THE STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE D/B/A
EVERSOURCE ENERGY

Docket No. DE 15-XXX

PETITION FOR APPROVAL OF LEASE AGREEMENT BETWEEN PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE D/B/A EVERSOURCE ENERGY AND NORTHERN PASS TRANSMISSION LLC

Public Service Company of New Hampshire d/b/a Eversource Energy ("PSNH" or "Company") pursuant to RSA 374:30, Puc 202.01(a), and Puc 203.06, hereby petitions the New Hampshire Public Utilities Commission ("Commission") for approval of a lease agreement between PSNH and Northern Pass Transmission LLC ("NPT") pertaining to certain real estate interests of PSNH (the "Lease"). More specifically, PSNH requests that the Commission determine that the terms of the Lease will be for the "public good." In support of this Petition, PSNH states as follows:

1. PSNH is a public utility corporation organized and existing under the laws of the State of New Hampshire and engaged in the regulated generation, transmission, distribution and sale of electric energy within the State of New Hampshire, with its principal place of business in Manchester, New Hampshire.

2. NPT is a limited liability company organized and existing under the laws of the State of New Hampshire and is engaged in the business of developing, designing, constructing, owning, and maintaining a high voltage electric transmission line and related facilities in the State of New Hampshire ("the NPT Line").

3. PSNH and NPT are both subsidiaries of a utility holding company, Eversource Energy, a Massachusetts business trust headquartered in Boston, Massachusetts and Hartford, Connecticut.

4. The Commission has jurisdiction over this matter pursuant to RSA 374: 30.

5. NPT plans to construct the NPT Line for the purpose of carrying hydroelectric power produced in Canada to customers in New Hampshire and in the New England energy market. NPT Line will run approximately 192 miles from the Canadian border in Pittsburg, New Hampshire, terminating at a PSNH substation in Deerfield, New Hampshire.

6. As part of its business of transmitting and distributing electrical energy, PSNH has acquired certain interests in real property located throughout New Hampshire on which its facilities have been constructed.

7. As part of its proposal to construct the NPT Line, NPT requested that PSNH lease to it land and easements within existing PSNH right of way corridors beginning in the Town of Dummer and ending in Bethlehem (the "Northern Segment") and also from Bridgewater to a converter station to be constructed by NPT in Franklin, and then from Franklin to an existing PSNH substation in Deerfield (the "Southern Segment"). *See* testimony of Robert D. Andrew, Director of System Planning for Eversource Energy attached as Exhibit B. (More specific details of the proposed route of the NPT Line are available on the Northern Pass Transmission website, www.northernpass.us.)

8. PSNH and NPT have now agreed on the terms of the Lease, a copy of which is attached as Exhibit A. The leased properties consist of portions of PSNH rights of way (comprised principally of PSNH easements, and some fee-owned PSNH land) in 19 municipalities, consisting in total of approximately 781 acres for the exclusive use of NPT,

approximately 472 acres for the shared or common use of both PSNH and NPT, and approximately 74 acres of remnant, or leftover, portions of certain rights of way.

9. PSNH has taken a number of steps to ensure that construction of the NPT Line would be consistent with PSNH engineering standards, that the terms of the Lease would be fair to PSNH customers, and that the construction of the NPT Line will not impair reliability in the future.

10. Prior to reaching agreement on the terms of the Lease, the PSNH Transmission Engineering Department conducted an extensive review of the proposed location and design of the NPT Line within the PSNH rights of way ("ROWs"). *See* Testimony of James J. Jiottis, the Manager of Transmission Engineering for PSNH attached as Exhibit C. As explained in that testimony, the review and approval of these matters was a coordinated process between PSNH and NPT engineers and designers using guidelines and standards adopted by Northeast Utilities (now Eversource), including guidelines concerning the spacing of lines within ROWs, relocation of existing facilities and large generator interconnections. Multiple meetings were held to address these requirements and a review by PSNH Engineering of NPT's initial and final design plans. In 2011, a PSNH engineer was assigned to act as a technical interface with NPT and to protect PSNH's engineering interests. Following a final design for the NPT project, PSNH Engineering and Operations/Maintenance personnel conducted an additional review. Ultimately, PSNH Engineering determined that: (a) the proposed NPT location and design met or exceeded PSNH requirements for location within PSNH's existing right of way corridors and property; and (b) the design was consistent with PSNH standards, good utility practice, and applicable guidelines and standards provided by the Independent System Operator-New England (ISO-NE) and the North American Electric Reliability Corporation (NERC).

