

STATE OF NEW HAMPSHIRE  
BEFORE THE  
PUBLIC UTILITIES COMMISSION

DOCKET NO. DE 14-238

2015 PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE  
RESTRUCTURING AND RATE STABILIZATION AGREEMENT

DIRECT TESTIMONY OF GEORGE E. SANSOUCY  
FILED ON BEHALF OF INTERVENORS THE CITY OF BERLIN AND  
THE TOWN OF GORHAM, NH

JULY 16, 2015

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

2           A.     My name is George E. Sansoucy. My business address is 7 Greenleaf Woods  
3 Drive, Unit 2, Portsmouth, New Hampshire 03801. I am the owner of George E. Sansoucy, P.E.,  
4 LLC. I am testifying on behalf of Intervenor the City of Berlin, NH (“the City”) and the Town  
5 of Gorham, NH (“the Town”).

6  
7           **Q.     What are your educational background and professional qualifications to**  
8 **appear in this proceeding?**

9           A.     I have a Bachelor and a Master of Science Degree in Civil Engineering, am a  
10 Registered Professional Engineer in New Hampshire, and am a Certified General Appraiser in  
11 New Hampshire as well as Connecticut, Maine, Massachusetts, Michigan, Missouri, New York,  
12 Ohio, Rhode Island, South Carolina, Texas, Vermont and Virginia. My firm, George E.  
13 Sansoucy, P.E., LLC, provides valuation, consulting and engineering services to clients  
14 throughout the United States. The firm’s two primary services are 1) the valuation of public  
15 utility infrastructure, energy projects, and complex industrial properties, and 2) consultation  
16 services on energy and regulatory matters involving the public and private utilities sector in the  
17 United States. I have testified in legal and regulatory proceedings before state and federal courts  
18 and administrative agencies, including the New Hampshire Public Utilities Commission and the  
19 Michigan Public Service Commission for regulatory matters.

20  
21           **Q.     Have you previously testified before the New Hampshire Public Utilities**  
22 **Commission (“the Commission”)?**

23           A.     Yes. I have testified before the Commission in the following cases:

- 1 • Case No. DR 95-124 (Consumers New Hampshire Water Company, Inc., Petition for  
2 Permanent Rate Increase);
- 3 • Case No. DR 96-150 (Electric Utility Restructuring – Energy Efficiency Programs);
- 4 • Case No. DR 98-014 (Public Service Company of New Hampshire Fuel and Purchased  
5 Power Adjustment);
- 6 • Case No. DE 96-227 (Town of Hudson, Petition to Take Assets of an Investor-Owned  
7 Water Utility);
- 8 • Case No. DE 01-089 (PSNH, Petition for Approval of Renegotiated Power Supply  
9 Arrangements with Whitefield Power and Light Company);
- 10 • Case No. DW04-048 (Pennichuck Water Works v. City of Nashua, N.H.);
- 11 • Case No. DW08-098 (Aquarion Water Company, Permanent and Temporary Rate  
12 Proceeding);
- 13 • Case No. DE 10-195 (Request for Approval of Power Purchase Agreement between  
14 PSNH and Laidlaw Berlin BioPower, LLC).

15  
16  
17 **Q. What specific documents have you reviewed in preparation for your**  
18 **testimony?**

19 A. I have reviewed the Restructuring and Rate Stabilization Agreement (“the  
20 Settlement Agreement”) filed with the Commission by Eversource Energy/Public Service  
21 Company of New Hampshire (“the Company”) on or about June 10, 2015, the testimony filed by  
22 the Company on or about July 6, 2015, and the testimony of Senators Bradley and Feltes filed on  
23 or about July 6, 2015.

1

2           **Q.     What is the purpose of your testimony?**

3           A.     My testimony is intended to highlight certain issues for the Commission left open  
4 by the terms of the Settlement Agreement that are of particular concern to the City and the Town  
5 and possibly to other communities hosting the Company's generation facilities made the subject  
6 of the intended divestiture.

