

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

DE 14-238

Public Service Company of New Hampshire
Determination Regarding PSNH's Generation Assets

TESTIMONY
OF
LESZEK STACHOW

September 18, 2015

Table of Contents

A.	Introduction	1
B.	Summary of this testimony	1
C.	Key conclusions	2
D	Focus of Commission Staff Analysis	3
E	Settling Parties Auction Process	10
F.	Auction Process recommendations.	16
G.	Final Commission Staff findings and recommendations	21
 Exhibit 1:		
	Leszek Stachow resume'	22
 Exhibit 2:		
	Staff recommended auction procedure	24

1 **A. INTRODUCTION**

2 **Q. Please state your name, current position and business address.**

3 A. My name is Leszek Stachow, and I am employed by the New Hampshire Public Utilities Commission
4 (Commission) as Assistant Director in the Electric Division. My business address is 21 S. Fruit Street,
5 Suite 10, Concord, New Hampshire.

6 **Q. Please summarize your educational and professional background.**

7 A. My educational and professional background is summarized in Exhibit 1 of the testimony.

8 **B. SUMMARY OF THIS TESTIMONY**

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

10 A. The purpose of my testimony is as follows:

11 (a) Provide the context in which the Commission Staff (Staff) is engaged in this docket;

12 (b) Describe the structure of Staff's testimony and its various contributors;

13 (c) Review the auction procedure as described in the Settlement Agreement and further developed by
14 Mr. Reed in his testimony;

15 (d) Provide recommendations to strengthen the auction procedure in order to ensure the maximum
16 amount of efficiency, transparency, and fairness while ensuring the maximum amount of total
17 transaction value (TTV); and

18 (e) Summarize Staff's conclusions and recommendations.

1 **Q. How is your testimony organized?**

2 A. Section C of my testimony provides key Staff conclusions. In Section D, I describe in detail the
3 notion of Designated Staff vs. Non-Advocate Commission Staff, define the focus of Staff's analysis
4 with respect to the key components of the Settlement Agreement, and introduce the remaining Staff
5 witnesses.

6 In Section E, I review the Settling Parties' auction process and the subsequent clarifying testimony of
7 Mr. Reed. Section F contains my recommendations for strengthening the auction process, and Section
8 G comprises final Staff conclusions and recommendations.

9 **C. KEY CONCLUSIONS**

10 **Q. Please summarize the key conclusions from your testimony**

11 A. The key conclusions of Staff testimony are as follows.

12 **(a)** Rather than the \$378.9 million dollars in net savings over the period 2017-2021 that were
13 identified in Mr. Chung's testimony, Staff believes that commencement of the generation asset sale
14 process in 2016, with all the apparent savings as identified in the Settlement Agreement and further
15 clarified in Eversource testimony, will actually impose a financial burden on ratepayers relative to the
16 retention of generation assets.

17 **b)** Based on the analysis of Staff witness Mr. Cannata, Staff believes that rate payers may be better
18 served by deferring consideration of the sale of Eversource generating assets for five years, when
19 alternative provision of both gas and power may be more clearly available. Staff further believes that
20 delaying the Eversource asset sale by an additional five years may be in the economic interest of
21 ratepayers. Staff therefore recommends that the Commission approve the Settlement Agreement on

1 the condition that the sale of PSNH's generation assets as provided for in the Settlement Agreement
2 not take place at the present time because Staff's analysis demonstrates that such a sale would not in
3 the "public interest" as referenced in RSA 369-B:3-a, II.

4 (c) Irrespective of whether the Commission delays implementation of the asset sale process, Staff
5 believes that the proposed allocation of recovery of stranded costs from different ratepayer groups as
6 proposed in the Settlement Agreement does not pass the test of fair and equitable rate making. Staff
7 further believes that the proposed recovery method does not meet the requirements for a fair allocation
8 of divestiture costs of divesting Eversource generation plants among customer classes as required by
9 Senate Bill 221-FN.

