

**2015 Public Service Company of New Hampshire
Restructuring and Rate Stabilization Agreement**

June 10, 2015

28 customers, a two-year general distribution rate stay-out agreement, extension of reliability
29 program funding, and establishment of a \$5 million clean energy fund.

30 The key components of this Agreement include:

- 31 • The resolution of certain ongoing regulatory proceedings without extended,
32 contentious, and costly administrative and judicial litigation.
- 33 • Expeditious pursuit of the divestiture of PSNH's generating plants after a final
34 decision by the Commission approving the settlement set forth in this Agreement.
- 35 • Achievement of a number of important objectives, including:
 - 36 ○ Protecting the economic interests of PSNH's electricity customers, with a focus
37 on customer savings across all customer classes and long-term rate
38 stabilization;
 - 39 ○ Protecting residential and small commercial default service ratepayers by
40 reducing their obligation to pay the full costs of the Merrimack Station
41 Scrubber;
 - 42 ○ Avoiding protracted litigation in the Commission proceedings related to the
43 prudence of the Merrimack Station Scrubber and the investigation into PSNH's
44 owned generation fleet;
 - 45 ○ Resolving long-standing issues regarding the restructuring of New
46 Hampshire's electricity market;
 - 47 ○ Taking advantage of an historically low-cost financing environment;
 - 48 ○ Ensuring adequate and meaningful protections for both New Hampshire's labor
49 force and for impacted municipalities; and
 - 50 ○ Mitigating the financial impacts of the stranded cost recovery charge on large
51 commercial and industrial customers.
- 52 • PSNH's agreement to forego recovery of \$25 million of previously deferred equity
53 related to the Merrimack Station Scrubber.
- 54 • Financing of any stranded costs remaining after the divestiture sale and other costs
55 described herein using securitization bonds, taking advantage of low interest rates.
- 56 • Recovery of any ongoing stranded costs via a Non-Securitized Stranded Cost charge
57 as set forth herein.
- 58 • PSNH's agreement to forego the opportunity to file a general rate case with new
59 distribution rates effective prior to July 1, 2017.

- 60 • A requirement that the new owner(s) of the generating plants keep them in service for
61 at least eighteen months after the date(s) of financial closing on the sale of each plant.

- 62 • Protection for the municipalities where the generating plants are located, via three
63 years of property tax stabilization payments if a plant sells for less than its assessed
64 value.

- 65 • Comprehensive employee protections.

- 66 • Completing the transition to a competitive procurement process for default service.

- 67 • Funding of \$5 million from Eversource shareholders to create a clean energy fund.

- 68 • Continuation of PSNH’s Reliability Enhancement Program, which targets
69 improvements to grid reliability, resiliency, and automation.

70 The Settling Parties recognize and understand that their mutual undertakings, as
71 expressed in this Agreement, reflect their efforts to settle the issues raised in Docket No. DE
72 11-250, to implement the divestiture of PSNH’s generating assets as agreed to in the PSNH
73 1999 Restructuring Settlement Agreement to resolve Docket No. DE 14-238, and to resolve
74 various other issues as provided herein in a manner that minimizes stranded costs and
75 produces significant savings and benefits to PSNH’s retail customers while mitigating the
76 impacts on affected employees and municipalities in a balanced fashion. The Settling Parties
77 agree that implementation of the settlement set forth in this Agreement will require enactment
78 of legislation consistent with this Agreement as set forth herein, the consent of all parties to
79 the PSNH 1999 Restructuring Settlement Agreement, and a Final Order from the Commission
80 approving this Agreement as submitted.

81 The Settling Parties agree that the terms of this Agreement reflect a fair resolution to
82 Docket Nos. DE 11-250 and DE 14-238 that is in the public interest as well as in the
83 economic interest of PSNH’s retail customers, and will protect the state’s ability to attract and
84 retain quality employment. More specifically, the Settling Parties further agree that this
85 Agreement is consistent with New Hampshire law and policy, including the restructuring
86 goals set forth in RSA Chapter 374-F, the cost recovery requirement in RSA 125-O:18, and
87 the opportunity for recovery of stranded costs set forth in 2002 N.H. Laws 130:1.

88 **II. DEFINITIONS**

89 **Affected Employees:** Employees of PSNH or Eversource whose primary employment duties
90 included support of PSNH's generation assets and whose employment is terminated or
91 significantly negatively affected as a direct result of the divestiture of PSNH's generating
92 assets.

93 **Agreement:** This 2015 Public Service Company of New Hampshire Restructuring and Rate
94 Stabilization Agreement, including the appendix.

95 **Commission:** The New Hampshire Public Utilities Commission.

96 **Default Service:** The provision of electric energy by PSNH to customers who are not
97 purchasing electricity from a Competitive Supplier as defined in N.H. Admin. Rule PART
98 Puc 2002. Default service is designed to provide a safety net for customers and to assure
99 universal access and system integrity as set forth in RSA 374-F:3,V(c), and PSNH will
100 continue to have an obligation to provide default service after divestiture.

101 **Delivery Charge:** The delivery portion of the unbundled retail distribution bill related to
102 distribution.

103 **Distribution:** The portion of PSNH's delivery system subject to the regulatory jurisdiction of
104 the Commission.

105 **Eversource Energy or Eversource:** PSNH's parent organization and a trade name used by
106 its subsidiaries, including PSNH.

107 **Exogenous Events Rate Adjustment Threshold:** A total distribution revenue impact
108 (positive or negative) as set forth in Section III, G that exceeds \$1,000,000 in any calendar
109 year beginning with 2015, and continuing until PSNH's next general distribution rate case.

110 **Exempt Wholesale Generator:** Any entity who qualifies for Exempt Wholesale Generator
111 status as defined in 15 U.S. Code Sec. 79z-5a and 18 CFR 366.1.

112 **Failed Auction:** An asset auction that results, after Commission determination, in some or all
113 of the generation assets listed in Section IV.C herein not being sold.

114 **FERC:** The Federal Energy Regulatory Commission.

115 **Final Order:** An order issued by the Commission pursuant to RSA 363:17-b on the merits of
116 this Agreement, effective at the expiration of the rehearing period set forth in RSA 365:21, or,
117 if the order is subject to one or more motions for rehearing, effective when any and all
118 rehearings under RSA 365:21 and any and all appeals under RSA 541:6 are completed
119 resulting in an unappealable order.

120 **Independent Power Producer (“IPP”) costs:** The costs of purchasing energy and/or
121 capacity from PURPA qualifying facilities or LEEPA facilities from legally enforceable
122 obligations other than a PPA.

123 **Independent System Operator – New England (“ISO-NE”):** The independent, not-for-
124 profit corporation responsible for regional electrical transmission across the six New England
125 states and for administering the region’s wholesale electricity markets.

126 **LEEPA:** The Limited Electrical Energy Producers Act, RSA Chapter 362-A.

127 **Non-Securitized Stranded Costs:** The Stranded Costs for which recovery is allowed under
128 Part 2 of the Stranded Cost Recovery Charge as provided in this Agreement.

129 **NU:** Northeast Utilities, now Eversource Energy.

130 **Overcollection Subaccount:** An account of the Special Purpose Securitization Entity that
131 will hold any excess collections of the RRB Charge beyond the amount needed to make
132 periodic allocations with respect to RRB Costs as described in Section IX of this Agreement.

133 **Power Purchase Agreement (“PPA”):** Existing commitments created by contract for PSNH
134 to purchase power from the Burgess BioPower facility in Berlin, New Hampshire and the
135 Lempster Wind Power Project in Sullivan County, New Hampshire.

136 **Prudence:** The standard of care that qualified utility management would be expected to
137 exercise under the circumstances that existed at the time the decision in question had to be

138 made. In determining whether a decision was prudently made, only those facts known or
139 knowable at the time of the decision can be considered.

140 **PSNH:** Public Service Company of New Hampshire d/b/a Eversource Energy.

141 **PSNH 1999 Restructuring Settlement Agreement:** The Agreement to Settle PSNH
142 Restructuring dated August 2, 1999 and revised, conformed, and executed as of September 22,
143 2000, between the Governor of New Hampshire, the Governor's Office of Energy and
144 Community Services, the Office of the Attorney General, Staff of the New Hampshire Public
145 Utilities Commission, PSNH, and NU, as approved by the Commission in its Order Nos.
146 23,443, 23,549 and 23,550.

147 **PURPA:** The Public Utility Regulatory Policies Act of 1978, as amended. Generally, 16
148 U.S. Code §2601, et seq.

149 **Rate Reduction Bonds ("RRBs"):** Bonds, notes, certificates of participation or beneficial
150 interest, or other evidences of indebtedness or ownership, issued pursuant to an executed
151 indenture or other agreement of a financing entity, in accordance with New Hampshire law,
152 the proceeds of which are used to recognize recovery of such items including, but not limited
153 to stranded costs, cost and revenue deferrals, transaction costs, tax liabilities, employee
154 protections, tax stabilization payments, decommissioning, asset retirement, and environmental
155 costs and liabilities and to recoup its investments in generation assets per the terms of this
156 Agreement, up to the extent of the proceeds received.

157 **Reserve Subaccount:** An account that will belong to the Special Purpose Securitization
158 Entity that will hold the initial capital contribution from PSNH to the Special Purpose
159 Securitization Entity as described in Section IX of this Agreement, the contents of which shall
160 be returned to PSNH when the RRBs are paid in full.

161 **RRB Charge:** Part 1 of the SCRC, which is dedicated to the payment of the RRBs, as
162 defined in RSA 369-B:2, XIII.

163 **RRB Costs:** Principal, interest, credit enhancement costs, fees and expenses with respect to
164 RRBs, as defined in RSA 369-B:2, XIV.

165 **RRB Property:** An irrevocable property right to bill and collect the non-bypassable RRB
166 Charge in amounts sufficient to recover the RRB Costs, as defined in RSA 369-B:2, XV.

167 **Scrubber:** The wet flue gas desulphurization system installed at PSNH's Merrimack Station
168 pursuant to RSA Chapter 125-O, as defined in RSA 125-O:12, V.

169 **Service Territory:** The geographic area established by the Commission as the retail electric
170 service territory of PSNH, as such territory is depicted on the "Electric Utilities Franchise
171 Areas" map issued by the Commission, dated February 13, 2015, together with any other
172 geographic area in which PSNH actually provided retail electric service as of the date of final
173 Commission approval of this Agreement.

174 **Settling Parties:** The Office of Energy and Planning, Designated Advocate Staff of the New
175 Hampshire Public Utilities Commission, the Office of the Consumer Advocate, New
176 Hampshire District 3 Senator Jeb Bradley, New Hampshire District 15 Senator Dan Feltes, the
177 City of Berlin, New Hampshire (subject to ratification by the Berlin City Council), Local No.
178 1837 of the International Brotherhood of Electrical Workers, the Conservation Law
179 Foundation, the Retail Energy Supply Association, TransCanada Power Marketing Ltd.,
180 TransCanada Hydro Northeast Inc., New England Power Generators Association, Inc., the
181 New Hampshire Sustainable Energy Association d/b/a NH CleanTech Council, Public Service
182 Company of New Hampshire, and Eversource Energy.

183 **Special Purpose Securitization Entity ("SPSE"):** Any special purpose trust, limited
184 liability company, or other entity that is authorized in accordance with the terms of a finance
185 order to issue Rate Reduction Bonds, acquire RRB Property, or both.

