

ATTACHMENT 3

Testimony of Eric H. Chung

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

**APPLICATION OF PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
d/b/a EVERSOURCE ENERGY
FOR APPROVAL OF THE SALE OF ITS INTEREST IN
W.F. WYMAN STATION – UNIT 4**

Docket No. DE 17-_____

DIRECT TESTIMONY OF ERIC H. CHUNG

June 21, 2017

1 **Q. Please state your name, title and business address.**

2 A. My name is Eric H. Chung. I am employed by Eversource Energy Service Company as
3 its Director, Revenue Requirements (NH) and Regulatory Projects. My business address
4 is 247 Station Drive, Westwood, Massachusetts 02090.

5 **Q. Have you previously testified before the Commission?**

6 A. Yes, I have testified before the Commission in many proceedings, including, *inter alia*,
7 Docket No. DE 11-250 (Investigation of Merrimack Station Scrubber Project and Cost
8 Recovery); Docket No. DE 13-274 (2014 Stranded Cost Recovery Charge Rate Change);
9 Docket No. DE 13-275 (2014 Default Energy Service Rate Change); Docket No. DE 13-
10 108 (Reconciliation of Energy Service and Stranded Costs for Calendar Year 2012);
11 Docket DE 14-238 (2015 PSNH Restructuring and Rate Stabilization Agreement);
12 Docket No. DE 15-464 (Lease Agreement Between PSNH and Northern Pass
13 Transmission); and, Docket No. DE 16-693 (PSNH PPA with Hydro-Renewable
14 Resources).

15 **Q. Please describe your educational background.**

16 A. I have a Bachelor of Arts in physics with honors from Harvard University, as well as a
17 Master's of Business Administration in finance and economics from the University of
18 Chicago Booth School of Business.

1 **Q. Please describe your professional experience.**

2 A. I was appointed to my current position at Eversource Energy in February 2015. From
3 August 2013 to January 2015, I was Director of Revenue Requirements for Eversource's
4 operating companies in both Massachusetts and New Hampshire, including Public
5 Service Company of New Hampshire ("PSNH" or the "Company"). From May 2011 to
6 August 2013, I was a Senior Manager in the Power Utilities Advisory practice at Ernst
7 and Young LLP. From July 2009 to April 2011, I worked for PacifiCorp, a vertically-
8 integrated electric utility based in Portland, Oregon serving approximately 1.7 million
9 customers across six states in the Western United States. At PacifiCorp, my primary role
10 was Director of Environmental Policy and Strategy, and I also held leadership roles in
11 PacifiCorp's Transmission and Corporate Finance departments. I have also served as an
12 Associate Partner in the Utilities practice at Oliver Wyman, a Senior Engagement
13 Manager in the Power practice at Strategic Decisions Group, and a Senior Programmer
14 Analyst at Goldman Sachs. I have approximately twenty years of relevant management
15 consulting and industry experience, with most of my career dedicated to the power and
16 utilities sectors.

17 **Q. What is the purpose of your testimony in this proceeding?**

18 A. I am filing testimony on behalf of Public Service Company of New Hampshire d/b/a
19 Eversource Energy ("PSNH" or the "Company") to request that the Commission approve
20 the sale of PSNH's minority ownership interest in the jointly owned W.F. Wyman Station
21 – Unit 4 ("Wyman 4") to FPL Energy Wyman IV LLC ("FPLE") pursuant to the Purchase
22 and Sale Agreement ("PSA") attached to PSNH's Application. I will discuss the benefits
23 customers will receive as a result of the sale, and describe how the sale is consistent with
24 both New Hampshire law and with the "2015 Public Service Company of New
25 Hampshire Restructuring and Rate Stabilization Agreement," filed with the Commission
26 on June 10, 2015, as amended and approved by the Commission in Order No. 25,920
27 dated July 1, 2016 (the "2015 Settlement Agreement").

1 **Q. Please briefly describe Wyman 4 and PSNH's ownership interest therein.**

2 A. Wyman 4 is a 620-megawatt No. 2 oil-fired generating plant located in Yarmouth, Maine,
3 which began operation in 1978. The principal owner and operator of Wyman Station is
4 FPLE, a subsidiary of Florida-based FPL Group, Inc. FPLE owns approximately 84.3% of
5 Wyman Unit No. 4. The remaining 15.7 percent of the unit is owned by six other utilities,
6 including PSNH, which owns 3.1433%, or approximately 19 MW. Additional details
7 regarding the ownership of this unit is available in the FERC Application that was
8 attached to the Company's Application.

9 PSNH is one of the original joint owners of Wyman 4, and was a signatory to the original
10 "Agreement for Joint Ownership, Construction and Operation" of that unit dated
11 November 1, 1974.

12 **Q. Is the sale of Wyman 4 consistent with New Hampshire law?**

13 A. Yes, it is.

14 In 2015, the Legislature enacted Chapter 221, "AN ACT relative to electric rate reduction
15 financing." This legislation amended RSA Chapter 369-B, the law allowing securitized
16 financings of certain costs of PSNH, as well as a portion of RSA Chapter 374-F, the
17 restructuring law.

