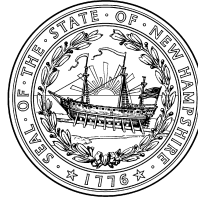


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STATE OF NEW HAMPSHIRE



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September 18, 2013

**NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION  
REQUEST FOR PROPOSALS**

**Valuation of Public Service Company of New Hampshire's Generating Assets and  
Purchased Power Agreements**

To Prospective Bidder:

The New Hampshire Public Utilities Commission (NHPUC) is seeking proposals from qualified firms or individuals to conduct an economic valuation of the fossil, hydro and biomass generating assets of Public Service Company of New Hampshire as well as the market value of the Purchased Power Agreements with the Lempster Wind and Burgess BioPower facilities.

Pertinent dates and information:

1. Bidders may submit written inquiries about this RFP by e-mail to: [RFP@puc.nh.gov](mailto:RFP@puc.nh.gov) no later than September 27, 2013. Inquiries and their responses will be posted on the NHPUC's website as they are received.
2. Proposals must be received by the NHPUC prior to 4:30 p.m. on October 4, 2013. Proposals should be submitted to:

Lynn Fabrizio, Director of Administration  
New Hampshire Public Utilities Commission  
21 S. Fruit Street, Suite 10  
Concord, NH 03301-2429  
[lynn.fabrizio@puc.nh.gov](mailto:lynn.fabrizio@puc.nh.gov)

3. Follow-up conferences/interviews will be scheduled as needed.
4. An Evaluation Team consisting of NHPUC Staff and/or other qualified personnel will be established to evaluate responses to this bid proposal.

## **I. Statement of Purpose**

The New Hampshire Public Utilities Commission will hire an asset valuation consulting firm to provide a comprehensive valuation of the generating assets of Public Service of New Hampshire (PSNH). The firm will provide a report to the NHPUC detailing its results, including its methodologies and assumptions used in the valuation study as well as any risks not quantified, but that could affect the value of the assets.

The primary assignments will include: a description of the market for fossil and hydro assets in the New England region, specifically, and the Northeast, generally; an overview of the operating characteristics and competitiveness of the PSNH generating assets in the New England region; an assessment of value of the assets by unit (Newington, Merrimack, Schiller, Hydroelectric, other); an assessment of whether the value of the PSNH generating assets would bring more value if sold separately, as one bundled sale of all the generating assets, or as smaller groups of assets (e.g., fossil and hydro assets grouped separately); an estimate of the market value of PSNH's two Purchased Power Agreements (PPAs) and an evaluation of the plant sites for environmental contamination, based on existing records.

This RFP will be granted to one firm, or a team of firms, with such expertise to provide assistance as needed, for the period commencing on or about November 1, 2013. The firm(s) must show expertise in the valuation of power generating assets and purchased power agreements, especially those located in the northeastern United States.

## **II. Background**

The NHPUC is an administrative agency with executive, legislative and quasi-judicial powers. The NHPUC's prime responsibility is as an arbiter between the public utilities and their ratepayers. Proceedings in this regard address such areas as public utility rates, financing, terms and conditions of utility service, quality of service, safety and reliability, eminent domain matters, public utility exemptions from local zoning ordinances, public utility franchises, utility crossings of public lands and waters, wholesale relationships between utilities, rulemakings and consumer complaints.

In 1996, New Hampshire passed legislation to open up its retail electricity markets to competition. RSA 374-F, Electric Utility Restructuring, states that "[T]he most compelling reason to restructure the New Hampshire electric utility industry is to reduce costs for all consumers of electricity by harnessing the power of competitive markets." RSA 374-F:1 Purpose. Broad regulatory guidance was provided in RSA 374-F:3 Restructuring Policy Principles which included maintaining system reliability, customer choice, unbundling rates, open access, universal service for all customers, full and fair competition, the recovery of stranded costs, and a commitment to renewable energy and energy efficiency.

The NHPUC opened up a proceeding on electric restructuring, Docket No. DR 96-150, and after a lengthy proceeding issued "Restructuring New Hampshire's Electric Utility

Industry: Final Plan on February 28, 1997.” The Final Plan included details on implementation of electric restructuring for each New Hampshire electric utility, including the recovery of stranded costs based on the policy directives contained in RSA 374-F, including that New Hampshire’s electric rates should “to the greatest extent practicable ... approach competitive regional electric rates.” Litigation followed issuance of the Final Plan and New Hampshire restructured its electric industry on a case-by-case basis over the ensuing years. After more than two years of litigation with PSNH, a multi-party comprehensive settlement was reached and filed with the NHPUC in August 1999 (“Agreement to Settle PSNH Restructuring”) and approved by the NHPUC on April 19, 2000 in Docket No. DE 99-099.