186 **Stipulated Rate of Return:** A rate of return calculated assuming a return on equity of 8%
187 after tax, an equity ratio of 40%, and the weighted cost of PSNH's non-securitized long-term
188 debt.

189 **Stranded Costs:** Prudently incurred costs, liabilities, revenues, and investments that PSNH
190 would reasonably expect to recover from customers, but which would likely not be recovered
191 as a result of restructuring of the electric industry unless a specific mechanism for such cost
192 recovery is provided, as detailed within this Agreement. See RSA 374-F:2, IV; RSA 369-B:3-

193 a, I; RSA 125-O:18; 2002 N.H. Laws 130:1. As set forth herein, examples of Stranded Costs
194 include: PSNH's net book investment in generation assets to the extent such amount exceeds
195 the sale price of those assets upon divestiture; the net of ongoing expenses and revenue
196 requirements (including, *inter alia*, prudently incurred decommissioning, retirement,
197 environmental, and employee protection costs or liabilities, and penalties imposed based upon
198 capacity obligations) for any generating unit, entitlement or obligation that has not been sold
199 as part of the asset divestiture process (such as due to a Failed Auction); all over-market or
200 under-market costs related to the PPAs and IPPs; employee protection-related costs; and
201 property tax stabilization payments.

202 **Stranded Cost Recovery Charge ("SCRC"):** The portion of the unbundled retail delivery
203 service bill that is a non-bypassable charge as provided in RSA Chapter 374-F:3, XII to
204 recover the portion of PSNH's Part 1 and Part 2 Stranded Costs that are allowed by this
205 Agreement. The SCRC includes the RRB Charge, over-market or under-market IPP and
206 Power Purchase Agreement costs, Non-Securitized Stranded Costs, and other costs and
207 expenses allowed by this Agreement or as otherwise authorized by the Commission.

208 **Tax Stabilization Payments:** Payments to municipalities in lieu of taxes made pursuant to
209 the terms of Section IV (H).

210 **Transmission:** The portion of PSNH's delivery system that is subject to the regulatory
211 jurisdiction of the Federal Energy Regulatory Commission.

212 **Triple-A Rating:** A determination by at least two ratings agencies that the RRBs are entitled
213 to their highest rating.

214 **True-Up Mechanism:** A periodic adjustment to the RRB Charge to account for any over- or
215 under-collections of the RRB Charge, as set forth in Section IX(D)(5)(d) herein.

216 **III. INDIVIDUAL RATE COMPONENTS**

217 **A. Stranded Cost Recovery Charge**

218 The Stranded Cost Recovery Charge (“SCRC”) will be a non-bypassable charge as
219 provided in RSA 374-F:3 and RSA 369-B:4, IV to recover PSNH’s Stranded Costs as
220 approved by the Commission.

221 For the purpose of establishing the SCRC, Stranded Costs will be divided into two
222 parts, as described below. Part 1 will be the RRB Charge, and is the source of payment for
223 RRBs. Therefore, the right to receive all collections in respect of the Part 1 charge will be sold
224 to the SPSE (see Section IX). Part 1 will be billed until the RRBs are paid in full. Part 2 will
225 recover all other Non- Securitized Stranded Costs and will continue for as long as there are
226 Non-Securitized Stranded Costs to be recovered by PSNH.

227 The net of prudently incurred ongoing expenses and revenue requirements (including,
228 *inter alia*, decommissioning, retirement, and environmental costs or liabilities) for any
229 generating unit, entitlement or obligation that has not been sold as part of the asset divestiture
230 process and all over-market or under-market costs related to IPPs and the PPAs, employee
231 protection-related costs, and property tax stabilization payments will be treated as stranded
232 costs to be fully recovered through the SCRC.

233 The SCRC will recover the amortization of the securitized assets and ongoing non-
234 securitized costs. Reconciliation of Part 1 of the SCRC shall be calculated in accordance with
235 the True-Up Mechanism described in Section IX as approved by the Commission. Part 2 of
236 the SCRC will be reconciled annually with a return at the Stipulated Rate of Return on any
237 overrecoveries or underrecoveries of costs.

238 This agreement shall not alter any currently existing opportunities for retail customers
239 to generate or acquire electricity for their own use, other than through retail electric service,
240 without an exit fee. In the event of the municipalization of a portion of PSNH’s Service
241 Territory during the pendency of the SCRC, the Commission shall, in matters over which the
242 Federal Energy Regulatory Commission does not have jurisdiction, or has jurisdiction but
243 chooses to grant jurisdiction to the state, determine, to a just and reasonable extent, the

244 consequential damages such as stranded investment in generation, storage, or supply
 245 arrangements resulting from the purchase of plant and property from PSNH and RRB Costs,
 246 and shall establish an appropriate recovery mechanism for such damages. Any such damages
 247 shall be established, and shall be allocated between the RRB Charge and other rates and
 248 charges, in a just and reasonable manner.

249 The SCRC shall be recovered as a non-bypassable charge from all customers served
 250 by PSNH within its Service Territory. The Settling Parties propose that the SCRC be
 251 allocated to PSNH's customer classes in accordance with the following rate design:

252	<u>RATE CLASS</u>	<u>% of REVENUE REQUIREMENT</u>
253	LG – Large General Service (> 1,000 kW)	05.75
254	GV – Primary General Service (\leq 1,000 kW)	20.00
255	G – General Service (\leq 100 kW)	25.00
256	R – Residential Service	48.75
257	OL – Outdoor Lighting	00.50

258 **1. Part 1 - Securitized Assets**

259 Part 1 of the SCRC (the “RRB Charge”) consists of the amounts required to recover
 260 RRB Costs as more fully described in Section IX.

261 RRBs shall be authorized in an amount sufficient to fund reasonably expected stranded
 262 costs, cost and revenue deferrals, transaction costs, transaction advisor fees, tax liabilities,
 263 employee protections, tax stabilization payments, decommissioning costs, retirement costs,
 264 environmental costs, and other costs, liabilities, and expenditures set forth in this Agreement,
 265 but adjusted per the requirements of the draft legislation attached at Appendix A.

266 The Part 1 charge will be a discrete and segregated charge in order to meet the
 267 requirements for the targeted Triple-A Rating for the securitization. Therefore, all Part 1
 268 collections will be allocated and remitted to the Special Purpose Securitization Entity
 269 (described below in Section IX). Section IX, D of this Agreement discusses the relationship
 270 between Part 1 collections and Part 2 of the SCRC.

271 **2. Part 2 - IPP Costs, PPA Costs, and Other Non-Securitized Stranded**
272 **Costs**

273 Part 2 of the SCRC will recover ongoing IPP costs, PPA costs, and all other Non-
274 Securitized Stranded Costs as determined by the Commission. The costs of power
275 entitlements retained pursuant to this Agreement, other costs of implementing this Agreement
276 as expressly set forth herein, as well as prudently incurred on-going costs (including asset
277 retirement costs) required to maintain and operate any generating asset that PSNH is unable to
278 divest (such as due to a Failed Auction) and prudently incurred decommissioning,
279 environmental, and any other residual costs or liabilities related to such generation assets,
280 shall become Part 2 costs with continued recovery. The Part 2 amount to be recovered
281 through the SCRC each month will be the expenses incurred by PSNH for the items listed
282 above, less associated revenues and the revenue from the sale of IPP and PPA entitlements in
283 the wholesale market.

284 In the event that there is insufficient SCRC revenue to meet both Part 1 and Part 2
285 SCRC requirements, the unrecovered Part 2 amounts will be deferred for future Part 2
286 recovery with a return at the Stipulated Rate of Return.

287 PSNH will calculate Part 2 to be billed upon Commission approval for prospective six-
288 month periods. Any difference between the amounts to be recovered through Part 2 during
289 any six-month period and the revenue received through the application of Part 2 during that
290 period plus a return at the Stipulated Rate of Return will be refunded to ratepayers or
291 recovered by PSNH during the subsequent six-month period by reducing or increasing Part 2
292 charges for the subsequent six-month period.

293 **B. Default Energy Service**

294 Default Service will provide a safety net and assure universal access for customers
295 who do not receive energy from a Competitive Supplier. Default Service shall be acquired
296 and provided in accordance with RSA Chapter 369-B until divestiture of PSNH's generating
297 assets. No later than six months after the final financial closing resulting from the divestiture
298 of PSNH's generating assets, PSNH will transition to a competitive procurement process for
299 default service. The competitive process utilized shall be consistent with the process
300 determined by the Commission in its Docket No. IR 14-338, "Review of Default Service

301 Procurement Processes for Electric Distribution Utilities,” as may subsequently be modified
302 by the Commission.

303 **C. Avoided Costs for IPPs**

304 Unless otherwise found by the Commission or other appropriate authority, PSNH’s
305 responsibilities and avoided cost rates for purchases of IPP power pursuant to PURPA and
306 LEEPA shall be equal to the market price for sales into the ISO-NE power exchange, adjusted
307 for line losses, wheeling costs, and administrative costs. This Agreement is not intended to
308 impair existing rate orders or contracts. Nothing in this Agreement shall be construed as
309 limiting the Commission’s authority with respect to calculating avoided costs. The Settling
310 Parties agree not to oppose the opening of a generic docket or rulemaking upon petition by
311 any Settling Party to consider the proper calculation of Avoided Costs under PURPA and
312 LEEPA for all electric distribution companies in New Hampshire.

313 **D. Costs of the Scrubber**

314 Effective January 1, 2016, the Temporary Rate for recovery of costs of the Scrubber
315 shall be changed to reflect recovery of all costs of the Scrubber incurred by PSNH, along with
316 its allowed return on those costs. Upon approval of this Agreement by the Commission, that
317 rate shall be placed into PSNH’s Default Energy Service rate for recovery as a permanent rate
318 pursuant to RSA 378:28 and :29 until closing on the RRBs. PSNH’s Scrubber costs include
319 the capital and operations and maintenance expense costs of owning and operating the
320 Scrubber, the previously-deferred costs resulting from the temporary Scrubber rate, and final
321 contractual costs upon payment, among others. The previously-deferred costs resulting from
322 the temporary rate level shall be included in rates based upon an amortization period of seven
323 years.

324 Pursuant to RSA 125-O:18 and RSA 369-B:3-a, subsequent to divestiture of its
325 generating assets, PSNH shall be allowed to recover through securitization financing all
326 remaining Scrubber-related costs, including any remaining deferred equity return in excess of
327 the \$25 million in equity return which PSNH has agreed to forego. Upon closing on the
328 RRBs, all costs of the scrubber will be removed from Default Service.

329 **E. Distribution Reliability Funding**

330 To continue distribution rate funding for grid reliability, resiliency, and automation
331 expenditures until PSNH's next general distribution rate case, PSNH shall continue its
332 Reliability Enhancement Program ("REP") established in Section 6 of the "Settlement
333 Agreement on Permanent Distribution Service Rates" approved by the Commission in Docket
334 No. DE 09-035.