7

8           **Q.     Are there any issues raised by the Settlement Agreement that are not being**  
9 **discussed by you today?**

10          A.     Yes, I am not addressing the issues of whether divestiture should occur, the  
11 propriety of the resulting rates, the items included in stranded costs or the process for handling  
12 those stranded costs as those are more "political" issues at the State level on which the City and  
13 the Town take no official position.

14

15          **Q.     What are the "open issues" under the Settlement Agreement of concern to**  
16 **the City and the Town?**

17          A.     First, Article X of the Settlement Agreement states that the Commission will  
18 terminate Docket 14-238 upon the approval of the Settlement Agreement and that the Settling  
19 Parties will request the Commission to open a new docket to oversee the auction process.  
20 Whether the Commission terminates Docket 14-238 and opens a new oversight docket or  
21 whether the Commission exercises such oversight by keeping Docket 14-238 open is the  
22 Commission's option; but what is definitely required is Commission oversight over the auction  
23 process so that all parties, including the City and the Town, have an existing open public forum

1 for the redress of any potential issues or irregularities arising throughout the auction process until  
2 such time as the Commission formally approves of any ultimate sales of the generation assets  
3 and makes a determination of the actual amount of stranded costs resulting from such sales.  
4 Without Commission oversight and open public participation by all parties, including the City  
5 and the Town, these generation assets could be sold at “fire sale” prices which both significantly  
6 raise the level of stranded costs recouped by the Company and effectively decimate the tax bases  
7 of the host municipalities.

8  
9 **Q. Are there any other such “open issues” in your eyes?**

10 A. Yes, I have substantial concerns over the lack of specifics in Section IV of the  
11 Settlement Agreement regarding the Divestiture/auction process.

12  
13 **Q. Please discuss your concerns relative to Section IV.**

14 A First, the word “expeditiously” in the first line is not conducive to realizing  
15 maximum value. Maximum exposure, highest and best use grouping, and market analysis are  
16 the most important factors in the pursuit of maximizing value. In the long run, it is less  
17 important that the assets sell in 6 months rather than 18 months.

18 Second, Section IV, Subsection A calls for an auction advisor or “manager” to conduct  
19 the auction process and that this auction advisor is to be selected and supervised by the  
20 Commission. I believe that the parties, including the Town and the City, should have an  
21 opportunity to review the selection of the auction advisor and provide testimony to the  
22 Commission to the extent that the auction advisor selected or proposed to be selected raises  
23 significant concerns regarding qualifications, methodologies, prior experiences, etc.

1 Third, Section IV, subsection B provides the auction advisor with very broad discretion  
2 in the conduct of the auction process, ostensibly in a manner that will maximize the realized  
3 value of the fossil and hydro generation assets. However, the Settlement Agreement is silent as  
4 to how that process is to work. I believe that, as part of the Commission's selection/approval  
5 process, the auction advisor should be required to propose the exact method by which it intends  
6 to conduct the auction, including any proposed groupings of generation assets. This proposal  
7 should be a part of the Commission public hearings and deliberations so that the potential  
8 auction advisor can be subjected to cross-examination and so that additional testimony, if  
9 necessary, can be provided regarding the best potential auction process.

10  
11 **Q. Do you have any additional concerns regarding Section IV of the Settlement**  
12 **Agreement?**

13 A. Yes. I believe the Settlement Agreement is not definitive in outlining what  
14 accommodations for the municipalities will actually occur throughout the auction process. As  
15 the Commission knows, most municipalities in New Hampshire function via a Board of  
16 Selectmen/Annual Town Meeting format whereby all major financial issues are approved by the  
17 Town's citizens at Annual Town Meeting, usually held on the second Tuesday of March  
18 (although several communities in New Hampshire have chosen to meet in April or May as  
19 allowed by law). In my opinion, the best means for assuring that the highest possible price is  
20 obtained through the proposed auction of the Company's generation assets is for municipalities  
21 to be able to meaningfully bid for one or more those assets as allowed by State law in order to  
22 protect the municipal tax bases. Even if the municipal bidders are not ultimately successful in  
23 offering the "winning bid", in my opinion, the fact of municipal participation will likely cause