Based on the settlement agreement, PSNH agreed to lower average retail rates by 18.3%, write off \$225 million after-tax of its stranded cost charges, recover its remaining stranded costs in three “buckets” that included a risk-sharing provision, sell off its generating assets and entitlements, and securitize up to \$725 million of rate reduction bonds (RRBs) which required and received legislative approval. An updated settlement agreement was filed with the NHPUC in June 2000 that included recovery of the RRBs and new retail rates. Soon afterward, concerns about high energy prices in the new electric markets, especially based on the volatility and market prices in California resulted in changes to New Hampshire’s electric restructuring. The Legislature passed HB 489, which amended electric restructuring in New Hampshire and allowed PSNH to keep its fossil-hydro assets and to use them for transition and default service. The divestiture of the Seabrook Nuclear Station, of which PSNH had a 36% entitlement of the power through its affiliate, North Atlantic Energy Company, was not affected by HB 489 (see RSA 369-B:3,IV(b)(13)). The NHPUC, in consultation with and the support of the Connecticut Department of Public Utility Control, hired an asset sales company, JP Morgan, to conduct the sale. The sale to FPL Group for approximately \$798 million, which included 88.2% of the ownership interests in Seabrook, closed in November 2002.

For the first several years of electric restructuring in New Hampshire, PSNH’s Transition Service rates were set by legislation. After the legislatively mandated rates expired, the rates were set annually by the NHPUC based on PSNH’s actual and prudent costs to provide Transition Service and later Default Service. PSNH uses its 1,100 MW of fossil-hydroelectric generating assets as well as market purchases to provide default service. Although PSNH’s rates have been above and below market rates over the past decade, since 2009 PSNH’s default service rate has trended above market as indicated by the default service prices of Unitil Energy Systems (UES) and Granite State Electric Company (GSEC), two New Hampshire regulated electric utilities that provide default service using a competitive auction process. PSNH’s current default service rate, \$0.0854 per kWh, is approximately 1.5 cents per kWh higher than the default service rate of either GSEC or UES. Low natural gas prices and the installation of a wet flue gas desulfurization project at Merrimack Station have contributed to that differential as well as the significant migration of customer load to Competitive Electric Power Suppliers (CEPS).

On January 18, 2013, the NHPUC issued an Order of Notice in IR 13-020, Investigation into Market Conditions Affecting PSNH and its Default Service Customers and the Impact of PSNH's Ownership of Generation on the Competitive Electric Market (Market Conditions Report). In opening the investigation, the NHPUC described the history of electric restructuring in New Hampshire, the current "hybrid" system in effect for PSNH in which PSNH's default service rates are reviewed annually by the NHPUC and set based on PSNH's actual cost of service and the changes in market conditions that are affecting PSNH's costs of providing default service to a decreasing customer base as customers continue to migrate to CEPS.

On June 7, 2013, the Staff of the NHPUC and the Liberty Consulting Group issued "Report on Investigation into Market Conditions, Default Service Rate, Generation Ownership and Impacts on the Competitive Electricity Market." The Report analyzed the current conditions affecting PSNH's default service rates and the factors affecting the substantial amount of load that has migrated to CEPS over the past two years.

After receiving the Report, the NHPUC issued a Secretarial Letter stating that interested parties would be afforded the opportunity to file comments on the Market Conditions Report. Comments were received from the Office of the Consumer Advocate (OCA), TransCanada, the Retail Energy Supply Association (RESA), North America Power and Gas, LLC (NAPG), the New England Power Generators Association (NEPGA), the Conservation Law Foundation (CLF), the Sierra Club, and PSNH.

The NHPUC accepted the Report and issued Order No. 25,525 on July 15, 2013. In Order No. 25,525, the NHPUC stated that "we do not adopt all of its assumptions or conclude that the information contained therein is necessarily proven as fact. We do, however, find that the Report demonstrates a credible risk of harm to PSNH and its customers if circumstances were to continue unchecked. We find it necessary to further analyze the economic and regulatory pressures facing PSNH. Even as we consider the various recommendations for next steps offered by stakeholders, we know that a threshold question for many discussions will be the value of PSNH's generation assets and the rate impacts if those assets were retired or sold. Towards that end, we direct Staff to engage a valuation expert, through a competitive bid process, to determine the value of PSNH's generation assets and entitlements. This information, which will be more precise than the general assessment of value in the Report, will be of use to the Commission and the Legislature both of which are likely to consider further action in these matters, as well as PSNH and the many stakeholders affected by PSNH's operations."

