

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

Docket No. DE 17-096

**Public Service Company of New Hampshire
d/b/a Eversource Energy**

Audit of Divestiture-Related Costs in Compliance with Finance Order

**MOTION FOR COMMENCEMENT OF AUDIT
OF DIVESTITURE-RELATED COSTS**

Pursuant to RSA 369-B:3,IV(c) and the N. H. Code of Admin. Rules Puc 102.08 and 203.07, Public Service Company of New Hampshire d/b/a Eversource Energy (“PSNH,” “Eversource,” or “the Company”) requests the New Hampshire Public Utilities Commission (“PUC” or the “Commission”) to initiate an audit of the Company’s rate reduction bond (“RRB”) transaction, including the principal amount financed and total divestiture-related costs, to enable recovery of such costs as prudent divestiture-related costs.

In support of this Motion, PSNH states the following:

1. On July 1, 2016, the PUC issued Order No. 25,920 in Docket Nos. DE 11-250 and 14-238 (the “Divestiture Order”) approving the 2015 Public Service Company of New Hampshire Restructuring and Rate Stabilization Agreement filed with the Commission on June 10, 2015 (“2015 Settlement Agreement”), the January 26, 2016 “Amendment to Settlement,” and the “Partial Litigation Settlement” between settling parties and non-advocate Staff, filed with the Commission on January 26, 2016 (“2016 Litigation Settlement”). The settlements resolved a number of

outstanding issues and directed the Company to “begin the process of divesting its generation assets, as contemplated by HB 1602, SB 221, RSA Chapter 374-F, and allied statutes, subject to the conditions delineated in the Settlement Agreements and described in this Order.” Divestiture Order, at 2.

2. In parallel with the 2015 Settlement Agreement, draft legislation was introduced during the General Court’s 2015 session as SB 221 and was enacted, with modification, effective July 9, 2015. 2015 N.H. Laws, Ch. 221. Section 10 of Chapter 221 revised RSA 369-B:3-a,I to state, “The general court finds that divestiture of PSNH’s generation plants and securitization of any resulting stranded costs pursuant to RSA 369-B:3, IV(c) is in the public interest,” subject to the Commission’s approval of the 2015 Settlement Agreement.
3. The General Court had previously enacted RSA Chapter 369-B, in which it directed that “[t]he commission shall administer the liquidation of any electricity generation assets required to be sold The commission shall select the independent, qualified asset sale specialist who will conduct the asset sale process.” RSA 369-B:3,IV(B)(13).
4. Pursuant to this statutory law and the Divestiture Order, the Commission initiated a process to identify an auction advisor, subsequently retaining J. P. Morgan Securities LLC for this role. On September 7, 2016, the PUC then opened a new docket, Docket No. DE 16-817, called “Auction of Electric Generation Facilities,” to oversee the process of auctioning the PSNH generation facilities. This was the

docket in which the Commission determined the details of the divestiture process and how it would exercise its oversight role of the process.

5. On October 21, 2016, in Docket No. DE 16-817, the Commission issued Order No. 25,956 (“Schiller Order”) determining that the removal of the two mercury boilers from Schiller Station should go forward, as recommended by J. P. Morgan, to facilitate the auction process. As auction advisor, J. P. Morgan determined “that the form of transaction agreement, particularly those terms that relate to environmental liabilities, can be structured materially more favorably to Eversource and, ultimately, rate payers if the removal is undertaken in conjunction with the auction process as opposed to the mercury boilers remaining at the Schiller facility.” Schiller Order at 3 – 4. The PUC found “that undertaking the proposed removal of the two mercury boilers and related equipment from the Schiller generation station is prudent within the framework of the divestiture auction. We will monitor the manner in which Eversource conducts the removal to ensure that the removal is prudently managed.” *Id.* at 8.
6. On November 10, 2016, in Docket No. DE 16-817, the Commission issued Order No. 25,967 (“Auction Design Order”) approving the auction design and process recommended by J. P. Morgan, thus enabling the auction process to commence. As approved by the Commission, J. P. Morgan structured the auction process and ran the auction. The Commission decided that “unlike conventional auction sales, the Commission and Auction Advisor will evaluate final bids to ensure highest total transaction value.” Auction Design Order at 6, fn.2.

7. J. P. Morgan conducted the auction process as directed by the Commission, and the process ultimately produced one purchase and sale agreement (“PSA”) for the Company’s fossil portfolio (the “Thermal PSA”) and one PSA for its hydroelectric assets (the “Hydro PSA”). On October 12, 2017, the Company filed an application for approval of the PSAs in Docket No. DE 17-124. On that same date, J.P. Morgan filed its auction report and testimony describing the auction process and recommending approval of the sales to the two winning bidders.
8. On November 28, 2017, in Docket No. 17-124, the Commission issued Order No. 26,078 approving the Thermal PSA (“Thermal PSA Order”); and on November 29, 2017 in that docket issued Order No. 26,080 approving the Hydro PSA (“Hydro PSA Order”). The Commission found in both cases that the auction process leading to the sale of the generation assets “was commercially reasonable, competitive, and consistent in all respects with our prior Auction Design Order.” Thermal PSA Order at 27; Hydro PSA Order at 28.
9. In approving the two PSAs, the Commission stated that it would consider the amount and recovery of any resulting stranded costs “in the pending docket on securitization, Docket No. DE 17-096, following the closings of the two sales.” Thermal PSA Order, at 25.
10. On January 30, 2018, in Docket No. DE 17-096, the Commission issued Order No. 26,099 (the “Finance Order”). The Finance Order approved the Company’s securitization of a principal amount up to \$690 million of RRBs for recovery of generation divestiture-related costs, including resulting stranded costs, from

PSNH's customers as part of the Company's divestiture of its generation assets pursuant to the 2015 Settlement Agreement and consistent with RSA Chapter 369-B.