335 Distribution reliability funding will continue per the following terms:

336 1. In June 2015, PSNH shall make a filing with the Commission to
337 reconcile the expenses and revenues relating to REP activities between April 1, 2013 and
338 March 31, 2015 and shall include a forecast of activities for the period April 1, 2015 through
339 June 30, 2016. Any rate change required to reconcile these amounts and account for the
340 forecasted activities shall occur on July 1, 2015, and shall be subject to future reconciliation.
341 As of July 1, 2015, PSNH shall continue to collect the annual revenue necessary to recover
342 the revenue requirements associated with REP capital additions, and provide operations and
343 maintenance spending, as available. In addition, rather than end the funding presently
344 supporting recovery of the 2010 wind storm costs as identified in Section 7.2 of the rate
345 settlement in Docket No. DE 09-035, PSNH shall continue to collect the \$3 million in annual
346 revenue attributable to recovery of costs relating to this storm, but shall redirect such funding
347 to support REP activities. In order to prevent a lapse in the funding for the REP, if PSNH's
348 June 2015 filing has not been acted on prior to July 1, 2015, the Settling Parties support the
349 inclusion of the amounts specified herein in rates on a temporary rate basis as of July 1, 2015,
350 with such temporary rate to continue until receipt of Commission approval of this Agreement,
351 at which time the rate will be reconciled and become a permanent rate.

352 2. In April 2016 PSNH shall make a filing to reconcile the expenses and
353 revenues relating to REP activities between April 1, 2015 and March 31, 2016 and shall
354 include a forecast of activities for the period April 1, 2016 through June 30, 2017. Any rate
355 change required to reconcile these amounts and account for the forecasted activities shall
356 occur on July 1, 2016, and shall be subject to future reconciliation.

357 **F. Storm Funding**

358 The Major Storm Cost Reserve (“MSCR”) shall continue at the current funding levels
359 of \$12 million for the reserve, along with the dedicated funding for the December 2008 ice
360 storm. Per Section 7.2 of the rate settlement in Docket No. DE 09-035, any unamortized
361 balance of costs relating to the December 2008 ice storm will accrue carrying charges at an
362 annual rate of 4.5%. For other MSCR costs, per the PSNH 1999 Restructuring Settlement
363 Agreement and Commission Order No. 24,750, any negative balance in the MSCR will accrue
364 carrying charges at the Stipulated Rate of Return. PSNH may seek a modification to the
365 storm funding level should additional major storms occur.

366 **G. Exogenous Events**

367 During the term of this Agreement, PSNH will be allowed upon Commission approval
368 to adjust distribution rates upward or downward as a result of Exogenous Events, as defined
369 below. For any of the events defined as State Initiated Cost Change, Federally Initiated Cost
370 Change, Regulatory Cost Reassignment, or Externally Imposed Accounting Rule Change
371 PSNH will be allowed to adjust distribution rates upward or downward (to the extent that the
372 revenue impact of such event is not otherwise captured through another rate mechanism that
373 has been approved by the Commission) if the total distribution revenue impact (positive or
374 negative) of all such events exceeds \$1,000,000 (Exogenous Events Rate Adjustment
375 Threshold) in any calendar year beginning with 2015, until PSNH’s next general distribution
376 rate case.

377 1. “State Initiated Cost Change” shall mean any externally imposed
378 changes in state or local law or regulatory mandates or changes in other precedents governing
379 income, revenue, sales, franchise, or property or any new or amended regional, state or locally
380 imposed fees (but excluding the effects of routine annual changes in municipal, county and
381 state property tax rates and revaluations), which impose new obligations, duties or
382 undertakings, or remove existing obligations, duties or undertakings, and which individually
383 decrease or increase PSNH’s distribution costs, revenue, or revenue requirement.

384 2. “Federally Initiated Cost Change” shall mean any externally imposed
385 changes in the federal tax rates, laws, regulations, or precedents governing income, revenue,
386 or sales taxes or any changes in federally imposed fees, which impose new obligations, duties
387 or undertakings, or remove existing obligations, duties or undertakings, and which
388 individually decrease or increase PSNH’s distribution costs, revenue, or revenue requirement.

389 3. “Regulatory Cost Reassignment” shall mean the reassignment of costs
390 and/or revenues now included in the generation, transmission, or distribution functions to or
391 away from the distribution function by the Commission, FERC, NEPOOL, ISO-NE or any
392 other official agency having authority over such matters.

393 4. “Externally Imposed Accounting Rule Change” shall be deemed to
394 have occurred if the Financial Accounting Standards Board or the Securities and Exchange
395 Commission adopts a rule that requires utilities to use a new accounting rule that is not being
396 utilized by PSNH as of January 1, 2015.

397 No later than March 31 of each year until PSNH’s next distribution rate case filing,
398 PSNH shall file with the Commission, Staff and OCA a Certification of Exogenous Events for
399 the prior calendar year. If, in the prior calendar year, PSNH incurs any changes in distribution
400 costs, revenue, or revenue requirement in excess of the Exogenous Events Rate Adjustment
401 Threshold in connection with any Exogenous Event as defined in this section, PSNH shall
402 provide specific and sufficient detail supporting each change and the Exogenous Event(s)
403 associated with each change for the Commission, Staff and OCA to assess the proposed
404 Exogenous Event rate adjustment. If no Exogenous Events causing changes in excess of the
405 Exogenous Events Rate Adjustment Threshold occurred during the prior calendar year, PSNH
406 shall certify that fact in its annual Certification of Exogenous Events. On or before May 1 of
407 each year until PSNH’s next distribution rate case filing, the Staff and the OCA may make a
408 filing requesting an Exogenous Event rate decrease or contesting an Exogenous Event rate
409 increase proposed by PSNH. Any adjustments to revenue requirements for Exogenous
410 Events:

411 1. shall be subject to review and approval as deemed necessary by the
412 Commission;

413 2. shall be implemented for usage on and after July 1 of that year; and

414 3. shall be allocated among PSNH's rate classes on a proportional basis
415 based on total distribution revenue by class in effect at the time of the adjustment. Any such
416 filings are limited to one per calendar year, provided that any costs incurred or saved due to
417 such Exogenous Events shall be deferred for consolidation in the single filing.

418 Any Exogenous Event adjustment made during the term of this Agreement will remain
419 in rates only through the effective date of new rates set as a result of PSNH's next general
420 distribution rate proceeding.

421 **H. Delivery Charge**

422 PSNH's next general distribution rate case may not have rates that take effect prior to
423 July 1, 2017. PSNH shall be entitled to adjust distribution rates on July 1, 2015 to recognize
424 the end of the overearnings refund required by Commission Order No. 25,682, and as
425 necessary to implement the Distribution Reliability Funding, Storm Funding, and Exogenous
426 Events provisions set forth above.

427 **IV. DIVESTITURE**

428 **A. General**

429 For the economic benefit of customers, the Commission and PSNH shall expeditiously
430 pursue divestiture of PSNH's owned generation fleet upon the later of the enactment of the
431 legislation contained in Appendix A hereto and final Commission approval of the settlement
432 agreement reflecting the provisions of this Agreement. This divestiture will take place
433 through several processes including the sale of its existing power generation facilities at
434 auction. The goals of the asset auctions are to maximize the net Total Transaction Value
435 ("TTV"), which reflects all of the cash and non-cash elements of the transaction(s), realized
436 from the sale(s) in order to minimize Stranded Costs, to provide a market-based determination
437 of Stranded Costs, and to establish a competitive energy market, while at the same time
438 providing certain employee and host community protections as set forth herein.

439 The Commission shall have administrative oversight of the auction process and bid
440 selection, including such direction and control as it deems necessary. Affiliates or
441 subsidiaries of Eversource may not bid on PSNH's generating assets. The Commission shall
442 select and supervise an auction advisor to conduct the auction process. The costs of the
443 auction advisor shall be netted against the auction proceeds.

444 All purchaser(s) of PSNH's generation assets shall be required to keep the acquired
445 plants in service for a minimum of eighteen months from the date of the financial closing on
446 the purchase of the plant by the new owner.

447 The provisions of the existing Collective Bargaining Agreement (CBA) between
448 PSNH and Local 1837 of The International Brotherhood of Electrical Workers governing the
449 "Generation Group," as modified by the Memorandum of Agreement set forth in Appendix B,
450 shall remain in effect and be binding upon PSNH and the purchaser(s) of the existing
451 generating assets for the term of the CBA.

452 PSNH shall engage an expert consultant regarding typical divestiture processes and
453 submit testimony from that expert as part of the Commission's proceeding to review this
454 Agreement. The costs of such expert shall be recovered by PSNH via its Default Service
455 charge until a financing order is issued. The other Settling Parties may also submit testimony
456 regarding divestiture processes.

457 **B. Timing and Details of the Fossil/Hydro Auctions**

458 The fossil and hydro auction processes will be conducted by a qualified auction
459 advisor whose primary objective will be to maximize the realized value of the fossil and hydro
460 generation assets. A secondary objective of the auction processes, to the extent not
461 inconsistent with the primary objective, will be to accommodate the participation of
462 municipalities that host generation assets and to fairly allocate among individual assets the
463 sale price of any assets that are sold as a group. The thermal and remote combustion assets
464 (collectively the "Fossil assets") and the hydro assets may be divested pursuant to separate
465 auction processes. Similar to other regional generation asset auctions, the fossil and hydro
466 auction processes are anticipated to consist of an initial, nonbinding bid phase ("Initial
467 Phase") followed by subsequent bidding phases. In the Initial Phase, interested parties will be

468 given access to the data room, invited to ask preliminary questions, and conduct initial due
469 diligence. Following the Initial Phase, the auction manager, subject to final approval by the
470 Commission, shall select a group of qualified bidders that are permitted to participate in
471 subsequent bidding phases, and will disclose any mandatory groupings of the assets for
472 bidding. Any municipalities providing notice to the Commission of their desire to bid on
473 generating assets shall automatically be qualified to participate beyond the Initial Phase.
474 Following the Initial Phase, qualified bidders will be given the opportunity to conduct detailed
475 due diligence, ask detailed questions, visit the sites and submit binding bids.

476 Conduct of the auction will be under the oversight and administration of the
477 Commission, with the Commission retaining such direction and control as it deems necessary.
478 Interested parties will be provided information regarding the assets subject to auction via a
479 secure internet web site, data room information, transaction documents, and other means as
480 deemed necessary and appropriate. A designated advisor will serve as the intermediary for
481 communications from bidders throughout the bidding process.

482 **C. Facilities**

483 The PSNH fossil/hydro generating assets to be divested via auction are generally listed
484 below. Detailed descriptions of the assets will be provided as part of the divestiture process.

485 **1. Thermal Facilities:**

486 **a. Merrimack Station**

487 Merrimack Station is located south of the Garvins Falls Hydroelectric Project,
488 along the Merrimack River in Bow, New Hampshire. Generating units include coal-
489 fired Units 1 and 2 and peaking units CT1 and CT2.

490 **b. Newington Station**

491 Newington Station is located on a site of more than 50 acres, along the banks
492 of the Piscataqua River in Newington, New Hampshire. Generation includes oil or gas
493 fueled Unit 1.

494 **c. Schiller Station**

495 Schiller Station is located east of Newington Station, on the southerly shore of
 496 the Piscataqua River in Portsmouth, New Hampshire. Generating units include coal or
 497 oil fired Units 4 and 6, biomass or coal fired Unit 5, and peaking unit CT1.

498 **2. Hydro Facilities:**

499 **a. Smith Station**

500 Smith Station is located on the Androscoggin River in Berlin, Coos County,
 501 New Hampshire near the confluence of the Dead River and the Androscoggin River.

502 **b. Gorham Station**

503 Gorham Station is located on the Androscoggin River in the Town of Gorham,
 504 Coos County, New Hampshire, near the confluence of the Peabody River and the
 505 Androscoggin River.

506 **c. Androscoggin Reservoir Company (ARCO)**

507 Hydroelectric stations on the Androscoggin River receive headwater benefits
 508 from ARCO. PSNH is a 12.5 percent owner in ARCO.