10 (d) Finally, Staff is keen to strengthen the proposed auction process, first laid out in the Settlement
11 Agreement and subsequently clarified by Mr. Reed's testimony, by proposing its own recommended
12 modifications to ensure transparency, efficiency, fairness, and simplicity.
13

14 **D. FOCUS OF COMMISSION STAFF ANALYSIS**

15 **Q. Please describe the notion of Non-Advocate Commission Staff and why are they engaged in this**
16 **docket?**

17 **A.** On June 10, 2015, in dockets DE 11-250 (Public Service of New Hampshire (PSNH), (Investigation of
18 Scrubber Costs and Cost Recovery), DE 14-238 (Determination Regarding PSNH's Generation
19 Assets), and DE 09-035 (Distribution Service Rate Case), the so-called "Settling Parties" submitted a
20 filing to the New Hampshire Public Utilities Commission comprising the "2015 Public Service of New
21 Hampshire Restructuring and Rate Stabilization Agreement" (Settlement Agreement).

1 According to Eversource,¹ the Settlement Agreement is intended to:

2 (a) Provide a reasonable and orderly process for PSNH to divest its generating assets;

3 (b) Enable the State of New Hampshire to recognize the full implementation of a long-standing
4 state policy to “restructure the New Hampshire electric utility industry,” RSA 374-F:1, I; and

5 (c) Provide a path for significant savings for customers through securitization of stranded costs
6 to lock in historically low interest rates in lieu of PSNH’s cost of capital.

7 The key components of the agreement as identified in the Joint Motion for Expedited Approval, dated
8 June 10, 2015, may be found in Table 1 below.²

¹ Public Service of New Hampshire, Joint Motion for Expedited Approval of Settlement Agreement and Rate Adjustments, June 10, 2015 (Joint Motion) at 4.

² Joint Motion at 6.

Table 1

	Key components of the Settlement Agreement
1	The resolution of ongoing regulatory proceedings without extended, contentious, and costly administrative and judicial litigation;
2	PSNH's agreement to expeditiously pursue the divestiture of its generating plants after final decision by the Commission approving the settlement set forth in the agreement;
3	Protecting the economic interests of PSNH's electricity customers, with a focus on customer savings as well as long-term rate stabilization;
4	Resolving long-standing issues regarding the restructuring of New Hampshire's electricity market;
5	Taking advantage of a historically low-cost financing environment;
6	PSNH's agreement to forego recovery of \$25 million of previously deferred equity related to the Merrimack Station Scrubber;
7	Financing of any stranded costs remaining after the divestiture sale and other costs using securitization bonds, taking advantage of low interest rates;
8	Recovery of any remaining stranded costs via a Non-Securitized Stranded Cost charge;
9	PSNH's agreement to forego the opportunity to file a general rate case with new rates effective prior to July 1, 2017;
10	A requirement that the new owner(s) of the generating plants keep those plants in service for at least eighteen months after the date the new owner acquires the plant;
11	Protections for the municipalities where the power plants are located, via three years of property tax stabilization payments if a plant sells for less than its assessed value;
12	Comprehensive employee protections;
13	A transition to a competitive procurement process for default service;
15	Funding of \$5 million from Eversource shareholders to create a clean energy fund, and a commitment to work with interested parties to establish and implement increased energy efficiency savings and distributed energy investment targets;
16	Continuation of PSNH's Reliability Enhancement Program, which targets improvements to grid reliability, resiliency, and automation;

1 The Settling Parties further acknowledged that, “at present, financial indices, and interest
2 rates in particular, are favorable for the issuance of low-cost financing, but that such market conditions
3 will not last indefinitely.”³ Subsequently they added that, “[b]ecause the value of the facilities
4 themselves and the value of the presently available low cost financing to customers may not last, the
5 Settling Parties’ request that the Commission afford expedited treatment to its review of this
6 Agreement.” To that end the Settling Parties proposed a procedural schedule that anticipated a
7 Commission decision by December of 2015.

8 Reaching this agreement required lengthy negotiations and the participation of numerous parties
9 (enumerated elsewhere) including a state negotiating team with two Commission staff members, Ms.
10 Anne Ross and Mr. Tom Frantz. Once they became members of the state negotiating team in early
11 2015, the Commission determined pursuant to RSA 363:32 that they would no longer be available to
12 advise the Commission on matters related to the Scrubber proceeding, DE 11-250, or matters related to
13 the PSNH generation asset proceeding, DE 14-238. Ms. Ross and Mr. Frantz thus became known as
14 Designated Staff.⁴

15 Concurrently, on July 9, 2015, the Governor signed Senate Bill 221-FN, which contains the following
16 requirement:

17 As part of an expedited proceeding, the commission shall review the 2015 settlement
18 proposal and determine whether its terms and conditions are in the public interest.
19 Notwithstanding RSA 374-F: 3, VI, the commission may incorporate rate designs that
20 fairly allocate the costs of divestiture of PSNH’s generation plants among customer
21 classes. As part of its review of the 2015 settlement proposal, the commission shall
22 take into account the impact on all PSNH customer classes, and shall consider the

³ Joint Motion at 7.