11. In the Finance Order in the instant docket, the Commission further ordered that: (1) Commission Audit Staff, after issuance of the RRBs pursuant to the Finance Order, "shall engage in an Audit of the RRB Transaction process, and the various amounts included in the determination of the principal amount financed;" and (2) "that in the event the Commission approves any adjustment to the costs to be recovered by PSNH following a Commission Audit and adjudication, those adjustments shall be made through Part 2 of the Stranded Cost Recovery Charge" Finance Order at 56.
12. Pursuant to the Commission's Thermal PSA Order and Hydro PSA Order, the closing on the Thermal PSA occurred on January 10, 2018 and the closing on the Hydro PSA occurred on August 24, 2018. The Company has since calculated the final amounts of closing proceeds for each sale.
13. Pursuant to the Commission's Schiller Order, PSNH completed the Mercury Boiler Units 1 and 2 Removal Project at Schiller Station on March 31, 2019 and has developed a full accounting for the total amount of project costs incurred to complete the removal.
14. Pursuant to the Finance Order, the Company issued its RRBs on May 8, 2018, in the aggregate principal amount of \$635,663,200, which was based on estimates of the Company's divestiture-related costs; unrecovered deferrals; transaction costs;

tax stabilization payments; employee protections and other costs, as contemplated in the 2015 Settlement Agreement and authorized by RSA 369-B:3,IV(c) to be securitized.¹

15. In support of this Motion, the Company is providing the following direct testimony and attachments:

- a. **Robert A. Bersak, Chief Regulatory Counsel for Eversource Energy Service Company:** Mr. Bersak provides testimony in support of the Company's request for commencement of the audit of its divestiture-related costs and demonstrates that the Company's final costs were a direct outcome of, and fully consistent with governing law, the Commission's decisions, and approved settlements on generation divestiture. Mr. Bersak's testimony includes two attachments, which are the financial schedules itemizing PSNH's actual divestiture-related costs (Attachment RAB-1); and the attestation report issued by Deloitte & Touche LLP related to the costs eligible for securitization in Attachment RAB-1 (Attachment RAB-2).
- b. **Catherine A. Finneran, Vice President, Sustainability and Environmental Affairs for Eversource Energy Service Company:** Ms. Finneran's testimony presents the Company's report on the Mercury Boiler Units 1 & 2 Removal Project at Schiller Station ("Project Report"). The Project Report was prepared by the PSNH Project Team in anticipation of the Company's current filing to commence the Commission's audit of divestiture-related costs. The Project Report is included as Attachment CAF-1 to Ms. Finneran's testimony.

16. As shown in Attachment RAB-1, the Company's actual balance of costs eligible for recovery as divestiture-related costs is \$654,046,809, as compared to the RRB issuance amount of \$635,663,200, thus leaving an unrecovered balance of

¹ Both the 2015 Settlement Agreement and RSA 369-B:3, IV(c) list the costs that are eligible for recovery as divestiture-related costs. The 2015 Settlement Agreement (at page 10) states that "RRBs shall be authorized in an amount sufficient to fund reasonably expected stranded costs, cost and revenue deferrals, transaction costs, transaction advisor fees, tax liabilities, employee protections, tax stabilization payments, decommissioning costs, retirement costs, environmental costs, and other costs, liabilities, and expenditures set forth in this Agreement, but adjusted per the requirements of the draft legislation attached at Appendix A." Similarly, the General Court recognized that recoverable costs would be more than just "stranded costs." RSA 369-B:3,IV(c) states, "The commission shall only issue finance orders that: . . . Authorize the issuance of rate reduction bonds in an amount sufficient to fund stranded costs, deferrals, transaction costs, tax liabilities, employee protections, payments in lieu of taxes, and other expenditures as contemplated in the 2015 settlement."

\$18,383,609. The Company proposes to recover this balance over one year through Part 2 (“Other Non-Securitized Stranded Costs”) of the Stranded Cost Recovery Charge (“SCRC”). The Company anticipates including this amount in its August 2020 update of the SCRC.

17. The Company’s divestiture-related costs were incurred as anticipated, consistent with governing law, the Commission’s decisions, and approved settlements on generation divestiture. Therefore, the divestiture-related cost should be deemed reasonable and prudent and eligible for recovery over a 12-month period.

WHEREFORE, PSNH hereby respectfully requests that the Commission:

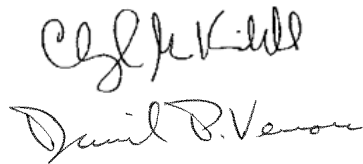
- a. Commence the audit of the Company’s RRB transaction, including the principal amount financed and total divestiture-related costs, as directed in Order No. 26,099;
- b. Make findings that PSNH’s divestiture-related costs were reasonable and prudently incurred and are, therefore, eligible for cost recovery; and
- c. Direct that PSNH shall be allowed to recover the amount of \$18,383,609, representing prudently incurred divestiture-related costs, including any unrecovered balance of such costs over a one-year period through Phase 2 of the SCRC.

Dated at Manchester, New Hampshire this 27th day of November 2019.

Respectfully submitted,

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

By its attorneys,

Handwritten signatures of Cheryl M. Kimball and Daniel P. Venora.

Cheryl M. Kimball, Esq.
Daniel P. Venora, Esq.
Keegan Werlin LLP
99 High Street
Boston, Massachusetts 02110
(617) 951-1400

Certificate of Service

I hereby certify that on November 27, 2019, copies of the foregoing Motion and accompanying testimony and attachments have been forwarded to the parties listed on the Commission's service list in this docket.



Daniel P. Venora, Esq.