

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Fifteen

AN ACT relative to electric rate reduction financing.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 Amend RSA 369-B:1 by inserting after paragraph XV the following new paragraph:

XVI. It is in the public interest for the commission to issue a finance order that is subject to the requirements of this chapter and that securitizes any stranded costs resulting from the divestiture of PSNH's remaining generation plants, if the commission approves the 2015 settlement proposal or otherwise orders divestiture of PSNH's remaining generation plants.

2 Amend RSA 369-B:2 by inserting after paragraph I the following new paragraph:

I-a. "2015 settlement proposal" means the "2015 Public Service Company of New Hampshire Restructuring and Rate Stabilization Agreement" reached by and between PSNH, the New Hampshire Office of Energy and Planning, the New Hampshire Consumer Advocate and any other settling parties in Dockets DE 11-250 and DE 14-238 before the Commission regarding cost recovery of the Merrimack Station scrubber and divestiture of PSNH's remaining generation plants.

3 Amend RSA 369-B:2, X as follows:

X. Rate reduction bonds” (“RRB”) means bonds, notes, certificates of participation or beneficial interest, or other evidences of indebtedness or ownership, issued pursuant to an executed indenture or other agreement of a financing entity, in accordance with this chapter, 1999, 289:3, I and II, ~~and~~or RSA 369-A, the proceeds of which are used, directly or indirectly, to provide, recover, finance, or refinance RRB costs, and which, directly or indirectly, are secured by, evidence ownership interests in, or are payable from, RRB property.

4 Amend RSA 369-B:2, XIV by inserting after subparagraph (f) the following new subparagraph:

(g) Expenditures incurred to implement the 2015 settlement proposal as approved by the commission.

5 Amend RSA 369-B:2, XVI as follows:

XVI. “Security interest” means a security interest as defined in RSA 382-A:1-201(~~37b~~)(**35**).

6 Amend RSA 369-B:2, XVII as follows:

XVII. “Service territory” means, with respect to any electric utility, the geographic area established by the commission as the retail electric service territory of such electric utility, as such territory is depicted on the “Electric Utilities Franchise Areas” map issued by the commission, dated ~~February 13, 2015~~**July 1, 1993**, together with any other geographic area in which such electric utility actually provided retail electric service on such date and any new

geographic areas in which such electric utility is granted a franchise for the provision of retail electric service subsequent to such date.

7 Amend RSA 369-B:3, I as follows:

I. The commission is authorized, upon the petition of an electric utility and after a hearing, to issue one or more finance orders pursuant to which rate reduction bonds shall be issued, if the commission finds that the issuance of such finance order or finance orders is in the public interest as set forth in RSA 369-B:1, IX or RSA 369-B:1, XVI, as applicable. Any finance order adopted pursuant to 1999, 289:3, I and II prior to the effective date of this chapter shall, following the effective date of this chapter, be deemed to be authorized by this chapter, provided the commission has made the required finding pursuant to RSA 369-B:3, IV(b).

8 Amend RSA 369-B:3, IV(b)(16) as follows:

(16) No finance order shall be final or effective until PSNH and NU have agreed to dismiss with prejudice on competition day PSNH's and NU's claims and causes of action in all pending litigation associated with the implementation of RSA 374-F, including civil action No. 97-97-JD (New Hampshire) / 97-121 L (Rhode Island); and/or

9 Amend RSA 369-B:3, IV by inserting after subparagraph (b)(16) the following new subparagraph:

(c) Authorize the issuance of rate reduction bonds in an amount sufficient to fund stranded costs, deferrals, transaction costs, tax liabilities, employee protections, payments

in lieu of taxes, and other expenditures as contemplated in the 2015 settlement proposal as approved by the commission. The net benefits of accumulated deferred income taxes relating to amounts that will be recovered through any such issuance of rate reduction bonds shall be credited to retail customers by reducing the amount of such rate reduction bonds that would otherwise be issued by the net present value of the related tax cash flows, using a discount rate equal to the expected interest rate on such rate reduction bonds. This authorization is in addition to any amount authorized in subparagraph (a) or (b).