⁴ July 17, 2015, Testimony of Thomas Frantz, July 17, 2015 at page 2 line 48 (Frantz Testimony).

1 impacts on the economy in PSNH's service territory, the ability to attract and retain
2 employment across industries, and whether the proposed rate design fairly allocates
3 the costs of divestiture of PSNH's generation plants among customer classes.
4

5 Remaining Non-Advocate Commission Staff have been tasked with reviewing the terms of the
6 Settlement Agreement, after agreeing to an abbreviated schedule,⁵ in order to advise the Commission
7 as per SB 221 whether (a) the Agreement is in the public interest, (b) whether the Agreement fairly
8 allocates among customer classes the costs of PSNH divestiture of generating assets, and (c) the
9 impact of divestiture on the economy of PSNH's service territory.

10 **Q. What areas of the Settlement Agreement and attendant testimony will be the focus of Staff's**
11 **analysis and why?**

12 **A.** Staff recognizes that the Agreement reflects a landmark compromise by numerous and disparate parties
13 and, with fourteen signatories, represents a significant achievement.

14 Staff also understands the need for a reasonable and orderly process for PSNH to divest its generating
15 assets and for the State to finally implement its long-standing state policy to restructure the New
16 Hampshire electric utility industry.

17 Give the breadth of the Settling Parties' positions and the abbreviated schedule, Staff determined that,
18 in order to provide the Commission with a robust recommendation, it must focus on a critical subset of
19 the issues covered by the Settlement Agreement.

20 Referring to Table 1 above, Staff confined its analysis and recommendations to the following issues:
21

⁵ DE 14-238, Secretarial Letter, July 14, 2015.

- 1 (a) Whether the Settlement Agreement protects the economic interests of PSNH's electricity
2 customers, with a focus on customer savings as well as long-term rate stabilization;
- 3 (a) The impact and urgency of taking advantage of a low-cost financing environment;
- 4 (b) The value of PSNH's agreement to forego the opportunity to file a general rate case seeking
5 new rates effective prior to July 1, 2017; and
- 6 (c) The auction process for the sale of the Eversource generating assets, which was laid out in the
7 Settlement Agreement. In particular, Staff reviews the recommendations contained in the
8 Settlement Agreement and subsequent testimony in an effort to strengthen that process
9 assuming the Commission approves commencement of the asset sale process in 2016.

10 Further, although many witnesses filed testimony in support of the Settlement Agreement, Staff
11 observes that many of those witnesses directly or indirectly drew their conclusions as to the
12 Agreement being just and reasonable from the analysis of Mr. Chung of Eversource Energy⁶ and Mr.
13 Frantz of the Designated Staff.⁷ Staff also notes that the analyses of both Mr. Chung and Mr. Frantz
14 lean heavily on the bedrock of the various La Capra reports.⁸

15 Thus, Staff focused on the way that the La Capra findings have been applied in both the Chung and
16 Frantz analyses, and assumed that the issues and conclusions identified in those analyses will be
17 applicable to the assertions of other Settling Parties, obviating the need for Staff to address each
18 subsequent testimony in turn.

⁶ Testimony of Eric H. Chung, July 6, 2015 (Chung Testimony).

⁷ Frantz Testimony July 17, 2015.

⁸ Docket No. DE 13-020, La Capra Staff Report, April 1, 2014.

Q Describe the structure of Staff testimony and its various contributors

A. In order to permit the Commission and other intervening parties to fully understand the positions and findings of Staff, we are providing the testimony of the following witnesses:

Michael D. Cannata Jr., formerly Chief Engineer at the PUC and currently Principal at Innovative Alternatives Inc., provides testimony that: (a) reviews the assumptions contained in the savings analysis performed by PSNH; (b) estimates the impact on the estimated \$378.9 million savings over the next five year period from selling the generation assets at this time; (c) records all known environmental risks to test the assertion that rapid action is required; and (d) evaluates the prospect for additional gas transmission lines and new generation within New England over the mid-term.