11. In addition to the review by PSNH Engineering, the Eversource Real Estate Department provided its expertise in the development and drafting of the Lease. *See* Testimony of Salvatore Giuliano, the Manager of Real Estate Management, for the Real Estate Management Department of Eversource ("Eversource Real Estate") attached as Exhibit D. Eversource Real Estate was involved to ensure that the Lease contained provisions similar to those found in ground leases entered into by PSNH and Eversource, and terms that would provide advantages and protections for PSNH, consistent with other PSNH and Eversource leases. As explained in the attached testimony of Mr. Giuliano, among other provisions, the Lease provides for rent derived from an independent fair market value appraisal and for a mechanism by which NPT will reimburse PSNH for NPT's share of property taxes and vegetation maintenance costs. The Lease further ensures that NPT project facilities may not interfere with or prevent the continued use of the ROW by PSNH, and affords protection to PSNH in the event of failed contingencies or defaults by NPT consistent with typical commercial lease arrangements.

12. In assessing whether the lease of the ROWs was fair to PSNH's customers over the term of the Lease, PSNH retained an independent valuation firm, Colliers International Valuation & Advisory Services to provide it with an opinion of the fair market value of the land and land rights belonging to PSNH for the term of the Lease. *See* Testimony of Robert P. LaPorte, Jr. attached as Exhibit E. As explained in Mr. LaPorte's testimony and in the voluminous report accompanying it, to arrive at an opinion of market value rent for the Lease, Colliers developed two valuations. The first valuation resulted in an opinion of market value for the proposed NPT corridor within the PSNH ROW. The second valuation arrived at an opinion of market rent to apply to the ROW real estate asset, which, in turn, required a replication of a fair return on the real estate asset dependent upon the terms of the Lease. For purposes of its

appraisal, Colliers divided the properties subject to the Lease into three distinct areas: land to be used exclusively by NPT, land that will be shared with PSNH and land within the ROW that will become an "uneconomic remnant" as a result of the NPT corridor, *i.e.* land that, following the construction of the NPT Line, will have little utility for future use by PSNH. The work done to reach Colliers' ultimate conclusion on the market value of the corridor to be leased and the fair return rate as well as the specific methods used by Colliers is described in detail in the valuation report attached to Mr. LaPorte's testimony. Ultimately, Colliers determined that the fair market value of the leased corridor was $11,360,038 and that a fixed year annual net rental payment (payable monthly in advance) of $750,622 represented the market rent of the property.

13. PSNH has also determined that nearly all of the revenues resulting from the Lease payments will benefit PSNH's customers. *See* testimony of Lisa Cooper, Director of Transmission Rates and Revenue Requirements for Eversource and Eric Chung, Director of Revenue Requirements for New Hampshire and Regulatory Projects at Eversource attached as Exhibit F. The testimony of Ms. Cooper and Mr. Chung explains the allocation of lease revenues between PSNH Transmission (93.7 % of total lease revenues), PSNH Distribution (4.9%) and Eversource shareholders (1.4%), and how and why that allocation was made. The testimony explains that transmission and distribution customers will be compensated for the use of the PSNH property. Ms. Cooper and Mr. Chung opine that the application of the lease payments results in rates that are just and reasonable.