509 **d. Canaan Station**

510 Canaan Station is located on the northern Connecticut River in the towns of
 511 Canaan, Vermont and Stewartstown (West Stewartstown Village), New Hampshire.

512 **e. Ayers Island Station**

513 Ayers Island Station is located on the Pemigewasset River approximately 12
 514 miles upstream from the U.S. Army Corps of Engineers' Franklin Falls Flood Control
 515 Dam in the Towns of Bristol, Bridgewater, Ashland and New Hampton, New
 516 Hampshire.

517 **f. Eastman Falls Station**

518 Eastman Falls Station is on the Pemigewasset River in Franklin, New
 519 Hampshire.

520 **g. Amoskeag Station**

521 Amoskeag Station is located on the Merrimack River in Manchester, New
522 Hampshire, downstream from Hooksett Station.

523 **h. Hooksett Station**

524 Hooksett Station is located on the east side of the Merrimack River in
525 Hooksett, New Hampshire, downstream from the Garvins Falls Station and Merrimack
526 Station, and upstream from Amoskeag Station.

527 **i. Garvins Falls Station**

528 Garvins Falls is located on the Merrimack River in Bow, New Hampshire.

529 **j. Jackman Station**

530 Jackman Station consists of a dam, located on Franklin Pierce Lake, and a
531 penstock, surge tank and powerhouse, located in Hillsborough, New Hampshire.

532 **3. Remote Combustion Turbines:**

533 **a. Lost Nation Combustion Turbine**

534 The Lost Nation Combustion Turbine is located in the town of
535 Northumberland, New Hampshire.

536 **b. White Lake Combustion Turbine**

537 The White Lake Combustion Turbine is located in the town of Tamworth, New
538 Hampshire.

539 **D. Approvals**

540 Various approvals have been identified as being required prior to the closing of any
541 sale resulting from the fossil and hydro auctions or other sale process. PSNH shall cooperate
542 with the winning bidders to achieve these and any other necessary approvals:

543 **1. Federal**

544 Federal approvals will be required from FERC for the transfer to the buyer of any
545 jurisdictional facilities, the jurisdictional hydroelectric projects and FERC licenses, and the
546 Interconnection and Operation Agreement.

547 The pre-merger notification requirements of the Hart-Scott-Rodino Act may require
548 PSNH and the buyer to file notification regarding the intended sale.

549 **2. State**

550 In addition to approvals required from the Commission, the following State approvals
551 may also be required:

552 Approval may be required by the Vermont Public Service Board under Vt. Stat. tit. 30,
553 §109 for the sale of PSNH's generating plant located in Canaan, Vermont.

554 Approval may be required from the Maine Public Utilities Commission under Me.
555 Rev. Stat. tit. 35-A, §1101 for the sale of PSNH's minority interest in the Wyman 4
556 generating station located in Maine.

557 Approvals and appropriate findings may be required from state regulators under 18
558 CFR 366.7.

559 **3. Other**

560 The asset sales may require prior consent of certain lenders under PSNH's existing
561 credit agreements. In addition, the sales may require additional regulatory approvals that will
562 be based on the identity and regulatory requirements applicable to the selected buyer(s) of the
563 divested assets. Approvals may also be required to transfer various licenses, permits, and
564 other authorizations.

565 **E. Power Purchase Agreements**

566 PSNH shall retain PPAs and sell the energy and capacity from those agreements into
567 the market, with the difference between the contract costs and the market revenues associated

568 with the PPAs' energy and capacity to be recovered through the SCRC. RECs from such
569 PPAs will be managed prudently to benefit customers.

570 **F. Wyman Unit 4**

571 PSNH's minority ownership interest in Wyman Unit 4, located in Yarmouth, Maine,
572 will be offered for sale and may be sold outside of the auction process or dealt with as deemed
573 appropriate by the Commission.

574 **G. Failed Auction**

575 The Commission and PSNH will make reasonable efforts to assure that a successful
576 auction occurs. These efforts shall be consistent with the objective of maximizing the TTV
577 of the sale of PSNH's generation assets.

578 Should generation assets be left unsold as a result of the auction process or as a result
579 of the Commission not approving a sale, the Commission shall initiate a new divestiture
580 process for such unsold assets no later than ninety days from the date of the Commission's
581 order approving the sale of the other generating assets or direct PSNH to pursue retirement of
582 such unsold assets in an economic manner, with recovery of the prudent costs of such
583 retirement via the SCRC, including costs such as environmental, decommissioning, penalties
584 imposed based upon capacity obligations, and employee protection costs. Should a second
585 divestiture process also result in a failed auction, the retirement option for any such unsold
586 generating assets will be pursued in an economic manner overseen by the Commission as
587 quickly as reasonably possible. Until such asset is divested or retired, PSNH shall retain the
588 assets, entitlements, or obligations, operate them prudently, and bid the output into the market
589 with the net of costs and revenues included in Part 2 of the SCRC.

590 **H. Property Taxes**

591 To help ensure economic stability of New Hampshire municipalities impacted by
592 divestiture of PSNH's generating assets, PSNH shall make property tax stabilization payments
593 that ramp down on a straight-line basis and phase out over a period of three tax years
594 following divestiture to the municipalities where the generating facilities listed in Section
595 IV(C), are located, to the extent that the purchase price of the asset is less than the
596 municipality's imputed fair market value as expressed by the municipality's assessed value of

597 the asset multiplied by the New Hampshire Department of Revenue Administration's median
598 equalization ratio for the subject municipality.

599 All such property tax stabilization payments shall be calculated as follows:

600 1. Fossil and Remote Combustion Assets

601 For the fossil and remote combustion assets, the baseline assessment shall be the final,
602 unappealable market value assessment for property tax purposes of the generating asset by a
603 municipality for the most current period prior to the closing on the sale of the asset. Property
604 tax stabilization payments shall be made to the municipality on the same schedule that normal
605 property tax payments would be due. However, if the market value assessment for property
606 tax purposes of the generating asset by the municipality for the period prior to the closing on
607 the sale of the asset is under appeal, then the property tax stabilization payments shall be
608 delayed until all such appeals have ended and a final, unappealable value has been
609 established.

610 In the first year following divestiture, the property tax stabilization payment amount
611 shall be the difference in taxes between the baseline assessment and the new market value
612 assessment established by the municipality based upon the generating asset's purchase price.
613 This shall be the "initial amount." In the second year following divestiture, the property tax
614 stabilization payment amount shall equal two-thirds of the initial amount. In the third year
615 following divestiture, the final property tax stabilization payment amount shall equal one-third
616 of the initial amount.

617 2. Hydro Assets

618 For the hydro assets, the baseline assessment shall be the municipality's 2014 market
619 value assessment for property tax purposes of the hydro asset. Property tax stabilization
620 payments shall be made to the municipality on the same schedule that normal property tax
621 payments would be due. In the first year following divestiture, the property tax stabilization
622 payment amount shall be the difference in taxes between the baseline assessment and the new
623 market value assessment established by the municipality based upon the generating asset's
624 purchase price. This shall be the "initial amount." In the second year following divestiture,

625 the property tax stabilization payment amount shall equal two-thirds of the initial amount. In
626 the third year following divestiture, the final property tax stabilization payment amount shall
627 equal one-third of the initial amount.

628 However, if the 2014 assessment is under appeal at the time of the closing on the sale
629 of the asset, the baseline assessment for the asset shall be the municipality's assessed value of
630 the asset for the most recent period prior to 2014 for which a final, unappealable market value
631 assessment for property tax purposes has been established. Property tax stabilization
632 payments shall be made to the municipality on the same schedule that normal property tax
633 payments would be due. In the first year following divestiture, the property tax stabilization
634 payment amount shall be fifty percent (50%) of the difference in taxes between the baseline
635 assessment and the new market value assessment established by the municipality based upon
636 the generating asset's purchase price. This shall be the "initial amount." In the second year
637 following divestiture, the property tax stabilization payment amount shall equal two-thirds of
638 the initial amount. In the third year following divestiture, the final property tax stabilization
639 payment amount shall equal one-third of the initial amount.

640 Upon the determination of the final, unappealable market value assessment for
641 property tax purposes of the generating asset by a municipality for 2014, property tax
642 stabilization payments shall be reconciled to the final, unappealable 2014 assessment. PSNH
643 agrees that for those hydro assets where no abatement application was filed for the 2014
644 assessment, PSNH shall not appeal subsequent assessments made prior to the closing on the
645 sale of such asset unless the municipality's assessment is greater than the unappealed 2014
646 assessment.

647 **V. CLEAN ENERGY AND ENERGY EFFICIENCY COMMITMENTS**

648 **A. Creation of a Clean Energy Fund**

649 Upon closing on the RRBs, PSNH agrees to provide \$5 million to capitalize a Clean
650 Energy Fund, such amount not to be recovered from customers. Details regarding the Clean
651 Energy Fund will be established via a collaborative process overseen by Commission Staff
652 and the Office of Energy and Planning. General principles governing the uses of the Clean
653 Energy Fund and any programs supported by the Fund will include but not be limited to:

654 innovation in achieving clean energy benefits; leveraging of various sources of funds
655 including attracting private capital to the fund and to programs supported by the fund;
656 expanding access to clean energy across customer classes in a cost-effective manner; and
657 avoiding undue administrative costs.

658 **B. Collaboration in Furtherance of Energy Efficiency and Distributed Energy**
659 **Targets**

660 PSNH also agrees to work with interested parties to establish and implement increased
661 energy efficiency savings and distributed energy investment targets. PSNH shall be allowed
662 recovery of all prudent costs associated with the energy efficiency and distributed energy
663 investments required to meet these targets. Such recovery will occur via the System Benefits
664 Charge or other non-bypassable charge or rate approved by the Commission.

665 **VI. MARKETING OF ENERGY**

666 **A. Prudent Operation of PSNH Generating Assets**

667 Notwithstanding any other provisions of this Agreement, PSNH will be responsible for
668 prudently operating its fossil/hydro generating assets, and for prudently managing the
669 generation-related entitlements and purchase obligations in which it retains an interest until
670 such time as they are sold or transferred to another entity, retired, or a purchase obligation
671 terminates. Within 45 days of the Commission's approval of this Settlement Agreement, but
672 no later than February 15, 2016, PSNH shall file with the Commission a plan for its
673 generation related capital and maintenance expenditures for the subsequent one-year period.
674 PSNH shall file a new plan annually until the sale or retirement of PSNH's final generation
675 asset. PSNH shall not increase or decrease expenditures by more than 20% from the plan as
676 filed without prior Commission approval. In addition, PSNH shall continue to bid its
677 generating assets into the ISO-NE forward capacity markets in order to preserve the value of
678 those assets. If PSNH wishes not to bid into an ISO-NE forward capacity market auction, it
679 must file a written request with the Commission with 30-days advanced notice and receive an
680 order from the Commission approving its request. The costs incurred or revenues received in
681 compliance with these requirements will be recovered by PSNH as part of its default service
682 rate or as a stranded cost, as timing dictates.

683 **B. Purchases from Qualifying Facilities (“QFs”), Independent Power Producers**
684 **(“IPPs”) and Power Purchase Agreements**

685 Unless otherwise found by the Commission or other appropriate authority, for so long
686 as PSNH purchases the output from QFs, IPPs, or pursuant to the PPAs, PSNH shall sell or
687 bid such purchases into the pool at the ISO-NE market clearing price, with the resulting costs
688 or credits recovered via Part 2 of the SCRC as a Non-Securitized Stranded Cost. Nothing in
689 this Agreement shall be construed as limiting the Commission’s authority with respect to
690 determining an electric distribution company’s purchase obligation of QF or IPP output.