Jay Dudley, utility analyst at the Commission, reviews: (a) the appropriateness of the alleged cost savings related to the two-year rate case stay-out provision of the Settlement Agreement in terms of traditionally accepted cost-of-service regulatory practice; (b) the efficacy of the proposed securitization by PSNH of the stranded costs resulting from the divestiture as compared with PSNH's pre-divestiture financing capacity and flexibility; and (c) the current interest rate environment and the assertion by the Settling Parties that significant savings for ratepayers in terms of financing costs can only be achieved upon immediate divestiture and securitization of stranded costs so as to lock in historically low interest rates.

Mark Berkman, Principal at the Brattle Consulting Group, addresses the REMI model analysis, examines the findings arising from a base case scenario, and determines the incremental economic impact of maintaining the status quo over the next five years vs. divestiture.

1 Rich Chagnon, utility analyst at the Commission, reviews the customer rate class design allocation for
2 the Stranded Cost Recovery (SCRC) charge as proposed in the Settlement Agreement. He provides
3 additional information and views for the Commission to consider regarding the proposed SCRC rate
4 design for each customer rate class and discuss how the proposed allocation affects “average”
5 customers’ bills within each rate class. He offers reallocation options for the SCRC rate design among
6 PSNH customer rates classes in the event of an approved divestiture plan for PSNH generation assets.

7 Peter Cramton, Professor of Economics at the University of Maryland, discusses optimal paradigms
8 for an auction process.

9 Finally, I examine the testimony of Mr. Reed and propose recommendations for strengthening the
10 auction process.

11 **E. SELLING PARTIES’ AUCTION PROCESS**

12 **Q. Do you have any concerns about the auction process as laid out in the Settling Agreement?**

13 A. The Settling Parties’ auction process⁹ is a somewhat high level set of guidelines, which doubtless was
14 developed in the interest of speed. As such, it provides guidance as to the objectives, participants, and
15 process, and identifies actions to be taken in the event of a failed auction.

16 With respect to objectives, the Settling Parties’ auction proposal makes clear that the foremost
17 objective is to maximize the realized value of the fossil fuel and hydro plants, and that the second

⁹ Settlement Agreement at 16-18.

1 objective is to accommodate the participation of municipalities that host generation assets.¹⁰ The
2 Settlement Agreement makes clear that the second objective should be consistent with the first, but
3 provides no indication of, or what happens if, another bidder offers a premium on a group of assets
4 which includes an individual asset that is sought by a municipality. Staff understands that, according to
5 the Settlement Agreement guidelines, the first objective must take precedence, in which case the host
6 municipalities are simply being afforded an opportunity to potentially bid the highest price for a
7 relevant asset or group of assets.

8 The Settling Parties' auction discussion references so-called "subsequent phases"¹¹ without any
9 discussion of how many subsequent phases there might be or their express purpose. This matter is
10 subsequently addressed in the Reed testimony after Staff drew attention to it during the first technical
11 session.

12 **Q. Does Staff have any concerns with the subsequent Reed testimony?**

13 A. We agree with the broad outline of the auction process as developed in the Reed testimony, i.e. the
14 requirement that the generating plants be prudently operated, that the plants should be kept in service
15 for a minimum of 18 months following the date of purchase, and that protections be provided to
16 employees and local communities.

17 However we do have concerns with the following:

18 (1) Lack of clarity with respect to the multi-stage process as described in the Reed testimony;

¹⁰ *Id.* at 17.

¹¹ *Id.* at 17-18.

- 1 (2) Whether the apparent accommodations for so called “host municipalities” pay more than lip
2 service to the interests of the municipalities, and whether that is the intent;
- 3 (3) Whether the auction process will serve to safeguard fairness, transparency, simplicity, and
4 efficiency.

5 While the general two-stage auction process as outlined in the Reed testimony represents certainly
6 one approach to an electric industry asset divestment auction process, our primary concern is to
7 ensure that the auction process safeguards fairness, transparency, simplicity, and efficiency, and we
8 are not convinced that the Settling Parties’ process adequately accomplishes these goals.