10 Amend RSA 369-B:3, V as follows:

V. Any finance order that expressly states each and every one of the conditions as set forth in RSA 369-B:3, IV, **if any,** and finds that the finance order is consistent with all of these conditions, shall be deemed to satisfy the conditions and requirements of RSA 369-B:3, IV. If such finance order so satisfies the conditions, **if any,** and requirements of RSA 369-B:3, IV and satisfies the other requirements of this chapter, then such finance order shall be deemed to be authorized by, and issued pursuant to, this chapter.

11 Amend RSA 369-B:3-a as follows:

I. The general court finds that divestiture of PSNH's generation assets and securitization of any resulting stranded costs consistent with the terms of the 2015 settlement proposal is in the public interest.

II. Before January 1, 2015, As part of the pending expedited proceeding in Docket DE 14-238, Determination Regarding PSNH's Generation Assets, the commission shall

~~commence and expedite a proceeding to~~ determine the manner in which whether all or some
~~of~~ PSNH's generation assets should be divested. On or before March 31, 2015, the commission
shall submit a progress report to the legislative oversight committee on electric utility
restructuring established under RSA 374-F:5. Notwithstanding RSA 374:30, the commission
~~may~~ shall order PSNH to divest ~~all or some of~~ its generation assets in a manner that is if the
~~commission finds that it is~~ in the public economic interest ~~of retail customers of PSNH to do~~
~~so,~~ and provides for the cost recovery of such divestiture.

III. Prior to any divestiture of its generation assets, PSNH may modify or retire such
generation assets if the commission finds that it is in the economic interest of retail customers of
PSNH to do so, and provides for the cost recovery of such modification or retirement.

12 Amend RSA 369-B:3-b as follows:

In the event of divestiture or retirement of any or all of PSNH's generation assets, ~~the~~
employee protections no less than those set forth in the then-current collective bargaining
agreement ~~Section X of the original proposed settlement defined in RSA 369-B:2, VIII,~~
shall be provided to affected employees.

13 Amend RSA 369-B:5, I as follows:

I. An electric utility or financing entity may, from time to time, after approval by the
commission in a finance order or orders, issue rate reduction bonds. The power and authority of
such electric utility or financing entity to issue such bonds authorized by a finance order
pursuant to RSA 369-B:3, IV(a) or (b) shall expire on December 31, 2002.

14 Amend RSA 369-B:5, VIII - X as follows:

VIII. Rate reduction bonds **authorized by a finance order pursuant to RSA 369-B:3, IV(a) or (b)** shall mature at such time or times approved by the commission in the finance order, but not more than 14 years after competition day.

IX. The state treasurer, or other state official designated by the state treasurer, shall have oversight over the terms and conditions of rate reduction bond issuances, **that are authorized by a finance order pursuant to RSA 369-B:3, IV(a) or (b)**, to assure that the electric utility exercises fiscal prudence and achieves the lowest overall cost for the rate reduction bonds.

X. Subject to the approval of the commission and, **in the case of rate reduction bonds authorized by a finance order pursuant to RSA 369-B:3, IV(a) or (b)**, the oversight of the state treasurer, or other state official designated by the state treasurer, rate reduction bonds issued and at any time outstanding may, if and to the extent permitted under the indenture or other agreement pursuant to which they are issued, be refunded by other rate reduction bonds.

15 Amend RSA 374-F:3, V(c) as follows:

(c) Default service should be designed to provide a safety net and to assure universal access and system integrity. Default service should be procured through the competitive market and may be administered by independent third parties. Any prudently incurred costs arising from compliance with the renewable portfolio standards of RSA 362-F for default service ~~or purchased power agreements~~ shall be recovered through the default service charge. The allocation of the costs of administering default service should be borne by the customers of

default service in a manner approved by the commission. If the commission determines it to be in the public interest, the commission may implement measures to discourage misuse, or long-term use, of default service. Revenues, if any, generated from such measures should be used to defray stranded costs.

16 Effective Date. This act shall take effect on the day of its passage.