1 the other “private” bidders to bid higher thereby both protecting the municipal tax base and  
2 lessening the amounts of stranded costs to be paid by the rate payers. Accordingly, while the  
3 Settlement Agreement recognizes that municipalities have the right to participate in the auction  
4 process, the Commission must approve an auction schedule that has the First or Initial Bidding  
5 Phase of the auctions after 2016 Town Meetings have all been held. Interested municipalities  
6 can participate in the due diligence process in advance of the Town Meeting schedule, but those  
7 interested municipalities functioning under a Board of Selectmen/Annual Town Meeting format  
8 can only commit the financial resources for a bid after Town Meeting has authorized the  
9 Selectmen to do so.

10  
11 **Q: Do you have an opinion on whether municipalities and other bidders should be able**  
12 **or required to bid on individual assets?**

13 A. Yes. In my opinion, all bidders should be required to bid on individual assets rather than  
14 being required to bid on a specific grouping of assets. There are several benefits by doing  
15 individual asset bids. First, by allowing bids on individual assets, the Commission is provided  
16 clear “apples to apples” bids that allow the highest price to be recognized for those individual  
17 assets. Second, the use of individual asset bids avoids the ambiguity of allocation of a group bid  
18 amount amongst the various assets in a group. This in turn clarifies what, if any, tax stabilization  
19 payment is due from the Company to the particular host community of the asset when the  
20 approved winning bid is under the municipality’s assessed value for that asset. A bidder can still  
21 bid on multiple assets, but individual bid amounts should be listed for each individual asset. At  
22 the very least, any groupings to be approved by the Commission must first be the subject of a  
23 public hearing to allow interested parties to provide testimony and be subject to cross

1 examination concerning the wisdom and efficacy of any such groupings. For example, many  
2 parties may object to the Commission approving an auction advisor's proposal to group several  
3 of the hydro facilities in different parts of the State with the Merrimack Station facility.

4 Mandatory groupings, if required, must be justified with the burden on the Company  
5 and/or the auction advisor. Such justification must include a determination that the groupings  
6 represent the highest and best use, market stratification penetration, and that highest value will be  
7 achieved. Plants should also be offered individually with the best and highest bid being  
8 accepted.

9  
10 **Q. Do you have an opinion on whether the auction bids should be opened and**  
11 **evaluated by the Commission in public?**

12 A. Yes. In my opinion, all bidders should be assigned a number, all bids should be opened  
13 and evaluated by the Commission in public, and all bids should be posted in order to protect the  
14 legitimacy of the bidding process. Additionally, multiple rounds of public, binding bids should  
15 be conducted as in a more normal auction as opposed to conducting only one or two rounds of  
16 sealed bids from which a bidder could "walk away". The bids are the basis of the ultimate sale of  
17 the generation assets and are thereby the basis for the final determination of the amount of  
18 stranded costs to be recovered from the rate payers. The confidence of the rate-paying public in  
19 the integrity of the Commission on this important matter is at risk if bids are allowed to be  
20 opened and considered outside of the public's view. Our State laws do not allow the State or  
21 municipalities to open bids on major public works projects in a "back room" manner. With so  
22 much on the line concerning the generation assets of the Company, the Commission should  
23 require that all bids be opened and evaluated in public.



1

2 **Q. Does the City support the terms of the Settlement Agreement concerning the**  
3 **Company's required retention of the PPA with the Burgess Biomass facility located in**  
4 **Berlin?**

5 A. Positively. That was a major requirement for the City to be able to sign off in support of  
6 the Settlement Agreement overall and is consistent with the City's active support of that PPA in  
7 Docket DE 10-195. See also, the related documents filed as Exhibit A to Senators Bradley and  
8 Feltes Testimony in this current docket.

9

10 **Q. Does this conclude your testimony at this time?**

11 A. Yes.