### **III. Scope of Work**

The consultant chosen will conduct an independent valuation of the generating assets and PPAs of PSNH. The consultant will review the materials on the record in IR 13-020, Investigation into Market Conditions Affecting PSNH and its Default Service Customers and the Impact of PSNH's Ownership of Generation on the Competitive Electric Market, conduct site visits of the PSNH generating plants and interview key PSNH personnel concerning the operation and maintenance of the plants, assess the site values and risks of

the generating plants, and conduct discovery as needed, including interviews with key players in the New England energy market, such as ISO-NE.

The final report will include: 1. Review of the electricity and capacity markets in ISO-NE over the next 10-15 years, based on ISO-NE planning documents, including the Forward Capacity Market's proposed Performance Incentive Program; 2. Assessment of fuel markets (e.g., natural gas, coal, oil, biomass) generally, and for the ISO-NE region, specifically; 3. Assessment of PSNH's generating plants and their operating and dispatch characteristics in the ISO-NE market; 4. Assessment of PSNH's Purchased Power Agreements; 5. Assessment of potential risks and market changes affecting long-term market values, such as planned or expected plant retirements, natural gas shortages in New England, possible pipeline expansion, hydro power from Canada and/or environmental Clean Air and Clean Water compliance, including analysis of whether a cooling tower will be required at any of the plants; 6. Evaluation of the plant sites for environmental contamination (based on existing records); 7. Valuation estimates of PSNH generating assets and Purchased Power Agreements, including a detailed description of the methodologies used; 8. Supporting documents and data, including sources; 9. Analysis of whether the assets, if divested, would bring more value if sold as a package together, individually, or in separate groups of assets.

#### **IV. Deliverables, Schedule and Project Management**

##### **A. Deliverables**

The firm will provide a final valuation report to Staff that details the methodology or methodologies used to value PSNH generating assets and PPAs. The final report must specify the total estimated market value for the PSNH portfolio as well as individually for each of the major assets (Merrimack 1&2, Newington, Schiller 4, 5 & 6, the hydroelectric assets and the two PPAs). The report shall include details of the underlying value drivers for PSNH's generating assets, such as electricity and capacity prices in ISO-NE over the next 10-15 years as well as an assessment of PSNH's variable operation and maintenance (O&M) costs and expected capital expenditures over the same time period. Potential risks affecting value, such as natural gas shortages in New England or new environmental compliance, should be addressed and quantified, if possible. An estimate of other factors affecting the net sales value of the plants, such as transaction costs if sold through auction and tax effects, should also be addressed.

Interim progress reports will be provided to Staff on a bi-weekly basis and a draft report will be provided to Staff 30 days prior to the filing of the final report. The final report will be due within 180 days from when the consulting contract is final. All data and sources are to be cited in both the draft and final report.

##### **B. Project Schedule**

Review of background materials, including materials in IR 13-020, will be completed

within 2 weeks of the start of the project along with a meeting with Staff to discuss the Report. A meeting with Staff and PSNH to discuss the project will take place within 3 weeks of the commencement of the project, after which the consultant will provide Staff with a detailed outline of the project schedule, including meetings with PSNH and site visits to the plants. Within one week of being hired, the firm will meet with Staff to discuss the Staff report, acquisition of data and confidentiality. A meeting with PSNH and staff will be scheduled within the first 3 weeks of the engagement.

The final report will be due no later than 180 days after the firm is hired by the NHPUC. An interim report will be issued to Staff no less than 30 days prior to the deadline for the final report.

### **C. Project Management**

Bi-weekly status meetings will be conducted with Staff to discuss progress and shall include the project manager. An outline of the meeting agenda will be provided to Staff the day before the scheduled call or meeting. The Staff will be notified and provided access to all data requests issued to PSNH as well as notified of all site visits to the generating plants.

## **V. Proposal Submission Requirements**

Proposals shall include the following:

- A. Title Page (including contact information for project lead)
- B. Summary of Proposal (no more than 2 pages)
  1. Summary of project team
  2. Understanding of the scope of work and expected deliverables
  3. Summary of approach
- C. Qualifications and Experience (no more than 5 pages)
  1. Qualifications and experience of the project team
  2. Summaries of similar projects (date of project, summary of project, client name, name and phone number of contact for reference)
- D. Approach and Work Plan (no more than 8 pages)
  1. Overview description of approach
  2. Work plan:
    - a) Description of task and approach for completing the task, including a description and explanation of methodology and data sources.
    - b) Deliverable(s) and due dates
    - c) Assignment and roles of individual key personnel for each task

- E. Price
  - 1. Total fixed price
  - 2. By task in the work plan, (a) labor hours, hourly rates, and costs for all personnel (including all subcontractors), (b) direct expenses, (c) Administration and Overhead Costs and (d) total task cost.
  - 3. Signature of the company official with authority to enter into a binding agreement.
- F. Resumes of Key Personnel (as an attachment)
- G. Estimate work to be performed in house and by sub-contractors and identify potential sub-contractors.
- H. Conflicts of Interest including work performed by the firm or its subcontractors on behalf of the New Hampshire electric utilities or their affiliates in the last five years.

