission's investigation into the question of whether Eversource should divest, or sell, its generation assets. It also concludes the Commission's investigation into the recovery of costs associated with the installation of pollution control equipment, often referred to as the "scrubber," at the Eversource Merrimack Station generation plant located in Bow.

Highlights of the order:

- Approves a settlement that requires Eversource to divest its generation assets through an auction process overseen by the Commission. Projections estimate that divestiture may result in customer savings of \$165 million over the first five years following divestiture (2017 to 2021).
- Approves a settlement that requires Eversource to transition to a competitive procurement process for default energy service no more than 6 months following the final closing on its generation assets. Transition to a competitive procurement process for default energy service is expected eventually to result in lower energy costs. It also removes operational risks, including the risks of future upswings in capital-expenditure requirements for Eversource's generation fleet, which should, in the long run, protect ratepayers from

costly rate shocks related to environmental-compliance requirements and the ongoing need to replace or upgrade obsolescent equipment.

- Approves use of rate reduction bonds to finance the stranded cost balance at a debt-based interest rate that is expected to be much lower than the return on equity that Eversource would receive if its generation assets were to remain in rate base.
- Approves property tax stabilization payments to be made to host municipalities, those cities and towns where Eversource's generation plants are located, for Eversource's generation assets. These payments are designed to protect property tax revenue streams for host municipalities for a short period of time following divestiture.
- Finds the decision to install the scrubber at Merrimack Station was prudent at the time it was made.
- Allows Eversource to recover prudently incurred costs associated with the installation from customers. The total allowable costs prudently incurred to build the scrubber are \$415,511,889.
- Approves shareholder funding of \$25 million of deferred equity (similar to interest on principle). Shareholder funding of this deferred equity will result in lower stranded costs flowing through to Eversource customers.
- Allows for cost recovery for the scrubber to be included in default energy service rates until such time as the closing on the rate reduction bonds occurs. At that time, those costs will be removed from Eversource's default energy service rates and will be recovered through a non-bypassable stranded cost recovery charge paid by all Eversource customers.
- Approves \$5 million from Eversource shareholders to establish a clean energy fund which will fund clean energy initiatives throughout the State.

#### Divestiture:

In 1996, the New Hampshire Legislature enacted RSA Chapter 374-F, which set out general principles for restructuring the electric industry. Since that time, Legislative policy has, for the most part, favored the divestiture of Eversource's generation assets. A broad array of parties was involved in the development of the 2015 Settlement Agreement. Those parties represented diverse interests and included Eversource, state agencies, municipalities, the Business and Industry Association, IBEW Local 1387, private sector market participants, and various advocacy organizations. The 2016 Litigation Settlement was reached through a collaborative process which also included a broad array of parties. During the settlement hearing held in February of this year, both agreements were subject to scrutiny. The Commission found that the two agreements involved a balanced compromise and resolved technically complex issues arising from the divestiture of Eversource's generation assets.

Based upon its review of the evidence presented during the hearings, the Commission found that the terms and conditions of the settlement agreements met the public interest standard set forth in

RSA 369-B:3-a, II. Divestiture and securitization should have overall positive impacts on all customer classes – residential, small commercial and large commercial. While those customers who do not take energy service from Eversource will see stranded cost charges related to generation, they should benefit from a more fully competitive market for the generation of power. In addition, for Eversource default energy service customers, the customer savings analysis presented at the February hearings indicated savings of approximately \$165 million in the first 5 years following divestiture, based on a full sale of Eversource’s generation assets as of January 2017. While this analysis is not a guarantee, it nonetheless provides a directional indication from economic experts that some savings are likely. The evidence presented also indicated positive impacts on the New Hampshire economy resulting from lower Eversource rates.

The Scrubber:

In 2006, the NH Legislature enacted legislation requiring the owner of Merrimack Station to install pollution control technology. Prior to the filing of the 2015 Settlement Agreement that prompted today’s order, the Commission conducted extensive hearings on the prudence of Eversource’s management of the scrubber project. The issues raised during those hearings related to whether Eversource should have retired or sold Merrimack Station rather than move forward with construction of the scrubber. Determination of those issues depended on whether an update in 2009 of an economic analysis undertaken by Eversource in 2008 would have resulted in a different decision than to proceed with construction.

The Commission found that Eversource had a duty to update its economic analysis and evaluate its alternatives in 2009 with regard to such a large capital project as the scrubber. Eversource failed to conduct this analysis, which the Commission found not in keeping with good utility practice. However, because an updated analysis would have shown customer benefits from the continued operation of Merrimack Station, Eversource’s decision to move forward with construction of the scrubber was within the bounds of reasonableness and was prudent. The foregoing of \$25 million in deferred equity costs associated with the scrubber project agreed to in the 2015 settlement agreement is a reasonable resolution of the issues in the Scrubber Docket.

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