

# RATH YOUNG PIGNATELLI

## MEMORANDUM

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

DATE: December 14, 2017

RE: NHPUC Approves Final Sale of Eversource NH Generating Assets

On November 28 and 29, 2017, in Docket DE 17-124, the New Hampshire Public Utilities Commission (“NHPUC”) approved the sale of the Public Service Company of New Hampshire d/b/a Eversource Energy’s (“Eversource”) energy generating facilities through two separate purchase and sale agreements. This largely closes a two-decade long process that unbundles electricity generation from distribution, allowing for a more competitive electricity generation industry in the state of New Hampshire. Final determination of stranded costs still remains to be determined under Docket DE 17-096.<sup>1</sup>

The auction process led by J.P. Morgan included invitations to 182 potential bidders, resulting in 25 first round bids and seven final bids. Of these, three were for the entire portfolio, while four were for one or more assets. In the end, J.P. Morgan determined that the maximum transaction value would be obtained by accepting two partial bids, one for Eversource’s thermal generating assets and another for its hydroelectric assets. In approving the two sales, the NHPUC also found that the auction process conformed to the auction design and that it resulted in sufficiently competitive bidding activity that maximized the total transaction value.

Granite Shore Power, LLC (“Granite Shore”) will purchase Eversource’s thermal generating assets for \$175 million, subject to a purchase price adjustment if closing does not occur by January 1, 2018. As part of the agreement, Eversource agreed to assume up to \$25 million for environmental liability occurring prior to closing, or prior to the project completion date of the Schiller Station mercury boiler removal project. Granite Shore will assume all environmental liability after seven years. Eversource’s thermal generating assets include the Newington, Schiller, and Merrimack stations, and the Lost Nation and White Lake combustion turbines, for a total capacity of 1,130.1 MW. Granite Shore is the result of a

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<sup>1</sup> The NHPUC limited its discussion of stranded costs to whether the sales and resulting proceeds are a market-based result for the portfolio. It also noted in the orders approving each sale that “We are concerned about [Eversource’s] stranded costs estimates, but we will consider the amount and recovery of any resulting stranded costs in the pending docket on securitization.” Order 26,078 at 25, and Order 26,080 at 26. Eversource currently estimates its stranded costs to be equal to approximately \$600 million.

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partnership between Atlas FRM, LLC d/b/a Atlas Holding LLC (“Atlas”), and CCI Power Asset Holding, LLC. Both companies are based in Connecticut and have extensive experience in power generation. The PUC Order noted that Atlas had recently converted a 106 MW coal powered unit to natural gas and biomass in 2016.

HSE Hydro NH AC, LLC (“HSE”), a subsidiary of HSE Hydro NH Co-Invest Fund, LP and an affiliate of Hull Street Energy, LLC (collectively, “Hull Street Energy”), will purchase the hydroelectric generating assets for \$83.3 million, subject to adjustments at closing. As part of this agreement, Eversource will assume costs relating to all pre-closing liabilities up to \$8.3 million, with HSE assuming liability five years after closing. Eversource’s hydroelectric generating assets include nine facilities on the Connecticut, Pemigewasset, Androscoggin, and Merrimack Rivers with a total capacity of 68.2 MW, along with Eversource’s 12.5 percent interest in the Androscoggin Reservoir Company. Hull Street Energy is headquartered in Bethesda, MD, and has extensive, long-standing expertise in the power industry.

Parties in both sales are targeting a closing date that will occur as soon as possible after the respective buyers acquire all necessary regulatory approvals and after the expiration of any applicable appeals processes. In addition to the NHPUC, both buyers must obtain regulatory approvals from the Federal Energy Regulatory Commission (FERC). Additionally, HSE must obtain approval from the Vermont Public Utilities Commission for the Canaan Station, which straddles the Vermont and New Hampshire border.

Relating to both sales were shared outstanding issues that the NHPUC resolved as follows:

- NHPUC approved terms in each purchase and sale agreement that requires Eversource to obtain enough environmental liability insurance to cover any potential obligations that Eversource might retain;
- NHPUC approved the terms of the collective bargaining agreement between Eversource and the International Brotherhood of Electrical Workers, Local 1837, and any effect this may have on the buyers’ obligations to retain comparable employee benefits; and
- NHPUC approved the transaction parties’ requests to support the respective buyers in qualifying for Exempt Wholesale Generator Status with FERC.

Parallel to the auction of Eversource’s generating assets was NHPUC’s September 27, 2017 approval of the sale of Eversource’s 3.1433 percent interest in W.F. Wynman Station – Unit 4 to FPL Energy Wyman IV LLC, a subsidiary of NextEra Energy Resources, under Docket DE 17-105. This sale was separate from the auction process because it was believed that those parties already owning an interest in this station would be most likely to purchase this

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minority stake. The final purchase price was \$1,000,000, plus the proportionate value of any fuel inventory. It is believed that the net proceeds of the sale will equal approximately \$540,000, which Eversource will use to reduce stranded costs charged to its customers. Of important note, Eversource retains no environmental risk relating to this transaction.

Please do not hesitate to contact Attorneys Chuck Willing or Sherry Young in our Concord, NH office if you have any questions regarding the sale of Eversource generating assets in New Hampshire:

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## Appendix 1: Eversource New Hampshire Generating Assets

<b>Thermal Assets</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
Lost Nation	Northumberland (Groveton)	Oil-fired	18.0 MW
White Lake	Tamworth	Jet fuel-fired	18.6 MW

<b>Hydroelectric Assets</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>2</sup>			N/A
Ayers Island Station	Bristol & New Hampton	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

<sup>2</sup> The hydroelectric facilities on the Androscoggin River receive headwater benefits from ARCO. Eversource is a 12.5% owner of ARCO.