691 **C. Procedure for Review of Plant Operations and Marketing of Power**

692 PSNH shall annually file a report and such other information as the Commission shall require
693 for review by the Commission supporting PSNH’s plant operations and the results of the sale
694 of the output from PSNH’s plants, entitlements and purchase obligations. Such filings shall be
695 made on a time schedule to be determined by the Commission.

696 **VII. EMPLOYEE PROTECTION**

697 As part of the plan to divest generating assets, and consistent with RSA 369-B:3-b,
698 certain commitments have been made to represented and non-represented Affected
699 Employees. In each case, the employee commitments to be undertaken by the purchaser will
700 also be binding upon any successor or assigns or any other entity acquirer of the purchaser.
701 Costs associated with subsequent workforce restructuring activities will be borne solely by the
702 purchaser.

703 **A. Represented Affected Employees**

704 PSNH is a party to a Collective Bargaining Agreement (“CBA”) with the International
705 Brotherhood of Electrical Workers (“IBEW”), Local 1837 in New Hampshire. The purchaser
706 will be required to assume PSNH’s obligations under the IBEW-PSNH Fossil/Hydro CBA at
707 the closing of the asset sale.

708 Affected Employees who are employed under the terms of the CBA will be entitled to
709 the employee protections set forth in the CBA as modified by the “Memorandum of

710 Agreement Extending Current CBA Upon Divestiture by PSNH of any Generating Asset” and
711 its referenced “Exhibit A” and “Exhibit B” attached hereto as Appendix B.

712 **B. Non-Represented Affected Employees**

713 PSNH or Eversource shall provide employee protections to non-represented Affected
714 Employees of PSNH or Eversource as required by RSA 369-B:3-b. As a condition of the sale
715 of PSNH's generation assets, the purchaser(s) will be required to assume employee protection
716 obligations to non-represented Affected Employees required by RSA 369-B:3-b.

717 **VIII. EXEMPT WHOLESALE GENERATOR STATUS**

718 Should any entity to whom PSNH sells its generating assets desire to seek Exempt
719 Wholesale Generator status, the Settling Parties agree that they will support the purchaser's
720 efforts to obtain any necessary approvals and findings from the Commission and/or FERC, as
721 applicable.

722 **IX. SECURITIZATION OF STRANDED COSTS**

723 **A. Role of Securitization in Settlement**

724 The Settling Parties recognize that securitization is a useful tool for reducing
725 customers' costs and maximizing customer benefits. The issuance of RRBs will allow PSNH
726 to reduce its cost of capital, thereby significantly reducing rates for customers. Securitization
727 is expected to account for a material portion of the customer cost savings that will be achieved
728 when this Agreement is implemented.

729 **B. Legislation**

730 Legislation (SB221) deemed necessary and acceptable to the Settling Parties to
731 effectuate the terms of this Agreement and to allow the successful issuance of RRBs is
732 attached hereto as Appendix A. SB221, if enacted, would amend RSA Chapter 369-B and
733 RSA 374-F:3, V (c). Should SB221 not be enacted, such event shall be a failure of a
734 condition precedent to the effectiveness of this Agreement. If SB221 is enacted in a form that
735 differs in any material term from the draft legislation as it appears in Appendix A, any Settling
736 Party shall have the right to withdraw from this Agreement.

737 Such legislation authorizes, among other things, the securitization financing
738 contemplated by this Agreement via the creation by the Commission of an irrevocable
739 property right to bill and collect a non-bypassable RRB Charge in amounts sufficient to
740 recover RRB Costs associated with the RRBs. Such irrevocable property right will be
741 referred to as “RRB Property.”

742 Pursuant to RSA Chapter 369-B as amended by the draft legislation, the State of New
743 Hampshire will pledge, contract, and agree that neither the State nor any agency thereof,
744 including the Commission, will limit or alter the RRB Charge, securitized Stranded Costs,
745 RRB Property, or the finance order and all rights thereunder, until the RRBs and any interest,
746 fees and expenses associated therewith are fully discharged, unless adequate provision is
747 made for the protection of the owners or holders. The legislation also provides that RRB
748 Property may be sold in a true sale transaction to a SPSE in order to facilitate the issuance of
749 RRBs and directs the Commission to adjust the RRB Charge periodically in order to ensure
750 the timely recovery of RRB Costs (see the description of the True-Up Mechanism herein).

751 The RRB Charge will be non-bypassable pursuant to RSA 374-F:3 and RSA Chapter
752 369-B, and as provided in Section III.

753 **C. Commission Order**

754 Securitization will require the expeditious prior approval by the Commission in the
755 form of a finance order which includes the transaction description, certain findings, orders and
756 approvals. PSNH will request findings that will maximize the likelihood of achieving a
757 Triple-A Rating on the RRBs and the marketability of the RRB issuance. PSNH will make
758 filings necessary in order to allow the Commission to issue the finance order concurrently
759 with the Commission’s approval of bids for the sale of PSNH’s generating assets.

760 The Commission will be requested, among other things, to: (i) approve the issuance of
761 RRBs in an amount sufficient to refinance the unrecovered net book value of PSNH’s
762 generation assets, unrecovered deferrals, transaction costs, tax stabilization payments,
763 employee protections, and other costs set forth herein consistent with RSA Chapter 369-B as
764 amended by the draft legislation in Appendix A, less the \$25 million in deferred equity return
765 on the scrubber which PSNH has agreed to forego; (ii) approve the organization and

766 capitalization of the SPSE to which the RRB Property will be sold; (iii) establish the RRB
767 Property and the RRB Charge; (iv) provide for the periodic adjustment of the RRB Charge via
768 the True-Up Mechanism described herein; (v) approve the general structure and terms of the
769 RRBs (as summarized below); (vi) approve the servicing of the RRB Charge by PSNH, as
770 provided below in this Section IX, as the initial servicer for the RRB Property (the
771 “Servicer”), or any successor Servicer, under a servicing agreement (the “Servicing
772 Agreement”); and, (vii) declare the finance order irrevocable pursuant to RSA Chapter 369-B
773 as amended by the draft legislation.

774 **D. RRB Transaction Overview**

775 The finance order sought by PSNH will, among other things, require approval of the
776 following aspects of the RRB transaction, finding that they are consistent with achieving the
777 targeted Triple-A Rating and therefore the lowest cost on the RRBs.

778 **1. Sale of RRB Property**

779 a. PSNH will form a bankruptcy-remote, wholly owned Special Purpose
780 Securitization Entity (“SPSE”).

781 b. Pursuant to Revenue Procedure 2005-61 issued by the Internal Revenue
782 Service dated September 12, 2005, (and/or other applicable Internal Revenue Service
783 guidance), PSNH will capitalize the SPSE in an amount anticipated to be at least 0.50% of the
784 initial principal balance of RRBs. These funds will be deposited in the Reserve Subaccount
785 (see Section IX(D)(5)(b)). This capitalization is required in order that PSNH may treat the
786 RRB issuance by the SPSE as debt for tax purposes.

787 c. PSNH will sell the RRB Property to the SPSE in a transaction which will
788 be intended and treated as a legal true sale and absolute transfer to the SPSE. A true sale of
789 RRB Property to a bankruptcy-remote SPSE provides that, in the event of a PSNH
790 bankruptcy, the RRB Property owned by the SPSE will not become a part of the PSNH
791 bankruptcy estate and PSNH creditors will have no recourse to the RRB Property or the RRB
792 Charge.

793 **2. Issuance of RRBs**

794 a. The SPSE will issue RRBs in one or more series, each of which may be
795 offered in one or more classes having a different principal amount, term, interest rate and
796 amortization schedule. To the extent allowed by the Commission in the finance order, the
797 form, term, interest rate (whether fixed or variable), repayment schedule, classes, number and
798 determination of credit ratings and other characteristics of RRBs will be determined at the
799 time of pricing based on then-current market conditions, in order to achieve the most
800 reasonable financing possible. Under certain circumstances, the RRBs may be subject to call
801 provisions and may be refinanced through a subsequent issuance of RRBs to the extent such
802 refinancing would result in a lower interest cost associated with the RRBs refinanced. Prior to
803 the RRB issuance, PSNH will make an informational filing with the Commission consisting
804 of an "Issuance Advice Letter" setting forth the final terms of the RRBs.

805 b. RRBs will be non-recourse to PSNH and its assets and will not be secured
806 by a pledge of the general credit, full faith or taxing power of the State of New Hampshire or
807 any agency or subdivision of the State of New Hampshire.

808 c. The targeted rating on the RRBs is a Triple-A Rating.

809 d. The RRB Charge will be billed until the RRBs are fully amortized and all
810 costs related thereto have been paid, but in no event after the legal final maturity.

811 e. RRBs will be secured by all of the assets of the SPSE, including without
812 limitation: (i) the RRB Property; (ii) the rights of the SPSE under all transaction documents
813 such as the purchase agreement by which the SPSE acquires all rights in the RRB Property
814 (and including any swap agreements in place with respect to floating rate RRBs); (iii) the
815 Servicing Agreement by which PSNH, or any successor servicer, acts as Servicer for the RRB
816 Property; (iv) the Collection Account (as summarized below); (v) certain investment earnings
817 on amounts held by the SPSE; and (vi) the capital of the SPSE.

818 f. RRBs will be repaid through the collection of the RRB Charge as described
819 in Section III (A).

820 g. The RRB Charge will be non-bypassable as provided in Section III (A).

821 **3. Servicing of RRBs**

822 a. On behalf of the SPSE, PSNH will initially act as the Servicer for the RRB
823 Property, and PSNH, or any successor Servicer, will be responsible for calculating, billing,
824 collecting, and remitting the RRB Charge.

825 b. In consideration for its servicing responsibilities, PSNH or any successor
826 Servicer will receive a periodic servicing fee which will be recovered through the RRB
827 Charge. In the event of a failure of any customer to pay the RRB Charge, PSNH, as Servicer,
828 or any utility successor to PSNH, is authorized to disconnect service to such customer to the
829 same extent that a public utility may, under applicable law and regulations, disconnect service
830 to a customer who fails to pay any charge. If PSNH is replaced as Servicer due to its
831 imprudence, the Commission may consider such lost periodic servicing fees when
832 determining new Delivery Charge rates.

833 c. In the event that the Commission decides to allow billing, collection, and
834 remittance of the RRB Charge by a third party supplier within the PSNH Service Territory,
835 such authorization must be consistent with the rating agencies' requirements necessary for the
836 RRBs to receive and maintain the targeted Triple-A Rating.

837 d. PSNH or any successor Servicer will periodically remit (as frequently as
838 required by the rating agencies) collections of the RRB Charge to the SPSE. The SPSE will
839 use the RRB Charge remittances to make payments of interest, principal, fees and expenses on
840 the RRBs and to replenish the Reserve Subaccount.

841 e. Depending upon the capability of PSNH's systems at the time of issuance,
842 PSNH may utilize some type of estimation methodology to determine the amount of the RRB
843 Charge to remit to the SPSE; provided, however, that PSNH will remain liable to remit the
844 amount of the RRB Charge that it actually collects.

845 **4. RRB Charge**

846 a. The RRB Charge will be established at levels intended to provide for the
847 full recovery of RRB Costs, based upon assumptions including sales forecasts, payment and
848 charge-off patterns, and lags between SCRC billing and collection by the Servicer.

