

# RATH YOUNG PIGNATELLI

## MEMORANDUM

FROM: Rath, Young and Pignatelli, P.C.

DATE: December 14, 2016

RE: Auction of Eversource NH Generating Assets

This memorandum is to provide an update to our earlier communications regarding the plans for a sale of the Eversource generating assets located in New Hampshire (see summary list below). On November 10, 2016, the New Hampshire Public Utilities Commission (the “Commission”) issued [Order No. 25,967](#) (the “Order”) in Docket No. DE16-817, approving the basic auction process previously outlined by JP Morgan (“JPM”), consultant to the Commission, in its recommendation filed on [September 12](#), as amended on [October 17](#) and [November 4](#). On [December 9](#), three New Hampshire municipalities, the City of Berlin and the Towns of Gorham and New Hampton (the “Challenging Municipalities”), filed a motion for reconsideration and stay of the Order with the Commission. Procedurally, the Commission must allow the other parties 10 days to object to a motion before issuing a ruling. That 10-day period will expire on December 19. If the Commission denies the motion, the Challenging Municipalities could and probably will appeal to the New Hampshire Supreme Court.

While the Order lays out what we believe will be the essential bidding process, the time frames in the Order likely will change due to the Challenging Municipalities' motion. The process could be slightly delayed if the Commission rejects the motion and orders the process to continue and there is no appeal or no order by the Supreme Court on appeal halting the process. Or, the process could be substantially delayed if the Commission grants the motion, or if on appeal the Supreme Court orders the process halted, or the Commission decides not to continue the process while an appeal is pending. *We provide here our best estimates of the time frames that will result from a “slight delay” scenario.*

The Challenging Municipalities want to ensure that they have the ability to bid on their local hydroelectric assets if it appears that private party bids will result in a substantial reduction in property tax base. The hydro assets located in the Challenging Municipalities include the Smith (Berlin, NH), Gorham (Gorham, NH) and Ayers Island plants (Bristol and New Hampton, NH).

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As circumstances currently stand, and based on a conversation with JPM, we anticipate that JPM will begin to reach out to prospective bidders this month to alert them to the auction process and invite them to submit their qualifications. Anyone interested in being invited to submit a qualifications package may contact Tara Desai of JPM in advance to be placed on an initial list of interested parties, as follows:

Tara Desai, JP Morgan Securities  
ph. (212) 622-1781  
e-mail [tara.j.desai@jpmorgan.com](mailto:tara.j.desai@jpmorgan.com)

If you have an interest in the Eversource assets, **we urge you to contact Tara right away to ensure that you receive direct and timely communications from JPM** on specific filing requirements, current timing expectations and any potential timing adjustments in the event of reconsideration or appeal.

Subject to these potential timing adjustments, as early as this month and continuing into January 2017, JPM will deliver confidentiality agreements to potential bidders that it deems to be qualified ("Round 1 Bidders"). Qualification to become a Round 1 Bidder will be based on ownership and operation of similar facilities, expected sources of financing, ownership, governance structure and operations of bidder. JPM has wide discretion in culling potential bidders. Following execution of the confidentiality agreement by a potential bidder, JPM will issue a confidential information memorandum ("CIM"), an independent engineering report and an independent marketing report. Interested host municipalities also will be provided these materials.

Round 1 Bidders other than any host municipalities must submit preliminary non-binding offers, which will be due in late February. JPM will identify specific dates for this and other deadlines when it issues the CIM.

From the preliminary non-binding offers, JPM will select Round 2 Bidders in **March 2017**. Round 2 Bidders will be selected based on bid price, assets bid on, demonstrated commitment to the transaction, ability to get financing, past market behavior or reputation, and experience owning or operating similar facilities. Round 2 Bidders will then have access to detailed due diligence on the facilities through an electronic data room, and given facility tours and meetings with existing Eversource management. Round 2 is expected to last 8 weeks, during which time the Round 2 Bidders will complete due diligence and mark up the draft purchase agreement.

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Round 2 Bidders are currently expected to submit their final binding auction bids in **May 2017**. The bid packages will include markups of the relevant transaction documents, and binding financing commitments. The bid package must be in a form where the buyer is willing to transact with no further substantive changes.

Following receipt of Round 2 proposals, JPM will prepare a presentation summarizing the proposals and review the results of the auction with the Commission. Depending on the nature of the final proposals received, JPM is likely to recommend that the Commission select more than one party for final negotiations, with a goal of fostering competition among the final parties and possibly leading one of them to improve their bid above what they submitted in their Round 2 proposal. JPM could work with bidders to regroup assets among competing bidders, with an obvious potential division between the thermal and hydroelectric assets. However, JPM has stated that it is possible that only bids on the entire portfolio will be advanced to Round 2.

The Order includes specific Commission approval of the auction process through the conclusion of Round 2 bids. The Commission asked the parties and staff to begin discussions with JPM about the process needed for review and approval of final bids at the end of the process in May 2017. If the parties are unable to agree on and recommend a process in that timeframe, the Commission will open a proceeding as Round 2 gets underway (i.e., in March) to establish an appropriate process for approval around May.

Please do not hesitate to contact Chuck Willing or Sherry Young in our Concord, NH office if you have any questions regarding this process.

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## Eversource New Hampshire Generating Assets

<b>Thermal Asset</b>	<b>City/Town</b>	<b>Type/Fuel</b>	<b>Capacity (nameplate)</b>
Merrimack Station	Bow	2 units coal 2 combined combustion peaking units	496.4 MW
Newington Station	Newington	Oil/natural gas	414.0 MW
Schiller Station	Portsmouth	2 units coal/oil, 1 unit wood biomass, 1 combustion turbine primarily jet fuel	150.0 MW

<b>Hydro Asset</b>	<b>City/Town</b>	<b>River</b>	<b>Capacity (nameplate)</b>
Amoskeag Station	Manchester	Merrimack River	16.0 MW
Androscoggin Reservoir Company (ARCO) <sup>1</sup>			N/A
Ayers Island Station	Bristol	Pemigewasset River	8.4 MW
Canaan Station	Canaan	Connecticut River	1.1 MW
Eastman Falls Station	Franklin	Pemigewasset River	6.4 MW
Garvins Falls Station	Bow	Merrimack River	12.3 MW
Gorham Station	Gorham	Androscoggin River	2.2 MW
Hooksett Station	Hooksett	Merrimack River	1.6 MW
Jackman Station	Hillsborough	Contoocook River (North Branch)	3.2 MW
Smith Station	Berlin	Androscoggin River	15.0 MW

<b>Remote Combustion Turbines</b>	<b>City/Town</b>	<b>Fuel</b>	<b>Capacity (nameplate)</b>
Lost Nation	Northumberland (Groveton)	Oil-fired	18.0 MW
White Lake	Tamworth	Jet fuel-fired	18.6 MW

<sup>1</sup> The hydroelectric facilities on the Androscoggin River receive headwater benefits from ARCO. Eversource is a 12.5% owner of ARCO.