9 **Lack of clarity with respect to auction stages.**

10 From our reading of the Reed account of the Settling Parties’ proposed auction process, we have noted
11 that “the auction process is anticipated to consist of an initial non-binding phase (Initial Phase) and
12 subsequent binding phases (Subsequent Phases).”¹²

13 Subsequently, on page 10 of his testimony, Mr. Reed refers to a two stage divestiture process,
14 whereas on page 26 Mr. Reed further fleshes out his proposed two-stage generation divestiture process
15 as being comprised of the following stages:

- 16 (1) Auction Preparation;
- 17 (2) Initial Phases: preliminary due diligence and indicative bids;
- 18 (3) Subsequent Phase 2: detailed due diligence and binding bids;
- 19 (4) Phase 3: Bid evaluation;
- 20 (5) Phase 4-negotiations and bidder selection; and

¹² Testimony of John J. Reed, July 6, 2015, at Bates Page 102, line 20 (Reed testimony).

1 Final steps: Execution of transaction documents, receipt of regulatory approvals, closing and transfer
2 of ownership.

3 There appears to be a lack of clarity between the use of “phases” and “stages” as found in Mr. Reed’s
4 testimony. It is Staff’s assumption that the auction process as outlined by Mr. Reed comprises five
5 phases plus final steps as outlined above.

6 **Accommodation for Municipalities**

7 A key component of the Settlement Agreement provides for protections to municipalities where power
8 plants are located via three years of property tax stabilization payment if a plant sells for less than its
9 assessed value. Section 4B of the Settlement Agreement indicates that the primary objective of the
10 auction will be to maximize the realized value of the fossil and hydro generation assets. The
11 Agreement also makes clear that a secondary objective of the auction (to the extent not inconsistent
12 with the primary objective) will be to accommodate the participation of municipalities that host
13 generation assets and to fairly allocate among individual assets the sale price of any assets that are sold
14 as a group.¹³

15 On page 10 of Mr. Reed’s testimony,¹⁴ we find that municipalities providing notice to the Commission
16 of their desire to bid on generating assets will be automatically offered the opportunity to participate
17 beyond the Initial Phase. However, from the so-called “host” municipalities’ perspective, there is a
18 lack of clarity with respect to how the individual sale prices can be determined for assets that are sold
19 as a group. Staff believes that if the intent of the Settling Parties was to provide the host

¹³ Settlement Agreement, at 17.

¹⁴ Reed Testimony at Bates Page 103, line 05.

1 municipalities with a real opportunity to purchase local assets, then this process needs to be clarified in
2 the interests of transparency.

3 **Phase 4 Negotiations**

4 Page 31 of Mr. Reed's testimony states that,

5 As soon as practicable following the preliminary review of bids, negotiations
6 with the lead bidder(s) begin. Negotiations surrounding both purchase price and
7 transaction terms are included in the Total Transaction Value determination.

8 Phase 4 concludes when a purchase and sale agreement is executed with one or
9 more bidder(s).^[15]

10 As indicted earlier, Staff has concerns that the auction be conducted in such a manner that fairness,
11 transparency, simplicity, and efficiency are assured. According to Staff's reading of Mr. Reed's
12 proposed auction process, it is our understanding that at the end of Phase 2, a final bid letter is sent to
13 the bidders requesting final binding bids and any modifications requested to the transaction
14 documents. It is Staff's understanding that each lead bidder invited to negotiations will be free to
15 negotiate its purchase price and unique transaction terms, which will be collectively evaluated by the
16 Auction Management team. Staff is concerned that this process, rather than being transparent and fair,
17 will enable the Auction Manager to negotiate individualized agreements and associated conditions.
18 Since this process will be taking place in confidence, it may lead to decision-making that is not subject
19 to public scrutiny. This is one of a number of aspects of the auction that Staff believes are non-
20 transparent. One example might include the qualification stage, where there is no indication of the
21 criteria that will be used to qualify or disqualify bidders. If the criterion is the amount of the non-

¹⁵ Reed Testimony at, Bates Page 124, line 12.

1 binding bid, that may not be a fair qualification mechanism, particularly if bids can be lowered in the
2 next phase/stage.¹⁶ Further, if some bidders bid for individual plants and others bid for groups of
3 plants, it is not clear how winners will be decided.¹⁷

4 Commission Staff therefore proposes a “simultaneous ascending clock auction.” As described in
5 detail below, the terms of the transaction will be determined in advance of the auction itself so that all
6 bidders are bidding on the same assets and contract terms. In the auction, the auction manager will set
7 starting prices for each asset individually. Once the auction commences, binding bids will be
8 submitted by bidders for each asset in a series of successive bidding rounds. Please note that under
9 this process, bidders will not be identified by name but their bid amounts will be observable to the
10 other bidders in the auction. For any given asset, the price will keep increasing after each successive
11 bidding round for as long as there is more than one bidder is willing to participate in the auction at the
12 given price. When there is only one bidder remaining in the round, the auction for that asset will end
13 at that final bidder’s price.