849 b. So that the RRB Charge may recover interest payments on the RRBs, it will
850 be calculated to reflect the coupon on the RRBs as determined by market conditions at the
851 time of issuance.

852 c. The RRB Charge will be billed until the RRBs are fully amortized and all
853 costs related thereto have been paid, but in no event after the legal final maturity.

854 **5. Credit Enhancement; Overcollateralization and True-Up**
855 **Mechanism**

856 a. In order for the RRBs to receive the targeted Triple-A Rating, the exposure
857 to losses due to, among other things, shortfalls in projected sales of energy, longer-than-
858 expected delays in bill collections, and higher-than-estimated uncollectable accounts must be
859 minimized. This will be accomplished with various forms of credit enhancement described in
860 the finance order, including the various components of the Collection Account and the True-
861 Up Mechanism described below.

862 b. The RRB Charge collections will be deposited into an interest bearing
863 Collection Account, which is expected to consist of a General Subaccount (which will hold
864 the collections with respect to principal, interest, fees, and expenses) and at least two other
865 subaccounts: the Reserve Subaccount (which will hold PSNH's initial capital contribution to
866 the SPSE) and the Overcollection Subaccount (which will hold any excess collections of the
867 RRB Charge as described below). RRB Charge collections in excess of scheduled payments
868 of interest, principal, fees and expenses on RRBs will be allocated to: (i) the Reserve
869 Subaccount to the extent the amount therein has been reduced to below the initial capital
870 contribution; and (ii) the Overcollection Subaccount for any remaining amounts. To the
871 extent that the RRB Charge collections are insufficient to make scheduled payments of
872 interest, principal, fees and expenses on RRBs during any period, the subaccounts will be
873 drawn upon to make up the difference in the order approved by the rating agencies.

874 c. The RRB Charge will be calculated (both initially and as a result of the
875 True-Up Mechanism) to recover all of the RRB Costs.

876 d. The RRB Charge will be adjusted up or down pursuant to the True-Up
877 Mechanism in accordance with the specific methodology described in the finance order. At

878 the times specified in the order and as approved by the Commission, an RRB Charge
879 adjustment will be requested such that, during the period for which that RRB Charge will be
880 billed, RRB Charge collections will be sufficient to: (i) pay principal and interest on the RRBs
881 in accordance with the expected amortization schedule; (ii) pay fees and expenses related to
882 RRBs; (iii) maintain the Reserve Subaccount balance at the required level; and (iv) reduce the
883 balance in the Overcollection Subaccount to zero. During the twelve months prior to the
884 expected maturity date and thereafter until the legal maturity date, PSNH may, at its option,
885 initiate quarterly or monthly True-Up Mechanism reconciliations. When the RRBs are fully
886 paid, any balance in the Reserve Subaccount will be returned to PSNH. When the RRBs are
887 fully paid, any balance in the Overcollection Subaccount will be used to reduce the Part 2
888 Stranded Costs.

889 The Settling Parties acknowledge that the ultimate form of the RRBs, the RRB
890 Charge, and the manner in which the RRBs are serviced and trued up shall depend on the
891 requirements of ratings agencies, tax considerations, the requirements and limits of PSNH's
892 systems and other relevant considerations.

893 **E. Proceeds**

894 The SPSE will transfer the proceeds it receives from the issuance of the RRBs to
895 PSNH as consideration for the RRB Property. PSNH shall account for the proceeds of
896 securitization according to the terms of this Agreement to recognize recovery of stranded
897 costs, cost and revenue deferrals, transaction costs, tax liabilities, employee protections, tax
898 stabilization payments, decommissioning, asset retirement, and environmental costs and
899 liabilities and to recoup its investments in generation assets per the terms of this Agreement,
900 up to the extent of the proceeds received as directed by the Commission.

901 **X. PROCEEDINGS TO BE TERMINATED UPON IMPLEMENTATION OF** 902 **SETTLEMENT**

903 The two Commission proceedings set forth below shall be closed upon the latter of a)
904 the enactment of the draft legislation contained in Appendix A; and, b) Commission approval
905 of this Agreement.

906 1. Docket No. DE 11-250, "Investigation of Scrubber Costs and Cost Recovery."

907 2. Docket No. DE 14-238, "Determination Regarding PSNH's Generation Assets."

908 The Settling parties request that following closure of Docket No. DE 14-238, the
909 Commission open a docket with appropriate ongoing proceedings to address the
910 administration of the divestiture auction, issuance of a finance order implementing RRBs, and
911 calculation and reconciliation of the stranded costs recovery charge.

912 **XI. CONDITIONS FOR IMPLEMENTING THE SETTLEMENT**

913 All conditions set forth in this section must be met to the satisfaction of all Settling
914 Parties as a condition precedent to implementation of this Agreement, and the Settling Parties
915 hereby agree to take all reasonable measures to ensure fulfillment of these conditions. The
916 failure of any of these conditions to be fulfilled will result in termination of the Agreement,
917 subject to the provisions of Section XII (D).

918 A. The Commission must approve this Agreement by a Final Order, without condition
919 or modification, unless otherwise agreed to by the Settling Parties as provided in Section XII
920 (D).

921 B. Legislation must be enacted as set forth in Appendix A hereto, or in such other
922 form as is acceptable to PSNH and Eversource.

923 C. All parties to the PSNH 1999 Restructuring Settlement Agreement must agree that
924 the PSNH 1999 Restructuring Settlement Agreement is rescinded and superseded upon
925 satisfaction of the conditions set forth in Section XI, A & B, above.

926 **XII. MISCELLANEOUS**

927 **A. Applicable Law**

928 This Agreement shall be governed by the laws of the State of New Hampshire. The
929 Settling Parties agree that any disputes regarding this Agreement will be subject to the
930 jurisdiction of the Commission and the appellate jurisdiction of the New Hampshire Supreme
931 Court.

932 **B. Successors and Assigns**

933 The rights conferred and obligations imposed on the Settling Parties to this Agreement
934 shall be binding on or inure to the benefit of their successors in interest or assignees as if such
935 successor or assignee was itself a Signatory hereto.

936 **C. Entire Agreement**

937 This Agreement contains the entire agreement among the Settling Parties respecting
938 the subject matter herein. Conditioned upon Commission approval of this Agreement, and the
939 consent of all the parties to the PSNH 1999 Restructuring Settlement Agreement, this
940 Agreement supersedes all prior agreements and understandings between the Settling Parties,
941 including all prior Term Sheets and the PSNH 1999 Restructuring Settlement Agreement.
942 The agreements contained herein are interdependent and not severable, and they shall not be
943 binding upon, or deemed to represent positions of, the Settling Parties if they are not approved
944 in full and without modification or condition by the Commission subject to subsection D of
945 this section, below.

946 **D. General Provisions**

947 If the Commission does not approve this Agreement in its entirety and without
948 modification or condition, the Settling Parties shall have an opportunity to amend or terminate
949 this Agreement. If terminated, this Agreement shall be deemed withdrawn and shall not
950 constitute a part of the record in any proceeding or be used for any purpose.

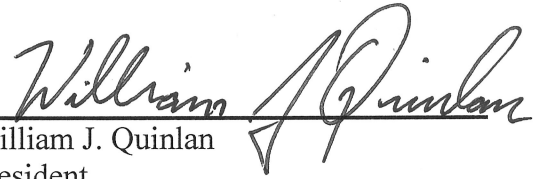
951 This Agreement is the product of settlement negotiations. The content of those
952 negotiations shall be privileged and all offers of settlement and all documents or discussions
953 related thereto shall be without prejudice to the position of any party or participant presenting
954 such offer.

955 The Settling Parties agree to support this Agreement before the Commission and in
956 any related legal proceedings or legislative inquiries or hearings, to oppose legislation
957 inconsistent with this Agreement, and to take all such action as is necessary to secure approval
958 and implementation of the provisions of this Agreement.

Signed this 10th day of June, 2015.



James J. Judge
Executive Vice President and
Chief Financial Officer
Eversource Energy



William J. Quinlan
President
Public Service Co. of New Hampshire
d/b/a Eversource Energy

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Director
N.H. Office of Energy and Planning

Susan W. Chamberlin
Consumer Advocate
Office of Consumer Advocate

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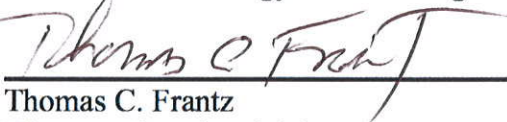
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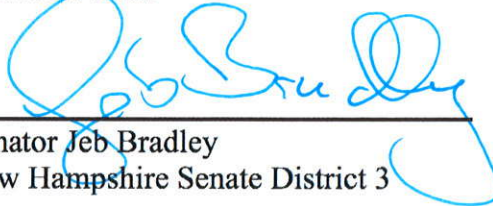
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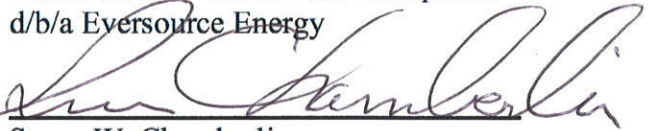


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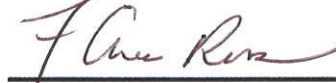


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City Attorney
City of Berlin*

* Subject to ratification by the Berlin City Council at a public meeting.

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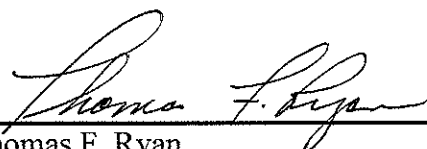
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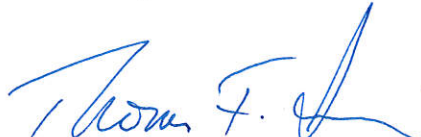
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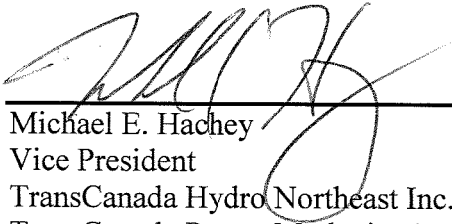
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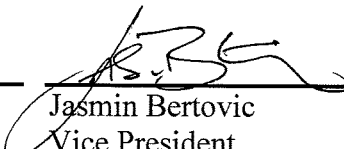
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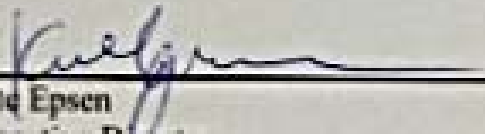
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**APPENDIX A - LEGISLATION NECESSARY FOR THE EFFECTIVENESS OF
THIS AGREEMENT**

SB 221-FN - AS AMENDED BY THE HOUSE

03/26/2015 1026s

03/26/2015 1124s

3June2015... 1926h

2015 SESSION

15-0928

06/05

SENATE BILL ***221-FN***

AN ACT relative to electric rate reduction financing.

SPONSORS: Sen. Bradley, Dist 3

COMMITTEE: Energy and Natural Resources

AMENDED ANALYSIS

This bill permits the public utility commission to issue finance orders that authorize the issuance of certain rate reduction bonds in accordance with the 2015 settlement proposal, or if the commission orders divestiture, regarding cost recovery of the Merrimack Station scrubber and divestiture of PSNH's remaining generation plants.

The bill also clarifies employee protections in the event of the divestiture or retirement of PSNH generation assets.

Explanation: Matter added to current law appears in ***bold italics***.