## VI. Proposal Selection Process and Criteria

Proposals will be reviewed and evaluated by the Evaluation Team, using a four-step process, as described below.

### *Step 1: Assess Completeness and Responsiveness of Proposals*

Proposals must be complete and delivered by the appointed deadline or they shall be deemed non-responsive and shall not receive further consideration.

### *Step 2: Score Responsive Proposals*

Cost is a consideration but may not be the determining factor in the Evaluation Team's decision. In addition to cost, the Evaluation Team will consider the following criteria:

1. **Quality** of the proposal in terms of organization, quality of the presentation as well as thoroughness and practicality of the proposed approach in meeting the objectives described in this RFP.
2. **Experience** of key personnel who have successfully completed similar valuation studies. Key areas of experience includes generation asset valuation, knowledge of energy and capital markets, and operating characteristics of generating assets, particularly in the northeastern United States.
3. **Proposed Staffing Plan**, including the number and type of person-hours allocated to each Task, shall be judged in terms of its appropriateness for the proposed Work plan.
4. **The Bid Amount**, should be appropriate to the level of effort and broken out by the main tasks identified above.
5. **Any Other Considerations** the Evaluation Team may deem appropriate in light of its objectives and review of proposals received.

*Step 3: Conduct interviews*

*Step 4: Select contractor*

*Step 5: Obtain Governor & Council approval, if required.*

## **VII. General Bid Conditions**

1. Bids must be typed. Original and 3 copies of the bid must be submitted, along with an electronic copy in .PDF format. Bids that are incomplete or unsigned will not be considered. The deadline for submitting bids is 4:30 p.m. on October 4, 2013. Bids must be addressed to Lynn Fabrizio, Director of Administration, New Hampshire Public Utilities Commission, 21 S. Fruit Street, Suite 10, Concord, NH 03301-2429 and via email to [lynn.fabrizio@puc.nh.gov](mailto:lynn.fabrizio@puc.nh.gov).
2. The NHPUC reserves the right to reject or accept any or all bids, to reject or accept all or any part of any bid, to determine what constitutes a conforming bid, to waive irregularities that it considers not material to the bid, to award the bid solely as it deems to be in the best interest of the State, to contract for any portion of the bids submitted and to contract with more than one bidder if necessary.
3. Bidders may submit written inquiries about this RFP by e-mail to: [RFP@puc.nh.gov](mailto:RFP@puc.nh.gov) no later than September 27, 2013. Inquiries and responses to them will be posted on the NHPUC's website as they are received.
4. If the reviewers determine it is necessary to revise any part of this RFP, or to provide additional data to clarify any of its provisions, an addendum will be mailed to all Respondents who have been sent a copy of the RFP and others who have requested to be placed on the bidders list.
5. All information relating to this bid (including but not limited to fees, contracts, agreements and prices) are subject to the laws of the State of New Hampshire regarding public information.
6. Governor and Executive Council approval of the contract award may be required.
7. Selection of the successful consultant(s) will be announced on or about November 6, 2013.



## VIII. CERTIFICATES

Bidders will be required to provide the following certificates prior to entering into a contract:

Secretary of State's Office Certificate of Good Standing ("CGS")	Individuals contracting in their own name do not need a CGS. Business organizations and trade names need a CGS, except for nonresident nonprofit corporations
Certificate of Vote /Authority ("CVA")	Individuals contracting in their own name do not need a CVA. Business entities and trade names need a CVA.
Certificate of Insurance	Certificate of Insurance form attached with insurance coverage required under the contract. Modifications of insurance coverage required under the contract will be specified in Exhibit C.
Workers' Compensation	Contractor must demonstrate compliance with or exception from RSA 281-A (and if applicable, RSA 228:4-b and RSA 21-I:80, and any other applicable laws or rules).

## IX. FORM OF CONTRACT

1. The terms and conditions set forth in [Attachment 3, Form P-37.pdf](#), General Provisions Agreement are part of the proposal and will apply to any contract awarded the bidder.
2. Any contract resulting from this bid proposal shall not be deemed effective until it is signed by the NHPUC and, if required, approved by the Governor and Executive Council.
3. Any contract awarded from this Request for Proposal will expire on June 30, 2014. The NHPUC at any time, in its sole discretion, may terminate the contract, or postpone or delay all or any part of the contract, upon written notice.
4. The selected vendor must agree to maintain confidential all information to which it has access until it is instructed otherwise by the NHPUC.