14. PSNH has also considered whether the Lease will impair the future reliability of the transmission system. *See* Testimony of Robert D. Andrew attached as Exhibit B. In assessing the impact of the Lease on future transmission reliability, PSNH considered the history of the ROWs, including the dates of acquisition, the installation of the lines and changes in

demand and in the lines since installation. As described in the testimony, demand in the Northern Segment has increased very little over time and demand in the Southern Segment has been met by upgrades in the transmission system. PSNH also looked to planning documents that are typically used to evaluate future demands on the system including power flow system analyses, the New Hampshire/Vermont Needs Assessment and Solutions Assessment, the ISO-NE Regional System Plan ("RSP"), and the PSNH Local System Plan ("LSP").

15. As explained in the attached testimony of Mr. Andrew, PSNH believes that the lease of the ROWs will not impact future system reliability. While the prediction of load growth and reliability beyond the 8-10 year planning periods covered by the RSP and the LSP requires an element of speculation, several factors support PSNH's conclusion. First, based on the experience of Mr. Andrew and the review of planning documents and the RSP and the LSP neither ISO-NE nor PSNH have identified any solutions that would require a new transmission line in any of the affected ROWs. Second, ISO-NE has identified a number of non-transmission alternatives (including growing energy efficiency, demand response programs and distributed generation programs) that are likely to partially offset any increased future demand. Third, PSNH has recently reconstructed lines in the Southern Segment, thereby decreasing the likelihood that the PSNH ROW will be needed as part of a reliability solution. Fourth, in the event of unforeseen circumstances, it is likely that transmission planners would evaluate various transmission alternatives that do not require new transmission lines.

16. In addition, the installation of the NPT Line will provide a number of potential benefits to PSNH customers. These benefits are explained in Mr. Andrew's testimony.

17. This Commission's standard of review of this Petition is set out in RSA 374:30, which provides as follows:

> Any public utility may transfer or lease its franchise, works, or system, or any part of such franchise, works, or system, exercised or located in this state, or contract for the operation of its works and system located in this state, when the commission shall find that it will be for the public good and shall make an order assenting thereto, but not otherwise, except that commission approval shall not be required for any such transfer, lease, or contract by an excepted local exchange carrier. The commission may, by general order, authorize a public utility to transfer to another public utility a part interest in poles and their appurtenances for the purpose of joint use by such public utilities.

RSA 374:30, I.

18. The New Hampshire Supreme Court has interpreted the "public good" standard by which such transactions are to be judged as "equivalent to a declaration that the proposed action must be one not forbidden by law, and that it must be a thing reasonably to be permitted under all the circumstances of the case." *Grafton County Electric Light & Power Co. v. State*, 77 N.H. 539, 540 (1917). Furthermore, the Court has concluded that:

> If it is reasonable that a person or a corporation have liberty to take a certain course with his or its property, it is also for the public good. It is the essence of free government that liberty be not restricted save for sound reason. Stated conversely: It is not for the public good that public utilities be unreasonably restrained of liberty of action, or unreasonably denied the rights as corporations which are given to corporations not engaged in the public service.

Id.; *see also, Eastern Utilities Associates*, 76 N.H. P.U.C. 236, 252 (1991). Accordingly, the Commission's review of the Lease is to be based upon its determination that the transaction is not forbidden by law and is otherwise reasonably to be permitted under all the circumstances of the case.

19. The Lease is not forbidden by law and PSNH submits that the Lease serves the public good. As described herein and in the attached testimony, the construction of the NPT Line has been carefully evaluated by PSNH as have the terms of the Lease. The Lease transaction will not harm PSNH's ability to safely and reliably serve its customers, and will fairly and appropriately compensate PSNH and its customers for the value of the real estate assets in

line with the determinations of an independent appraiser and will have no impact on rates or service for PSNH's customers.

20. Accordingly, PSNH requests that the Commission approve the Lease as being in the public good pursuant to RSA 374:30.

Respectfully submitted this 19th day of October, 2015.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE d/b/a EVERSOURCE ENERGY

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