Matter removed from current law appears [~~in brackets and struck through.~~]

Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

984 03/26/2015 1026s

985 03/26/2015 1124s

986 3June2015... 1926h

987 15-0928

988 06/05

989 STATE OF NEW HAMPSHIRE

990 *In the Year of Our Lord Two Thousand Fifteen*

991 AN ACT relative to electric rate reduction financing.

992 *Be it Enacted by the Senate and House of Representatives in General Court*
993 *convened:*

994 1 New Paragraph; Electric Rate Reduction Financing and Commission Action;
995 Findings and Purpose. Amend RSA 369-B:1 by inserting after paragraph XV the
996 following new paragraph:

997 XVI. It is in the public interest for the commission to issue a finance order that is
998 subject to the requirements of this chapter and that securitizes any stranded
999 costs resulting from the divestiture of all or some of PSNH's generation assets, if
1000 the commission approves the 2015 settlement proposal or otherwise orders
1001 divestiture of all or some of PSNH's generation assets.

1002 2 Electric Rate Reduction Financing and Commission Action; Definitions; Rate
1003 Reduction Bonds. Amend RSA 369-B:2, X to read as follows:

1004 X. "Rate reduction bonds" ("RRB") means bonds, notes, certificates of
1005 participation or beneficial interest, or other evidences of indebtedness or
1006 ownership, issued pursuant to an executed indenture or other agreement of a
1007 financing entity, in accordance with this chapter, 1999, 289:3, I and II,
1008 [~~and~~] **or** RSA 369-A, the proceeds of which are used, directly or indirectly, to
1009 provide, recover, finance, or refinance RRB costs, and which, directly or
1010 indirectly, are secured by, evidence ownership interests in, or are payable from,
1011 RRB property.

1012 3 New Subparagraph; Electric Rate Reduction Financing and Commission
1013 Action; Definitions; RRB Costs. Amend RSA 369-B:2, XIV by inserting after
1014 subparagraph (f) the following new subparagraph:

1015 (g) Expenditures incurred to implement the 2015 settlement proposal or other
 1016 divestiture of all or some of PSNH's generation assets as ordered by the
 1017 commission.

1018 4 Electric Rate Reduction Financing and Commission Action. Amend RSA 369-
 1019 B:2, XVI to read as follows:

1020 XVI. "Security interest" means a security interest as defined in RSA 382-A:1-
 1021 201[~~(37)~~](**b**)(**35**).

1022 5 Electric Rate Reduction Financing and Commission Action; Definitions;
 1023 Service Territory. Amend RSA 369-B:2, XVII to read as follows:

1024 XVII. "Service territory" means, with respect to any electric utility, the
 1025 geographic area established by the commission as the retail electric service
 1026 territory of such electric utility, as such territory is depicted on the "Electric
 1027 Utilities Franchise Areas" map issued by the commission, dated [~~July 1,~~
 1028 ~~1999~~] **February 13, 2015**, together with any other geographic area in which
 1029 such electric utility actually provided retail electric service on such date and any
 1030 new geographic areas in which such electric utility is granted a franchise for the
 1031 provision of retail electric service subsequent to such date.

1032 6 New Paragraph; Electric Rate Reduction Financing and Commission Action;
 1033 Definitions; 2005 Settlement Proposal. Amend RSA 369-B:2 by inserting after
 1034 paragraph XVII the following new paragraph:

1035 XVIII. "2015 settlement proposal" means the "2015 Public Service Company of
 1036 New Hampshire Restructuring and Rate Stabilization Agreement" reached by
 1037 and between PSNH, the New Hampshire office of energy and planning, the New
 1038 Hampshire consumer advocate and any other settling parties in Dockets DE 11-
 1039 250 and DE 14-238 before the commission regarding cost recovery of the
 1040 Merrimack Station scrubber and divestiture of PSNH's remaining generation
 1041 plants.

1042 7 Electric Rate Reduction Financing and Commission Action; Authority to Issue
 1043 Finance Orders to Finance RRB Costs. Amend RSA 369-B:3, I to read as follows:

1044 I. The commission is authorized, upon the petition of an electric utility and after
 1045 a hearing, to issue one or more finance orders pursuant to which rate reduction
 1046 bonds shall be issued, if the commission finds that the issuance of such finance
 1047 order or finance orders is in the public interest as set forth in RSA 369-B:1, IX **or**
 1048 **RSA369-B:1, XVI, as applicable**. Any finance order adopted pursuant to 1999,
 1049 289:3, I and II prior to the effective date of this chapter shall, following the
 1050 effective date of this chapter, be deemed to be authorized by this chapter,

1051 provided the commission has made the required finding pursuant to RSA 369-
1052 B:3, IV(b).

1053 8 Electric Rate Reduction Financing and Commission Action; Authority to Issue
1054 Finance Orders to Finance RRB Costs. Amend RSA 369-B:3, IV(b)(16) to read as
1055 follows:

1056 (16) No finance order shall be final or effective until PSNH and NU have agreed
1057 to dismiss with prejudice on competition day PSNH's and NU's claims and
1058 causes of action in all pending litigation associated with the implementation of
1059 RSA 374-F, including civil action No. 97-97-JD (New Hampshire) / 97-121 L
1060 (Rhode Island)[-]; **and/or**

1061 ***(c) Authorize the issuance of rate reduction bonds in an amount***
1062 ***sufficient to fund stranded costs, deferrals, transaction costs, tax***
1063 ***liabilities, employee protections, payments in lieu of taxes, and other***
1064 ***expenditures as contemplated in the 2015 settlement proposal, if***
1065 ***approved by the commission, or if the commission orders divestiture of***
1066 ***all or some of PSNH's generation assets. The net benefits of accumulated***
1067 ***deferred income taxes relating to amounts that will be recovered through***
1068 ***any such issuance of rate reduction bonds shall be credited to retail***
1069 ***customers by reducing the amount of such rate reduction bonds that***
1070 ***would otherwise be issued by the net present value of the related tax cash***
1071 ***flows, using a discount rate equal to the expected interest rate on such***
1072 ***rate reduction bonds. This authorization is in addition to any amount***
1073 ***authorized in subparagraph (a) or (b).***

1074 9 Electric Rate Reduction Financing and Commission Action; Authority to Issue
1075 Finance Orders to Finance RRB Costs. Amend RSA 369-B:3, V to read as follows:

1076 V. Any finance order that expressly states each and every one of the conditions
1077 as set forth in RSA 369-B:3, IV, ***if any***, and finds that the finance order is
1078 consistent with all of these conditions, shall be deemed to satisfy the conditions
1079 and requirements of RSA 369-B:3, IV. If such finance order so satisfies the
1080 conditions, ***if any***; and requirements of RSA 369-B:3, IV and satisfies the other
1081 requirements of this chapter, then such finance order shall be deemed to be
1082 authorized by, and issued pursuant to, this chapter.

1083 10 Electric Rate Reduction Financing and Commission Action; Divestiture of
1084 PSNH Generation Assets. RSA 369-B:3-a is repealed and reenacted to read as
1085 follows:

1086 369-B:3-a Divestiture of PSNH Generation Assets; Review of 2015 Settlement
1087 Proposal.

- 1088 I. The general court finds that divestiture of PSNH's generation plants and
1089 securitization of any resulting stranded costs pursuant to RSA 369-B:3, IV(c) is
1090 in the public interest, subject to the provisions of paragraph III.
- 1091 II. As part of an expedited proceeding, the commission shall review the 2015
1092 settlement proposal and determine whether its terms and conditions are in the
1093 public interest. Notwithstanding RSA 374-F:3, VI, the commission may
1094 incorporate rate designs that fairly allocate the costs of divestiture of PSNH's
1095 generation plants among customer classes. As part of its review of the 2015
1096 settlement proposal, the commission shall take into account the impact on all
1097 PSNH customer classes, and shall consider the impacts on the economy in
1098 PSNH's service territory, the ability to attract and retain employment across
1099 industries, and whether the proposed rate design fairly allocates the costs of
1100 divestiture of PSNH's generation plants among customer classes. The
1101 commission may approve or reject the 2015 settlement proposal, or condition its
1102 approval on any modification of the terms and conditions that it determines to be
1103 necessary to meet the public interest standard, so long as any order to divest
1104 provides for recovery of stranded costs and such other costs of divestiture as may
1105 be approved by the commission. If the commission conditions its approval, the
1106 settling parties may amend or terminate the 2015 settlement proposal.
- 1107 III. Notwithstanding paragraphs I and II, if the commission rejects the 2015
1108 settlement proposal or approves it with conditions that are not acceptable to the
1109 settling parties as provided in paragraph II, the commission, as part of the
1110 pending expedited proceeding in Docket DE 14-238, Determination Regarding
1111 PSNH's Generation Assets, shall order divestiture of all or some of PSNH's
1112 generation assets if the commission finds that it is in the economic interest of
1113 retail customers of PSNH to do so. If it orders divestiture, the commission shall
1114 determine the manner in which any assets should be divested; provide for the
1115 cost recovery of such divestiture, which cost recovery may include rate reduction
1116 bonds as provided in RSA 369-B:3, IV(c); and, notwithstanding RSA 374-F:3, VI,
1117 may incorporate rate designs that fairly allocate the costs of divestiture of some
1118 or all of PSNH's generation assets among customer classes. In considering rate
1119 designs, the commission shall consider the impacts on the economy in PSNH's
1120 service territory and the ability to attract and retain employment across
1121 industries.
- 1122 IV. Prior to any divestiture of its generation assets, PSNH may modify or retire
1123 such generation assets if the commission finds that it is in the economic interest
1124 of retail customers of PSNH to do so and provides for the cost recovery of such
1125 modification or retirement.
- 1126 V. On or before October 15, 2015, the commission shall submit to the legislative
1127 oversight committee on electric utility restructuring established under RSA 374-

1128 F:5 a progress report concerning the status of the proceedings referred to in this
1129 section.

1130 11 Electric Rate Reduction Financing and Commission Action; Employee
1131 Protections. Amend RSA 369-B:3-b to read as follows:

1132 369-B:3-b Employee Protections. In the event of divestiture or retirement of any
1133 or all of PSNH's generation assets, [the] employee protections **no less than**
1134 **those** set forth in [~~Section X of the original proposed settlement defined in RSA~~
1135 ~~369-B:2, VIII,~~] **the then-current collective bargaining agreement** shall be
1136 provided to affected employees.

1137 12 Electric Rate Reduction Financing and Commission Action; Issuance of Rate
1138 Reduction Bonds. Amend RSA 369-B:5, I to read as follows:

1139 I. An electric utility or financing entity may, from time to time, after approval by
1140 the commission in a finance order or orders, issue rate reduction bonds. The
1141 power and authority of such electric utility or financing entity to issue such
1142 bonds **authorized by a finance order pursuant to RSA 369-B:3, IV(a) or**
1143 **(b)** shall expire on December 31, 2002.

1144 13 Electric Rate Reduction Financing and Commission Action; Issuance of Rate
1145 Reduction Bonds. Amend RSA 369-B:5, VIII through X to read as follows:

1146 VIII. Rate reduction bonds **authorized by a finance order pursuant to RSA**
1147 **369-B:3, IV(a) or (b)** shall mature at such time or times approved by the
1148 commission in the finance order, but not more than 14 years after competition
1149 day.

1150 IX. The state treasurer, or other state official designated by the state treasurer,
1151 shall have oversight over the terms and conditions of rate reduction bond
1152 issuances, **that are authorized by a finance order pursuant to RSA 369-**
1153 **B:3, IV(a) or (b)**, to assure that the electric utility exercises fiscal prudence and
1154 achieves the lowest overall cost for the rate reduction bonds.