18 RSA 369-B:3-a, as amended in 2015, states in relevant part:

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

22 *II. As part of an expedited proceeding, the commission shall review the 2015*
23 *settlement proposal and determine whether its terms and conditions are in the*
24 *public interest. Notwithstanding RSA 374-F:3, VI, the commission may*
25 *incorporate rate designs that fairly allocate the costs of divestiture of PSNH's*
26 *generation plants among customer classes. As part of its review of the 2015*
27 *settlement proposal, the commission shall take into account the impact on all*
28 *PSNH customer classes, and shall consider the impacts on the economy in*
29 *PSNH's service territory, the ability to attract and retain employment across*

1 *industries, and whether the proposed rate design fairly allocates the costs of*
2 *divestiture of PSNH's generation plants among customer classes. The*
3 *commission may approve or reject the 2015 settlement proposal, or condition its*
4 *approval on any modification of the terms and conditions that it determines to be*
5 *necessary to meet the public interest standard, so long as any order to divest*
6 *provides for recovery of stranded costs and such other costs of divestiture as may*
7 *be approved by the commission. If the commission conditions its approval, the*
8 *settling parties may amend or terminate the 2015 settlement proposal.*

9 In Docket No. DE 14-238, the Commission reviewed and approved the 2015 Settlement
10 Agreement, finding that it is in the public interest. As discussed further below, the 2015
11 Settlement Agreement calls for the divestiture of all of PSNH's generating assets,
12 including Wyman 4.

13 In addition, 2014 N.H. Laws, Chapter 310, "An Act relative to the divestiture of PSNH
14 assets and relative to the siting of wind turbines," at Section 310:1 provides:

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

23 The proposed transaction fulfills all of the requirements of 310:1 as it maximizes the
24 economic value of PSNH's Wyman 4 interest to benefit retail customers; minimizes risk
25 to PSNH's retail customers by having FPLE assume certain liabilities; reduces stranded
26 costs to customers by selling at a transaction value that exceeds the asset's book value;
27 and will result in the continued operation of the station.

28 RSA 374:30 requires a public utility seeking to transfer any portion of its works or system
29 to obtain a finding from the Commission the Commission that such transfer will be for

1 the public good. In light of the 2015 amendments to RSA 369-B:3-a wherein the
2 Legislature statutorily determined that divestiture of PSNH's generation assets is in the
3 public interest, the requirements of RSA 374:30 are met since the process used to arrive
4 at the PSA is consistent with the 2015 Settlement Agreement and, per the accompanying
5 testimony of JPMorgan, the Commission's Auction Advisor, the sales price is reasonable
6 and consistent with the goal of maximizing the Total Transaction Value from the
7 divestiture of PSNH's generating assets.

8 Therefore, the proposed sale of Wyman 4 as set forth in the PSA is entirely consistent
9 with state law.

10 **Q. Does the 2015 Settlement Agreement require PSNH's divestiture of Wyman 4?**

11 A. Yes, it does. One of the specified key components of the 2015 Settlement Agreement is
12 "Expeditious pursuit of the divestiture of PSNH's generating plants after a final decision
13 by the Commission approving the settlement set forth in this Agreement." Settlement at
14 lines 33-34. In addition, the 2015 Settlement Agreement contains the following general
15 language regarding divestiture of generation:

16 For the economic benefit of customers, the Commission and PSNH shall
17 expeditiously pursue divestiture of PSNH's owned generation fleet... This
18 divestiture will take place through several processes including the sale of its
19 existing power generation facilities at auction. The goals of the asset auctions are
20 to maximize the net Total Transaction Value ("TTV"), which reflects all of the
21 cash and non-cash elements of the transaction(s), realized from the sale(s) in order
22 to minimize Stranded Costs, to provide a market-based determination of Stranded
23 Costs, and to establish a competitive energy market, while at the same time
24 providing certain employee and host community protections as set forth herein.

25 (Settlement, lines 432-438.)

26 With respect to Wyman 4, the 2015 Settlement Agreements contains the following
27 specific discussion:

28 **F. Wyman Unit 4**

29 PSNH's minority ownership interest in Wyman Unit 4, located in Yarmouth,

1 Maine, will be offered for sale and may be sold outside of the auction process or
2 dealt with as deemed appropriate by the Commission.

3 (Settlement, lines 570-573.)

4 **Q. Will the sale of Wyman 4 benefit customers?**

5 A. Yes, it will. The sale of Wyman 4 is consistent with the overall Legislative determination
6 that divestiture of PSNH's generating assets is in the public interest. Since the sale price
7 of Wyman 4 is above the value of that asset on PSNH's books, the net proceeds will be
8 used to mitigate the amount of stranded costs to be recovered from customers.

9 **Q. What are the financial aspects of the sale of PSNH's share of the Wyman 4 assets?**

10 A. As of May 2017, PSNH's book value for Wyman 4 was \$373,160.85. Under the PSA,
11 FPLE will pay PSNH \$1 million with additional customary adjustments as described in
12 the PSA for items such as Fuel Inventory Value, Closing and Proration Amounts, Maine
13 Withholding Amount , and 50% of Transaction Taxes,.

14 **Q. How will the net proceeds be credited to customers?**

15 A. The net proceeds from this transaction will be credited to customers through PSNH's
16 stranded cost charge as part of the next periodic update to that charge following the
17 completion of the sale.

18 **Q. Are there any ongoing benefits that customers will receive as a result of the sale?**

19 A. Yes, there are. Under the PSA FPLE will assume liabilities listed in Schedule 3(b)(i) of
20 the PSA, including, *inter alia*, "any Environmental Liability or obligations (including
21 those under the Joint Ownership Agreement), known or unknown, relating to or arising
22 out of operations, maintenance, construction, installation, or disposal activities conducted
23 at, near, on, or under the Wyman 4 Station or the Purchased Assets." The assumption of
24 liabilities removes customers from future financial risk.

1 **Q. What is PSNH requesting from the Commission?**

2 A. PSNH requests that the Commission find that the sale of Wyman 4 under the terms and
3 conditions contained in the PSA meets the requirements of New Hampshire law, that the
4 Commission further find that the sale of Wyman 4 is in the public good and consistent
5 with RSA 374:30 .

6 **Q. Does this complete your testimony?**

7 A. Yes it does.