14 The benefits to the Commission of such an auction are that the process will be fair and transparent and
15 bidder success will be based exclusively on price, with no attendant confidential negotiations. Bidder
16 strategies will be simple, they will only need to bid their valuations without worrying about the
17 strategies of other bidders. And the outcomes will be efficient, with each asset (or group of assets)
18 being won by the bidders who value them most highly.

¹⁶ Reed response to Data Request Staff 1-167.

¹⁷ Reed response to Data Request Staff 1-166.

1 **F. AUCTION PROCESS RECOMMENDATIONS**

2 **Q. What should be the objectives in developing an auction design?**

3 A. The auction design must focus primary attention on maximizing TTV while at the same time being
4 designed to safeguard fairness, transparency, simplicity, and efficiency. As discussed in Professor
5 Cramton's testimony, the simultaneous ascending clock auction maximizes TTV and also scores well
6 on these four secondary objectives.¹⁸

7 **Q. Who should be managing the auction process?**

8 A. The Auction process should be managed by an Auction Manager, selected via an open Request for
9 Proposal (RFP) process. The Auction Manager will then lead the Auction Team, which will consist of
10 designated staff from the utility as well as the Commission.

11 **Q. Please describe the framework for your auction design recommendations**

12 A. The auction design will be conducted in the following six steps:

13 **Step 1:** Solicitation commenced, offering memorandum distributed and bidders
14 qualified;

15 **Step 2:** Allow qualified bidders to conduct initial due diligence and submit
16 non-binding bids;

17 **Step 3:** Draft Purchase and Sale Agreement (P&SA) distributed to qualified
18 bidders, bidders provide contract markups, accepted adjustments are
19 applicable to all bidders;

¹⁸ Testimony of Peter Cramton, September 18, 2015.

Step 5: Implementation of simultaneous ascending clock auction and announcement of provisional winners;

Step 6: Commission reviews and determines acceptability of winning bids.

Q: Can you discuss these steps in greater detail?

A: Yes. The six steps outlined above will proceed as follows:

Step 1. In this step, the utility, supported by the Auction Team, will prepare a detailed information memorandum relating to the generation assets available for auction and bidders are qualified. The qualification process requires potential bidders to provide a summary of their operating experience in the energy industry and proof of their ability to close an acquisition transaction of the magnitude contemplated in the auction. Proof of ability to close a transaction may comprise a banker's letter or a form of certification of good standing signed by an officer of the bidding company. The certification process is designed to screen out non-viable bidders while at the same time allowing credible bidders to meet participation standards at low cost. At the end of the prequalification stage, the Auction Manager, supported by the Auction Team, will compile the official list of approved qualified bidders (Bidders) for PSNH's generation assets.

Step 2. Only qualified bidders will have access to the Stage 1 data room in order to perform initial due diligence and for Q&A. Bidders will be at liberty to bid on one or more of

1 the generation assets that they desire to purchase. Bidders will bid for generation assets
2 individually. However, bidders who seek to purchase all of the generating assets or a
3 subset (group) of the assets, e.g. all hydropower assets, would be required to submit a
4 bid per individual asset plus a “stated bid premium” for the asset subset they seek. On
5 the official initial bid due date and time, Bidders will submit sealed but non-binding
6 bids. The auction process for steps 1 & 2 will be completed within 6 weeks.

7 **Step 3.** At the beginning of the second stage of the bidding process the Auction Manager and
8 Auction Team will provide the bidders with a draft P&SA and other agreements
9 necessary for winning bidders to complete the sales transaction. Bidders may propose
10 revisions to those agreements to the Auction Team. However, the same uniform
11 agreement will then apply to all bidders on a given asset (or designated asset group).
12 Based on the feedback from the bidders, the Auction Manager Team will then finalize
13 the approved versions of the sales agreements. In addition, if all bidders prefer certain
14 groupings of assets (e.g., they believe that the hydro plants should be sold in a
15 package), then those groupings will be offered in the final auction. However, if there
16 are bidders who want to purchase these assets individually, then the assets will not be
17 offered as a package. In this way, municipalities that may prefer to buy only a single
18 asset will be accommodated in the sales process.

19 **Step 4,** The Auction Team will issue final sales agreements and bidding instructions to all
20 bidders in the form of an RFP. During this time, bidders will be allowed to conduct
21 detailed due diligence reviews and will have full access to an expanded data room,
22 which will be augmented by all changes arising from accepted recommendations from

1 the bidders by the Auction Manager and Auction Team. In addition, the data room will
2 contain a full catalog of questions and answers provided during the due diligence
3 process; all data requests from the bidders and the associated utility responses will be
4 reduced to writing without attribution and distributed to all bidders. Bidders will be
5 free to conduct generation asset site visits and attend meetings with the utility
6 management. Once Step 4 is complete, the Auction Manager will announce to the
7 bidders the scheduled date of the simultaneous ascending auction. Step 4 will be
8 completed within six weeks.

9 **Step 5.** The bidding will be conducted using a simultaneous ascending clock auction design.

10 The Auction Manager will announce the preliminary bid price for each asset or selected
11 combination of assets. The Auction Manager will then begin the “first bidding round”
12 of the auction for each asset (or agreed upon combination of assets). Bidders will be
13 required to submit binding bids for each asset (or unanimously desired combination of
14 assets) based strictly on price. The bids will be seen by all bidders but the identities of
15 the bidders will be kept confidential. Any bidders who indicate a desire to purchase
16 one or more assets during the bidding round will be eligible to continue to the next
17 bidding round. At the end of the first bidding round, the Auction Manager will review
18 the results, and if necessary, will announce any assets that did not secure the opening
19 bid price by a bidder. At the end of each subsequent bidding round, if more than one
20 bidder is interested in a particular asset at the announced bidding price of that particular
21 round, the Auction Manager will announce a new higher price for that asset to those
22 bidders who indicated a continued interest in bidding.

1 The bidding for each asset ends when there is only one bidder remaining for a given
2 asset at the end of a given bidding round. That bidder will be considered the
3 provisional winner and its final bid price will be considered the sale price of the asset.
4 The Auction Manager will announce all winning bidders at the end of the auction.
5 One week will be allowed within the auction process to complete this step.

6 **Step 6:** The Commission reviews the winning bids from the simultaneous ascending clock
7 auction and determines their acceptability. In the event that an asset does not receive a
8 bid through the process stated above, the Auction Manager and Auction Team will look
9 to the Commission for directions on the next steps to be taken regarding the unsold
10 asset(s) in the first auction.

11 **G. STAFF'S OVERALL FINDINGS AND RECOMMENDATIONS**

12 **Q. Describe the recommendation arising from Staff's review of the Settlement Agreement and**
13 **associated testimony**

14 **A.** Based on Staff's review of the Settlement Agreement and attendant testimonies we find that the
15 customer savings as anticipated by Eversource and the Settling Parties are by no means clear and that
16 the sale of Eversource generation assets at this time may actually burden ratepayers to a greater degree
17 than maintaining the status quo.

18 Staff therefore recommends the following:

19 (a) That the Commission approve the Settlement Agreement, with the following two conditions:

1
2 1. That the sale of PSNH's generation assets as provided for in the Settlement
3 Agreement not take place at the present time because Staff's analysis demonstrates
4 that such a sale would not be in the "public interest" as referenced in RSA 369-B:3-
5 a, II; and

6 2. That the Commission open a docket in the future to again consider whether sale of
7 PSNH's generation assets as provided for in the Settlement Agreement is in the
8 public interest, such a docket to be opened so that any sale would not occur earlier
9 than January 1, 2022.

10 (b) If the Commission determines to move forward with the sale of the assets at this time in order to
11 complete the restructuring of the electric sector in New Hampshire, then Staff recommends that in
12 the interest of fairness and equity the Commission consider the rate allocation recommendations
13 provided by Staff.

14 (c) Finally, when reviewing the auction proposals submitted by the Settling Parties, Staff urges the
15 Commission to embrace the simultaneous ascending clock auction model as proposed by Staff in
16 the interest of maximizing total transaction value, while achieving the important secondary goals
17 of fairness, transparency, simplicity, and efficiency.