1155 X. Subject to the approval of the commission and, **in the case of rate reduction**
1156 **bonds authorized by a finance order pursuant to RSA 369-B:3, IV(a) or**
1157 **(b)**, the oversight of the state treasurer, or other state official designated by the
1158 state treasurer, rate reduction bonds issued and at any time outstanding may, if
1159 and to the extent permitted under the indenture or other agreement pursuant to
1160 which they are issued, be refunded by other rate reduction bonds.

1161 14 Public Utilities Commission; Restructuring of PSNH Ownership of
1162 Generation Assets; Recovery of Costs. Notwithstanding RSA 374-F:3, V(c), the

1163 commission may approve recovery of net over-market costs of purchased power
1164 agreements entered into pursuant to RSA 362-F:9 through a stranded cost
1165 charge as part of a comprehensive restructuring of PSNH's ownership of
1166 generation assets.

1167 15 Effective Date. This act shall take effect upon its passage.

1168 LBAO

1169 15-0928

1170 01/28/15

1171

1172

SB 221-FN - FISCAL NOTE

1173

AN ACT relative to electric rate reduction financing.

1174

FISCAL IMPACT:

1175

The Public Utilities Commission states this bill, **as introduced**, may have an indeterminable impact on state, county and local expenditures and revenue in FY 2016 and each year thereafter.

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METHODOLOGY:

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The Public Utilities Commission states this bill directs the State to authorize securitization of stranded costs resulting from the installation of scrubber technology at the Merrimack station only after the parties have reached a settlement. The Commission states the settlement process is not specified in this bill and the terms of a settlement cannot be known at this time. The Commission reports that in general the securitization of capital costs allows for financing such costs at lower rates than would otherwise be possible. The Commission states such savings may be passed on to ratepayers. However, until a settlement is finalized the fiscal impact of this bill is unknown.

1190

APPENDIX B - EMPLOYEE PROTECTIONS

1191

**Memorandum of Agreement Extending Current CBA Upon Divestiture by PSNH of
any Generating Asset**

1192

1193

PSNH d/b/a as Eversource Energy, NH (hereinafter referred to as "Eversource NH") and
 1194 IBEW, Local 1837 agree to extend the existing collective-bargaining agreement (CBA) for a
 1195 period of two (2) two years following the divestiture by PSNH of any generating facility
 1196 currently owned by Eversource NH to another entity or upon the shut-down of any
 1197 generating facility currently owned by Eversource NH.

1198

For purposes of this agreement and the attached exhibits, the terms "divestiture" and "sale"
 1199 shall each be defined as the date of the financial closing that effects a transfer of ownership.
 1200 "Shut-down" or "closing" of a generation asset shall mean the date that operations cease at
 1201 the plant and the last employees are terminated. For employees terminated due to a
 1202 generation asset shut-down, the provisions of this agreement will apply on the earlier of (1)
 1203 the employee's termination date; or (2) the shut-down date.

1204

Any negotiated wage adjustments or benefit changes that are negotiated between Eversource
 1205 NH and IBEW Local 1837 Utility Group CBA after June 1, 2017 will apply to the employees
 1206 covered by this agreement until the expiration of this agreement (2 years from the transfer of
 1207 ownership to a new entity).

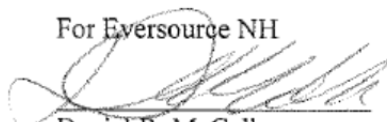
1208

Eversource NH agrees that, in the event that it offers any early retirement program to its
 1209 employees, employees covered by this Memorandum of Agreement would be eligible for
 1210 such program to the same extent, and under the same conditions, as all other employees so
 1211 eligible. This provision applies to employees of each generation asset up to the date of
 1212 divestiture of that asset.

1213

Upon the execution of this memorandum of agreement (MOA) employees represented by
 1214 IBEW, Local 1837 shall have the right to exercise bidding rights as set forth in Exhibit
 1215 B. This MOA (including the Memorandum of Understanding attached as Exhibit A hereto
 1216 and the Enhanced Bidding Rights agreement attached as Exhibit B hereto) shall be made an
 1217 addendum to the existing CBA .

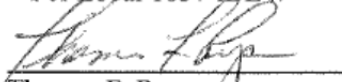
For Eversource NH



Daniel R. McCallum
 Labor Relations

Date: 5/20/2015

For Local 1837 IBEW



Thomas F. Ryan
 Assistant Business Agent

Date: 5/20/2015 12:00 p.m.

1219

1220

Exhibit A

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Memorandum of Understanding Regarding Employee Protection Provisions

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The provisions of this memorandum of understanding, except as stated in this paragraph, will be in effect in the event Eversource NH shuts down any of its generation assets, or divests any of its generation assets by sale or otherwise.

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The effective date of the provisions in the event of a shut-down, other than section VIII, will be the date all operations are ceased and employees are released from employment. With respect to the provisions of section VIII and Exhibit B, those provisions will be applicable upon the announcement by the Company, no later than 60 days prior to the shut-down, that it is closing the generation asset or assets.

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The effective date of the provisions in the event of a sale, other than sections I, IV, and VIII, will be the financial closing date. With respect to the provisions in sections IV and VIII, those provisions will become effective upon receipt of the 120 day notice provided for in section I.

1234

I. Notification to Union of Staffing Expectations:

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The Company will make its best effort to obtain the agreement of any buyer of the generation assets to decide upon and provide notice of its plans regarding staffing by classification and operations of the generating plants at least one hundred twenty (120) days prior to financial closing.

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If the new owner does not intend to retain or hire all of the employees at a particular site, management will make its best effort to obtain the new owner's agreement to offer jobs in each classification according to the provisions outlined in the Collective Bargaining Agreement.

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II. Application and Extension of Current Collective Bargaining Agreement

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The Company will make it a condition of sale that the then-existing Collective Bargaining Agreement ("CBA") between PSNH Generation and IBEW Local 1837 (currently June 1, 2013 – May 31, 2017) will be extended for a period of not less than two (2) years from the date sale to the acquiring entity and that the acquiring entity will be bound to the terms and conditions of said agreement. In the event that the existing CBA between PSNH and IBEW Local 1837 Utility Group expires before the end of the two year extension, employees covered under the Generation CBA will be entitled to the same annual wage adjustments and benefits in each of those extended years or portions of years as established by any succeeding Collective Bargaining Agreement between PSNH d/b/a Eversource Energy and IBEW Local 1837 Utility Group.

1254 **III. Service Recognition:**

1255 The buyer will agree that it will recognize an employee's service with PSNH/NU/Eversource
 1256 for the purpose of qualifying for benefits within the buyer's programs and plans, including
 1257 those established to provide benefits described in the Collective Bargaining Agreement and
 1258 those agreed to in this Memorandum of Understanding.

1259 **IV. Severance Plan:**

1260 Any employee who (1) is terminated by Eversource as a result of a generation asset sale or
 1261 shut-down; (2) is not offered a position with buyer at his/her current location and pay rate; or
 1262 (3) is hired by, and works for the buyer of the generation assets, and is terminated as a result
 1263 of a reduction in force or change in operational practices during the term of the existing
 1264 Collective Bargaining Agreement (as extended by this Memorandum of Understanding), will
 1265 be entitled to the following benefits in lieu of those termination benefits outlined in Article
 1266 IX of the Agreement:

1267 Outplacement Assistance – such as the Lee Hecht Harrison workshop;

1268 Severance Pay: Employees with between one (1) year and twenty six (26) years of service
 1269 will receive Fifty-two (52) weeks of pay. Employees with more than twenty-six (26) years of
 1270 service will receive an additional one (1) week of pay for every additional six (6) months of
 1271 service (calculated to the nearest six (6) month period).

1272 Up to \$5,000 in tuition assistance for job/career related educational courses or training
 1273 programs begun within twelve months from date of termination and concluded within thirty-
 1274 six (36) months of that date.

1275 Medical benefits at the Company's expense (excluding employee's contributions) for a
 1276 period based on number of weeks equal to severance pay with a maximum of one (1) year.

1277 EAP Counseling for term of medical benefits.

1278 In the event of a reduction in force it will be administered within a classification:

- 1279 1. Voluntary senior to junior
- 1280 2. Involuntary junior to senior

1281 Volunteers who are eligible for retirement at the time of the reduction in force will be
 1282 permitted to take their severance and medical benefits in addition to, and unreduced by, their
 1283 normal retirement benefit, to the full extent permitted by law.

1284 **V. Benefits:**

1285 The buyer will maintain a benefit package that provides a level of health benefits that has an
 1286 aggregate value equal to or better than the benefits provided under the existing agreement
 1287 with PSNH for the term of the existing Collective Bargaining Agreement (as extended by this
 1288 Memorandum of Understanding). Coverage will not be denied as a result of any pre-existing
 1289 medical conditions that exist at the time of transfer of assets. Further, the buyer will provide
 1290 all other benefits described in the Collective Bargaining Agreement, including, vacation,
 1291 holidays, sick leave and any other benefits described in the Collective Bargaining Agreement
 1292 for the term of the Collective Bargaining Agreement (as extended by this Memorandum of
 1293 Understanding).

1294 **VI. Pension:**

1295 The Company will require as a condition of sale that when employees who are hired by the
 1296 buyer retire, they will receive a pension benefit from the buyer (or subsequent buyers) which,
 1297 in combination with their Eversource Energy pension benefit, will provide them with a total
 1298 pension benefit equal to at least that of the plan they qualified for at the time of the transfer
 1299 of assets. Cost associated with subsequent workforce restructuring activities will be borne
 1300 solely by the buyer(s).

1301 The above-mentioned pension benefit must be guaranteed to the employee and protected
 1302 from forfeiture to no less extent than an ERISA plan benefit. If such benefit should be subject
 1303 to Social Security and Medicare taxes that do not apply to ERISA pension benefits, such
 1304 benefit will be grossed up to offset that additional tax liability to the employee.

1305 **VII. Pension Plan Modification:**

1306 The buyer must agree that employees age 50-54 and whose age plus credited service equal or
 1307 exceed 65 years and who are involuntarily separated as a result of layoff from the successor
 1308 Company, will be eligible for the following retirement benefits, beginning as early as age 50:

1309 Retiree life insurance, as provided to Eversource NH retirees, beginning at separation;

1310 Continuation of health benefits at COBRA rates until age 55, after which retiree health
 1311 benefits and contributions apply;

1312 Option to begin pension payments before age 55. Total pension payments from Eversource
1313 and the successor Company would be as follows (prorated for partial years):

1314	<u>Age When Benefits</u>	<u>Percent of Accrued</u>
1315	<u>Begin</u>	<u>Age 65 Benefit</u>
1316	55	75%
1317	54	71%
1318	53	67%
1319	52	63%
1320	51	59%
1321	50	55%

1322 **VIII. Job/Bid Security:**

1323 If an employee is offered a position with the buyer at his/her current location and pay rate,
1324 that employee will no longer be eligible for termination pay under the Collective Bargaining
1325 Agreement and this Memorandum of Understanding. However, if (1) an employee is
1326 informed that the plant that is his/her assigned work location is closing, (2) an employee is
1327 not offered a position with the buyer, (3) is not offered a position with buyer at his/her
1328 current location and pay rate, or (4) as a result of a reduction in force, resulting in a change in
1329 operations or staffing levels, the employee is terminated within twenty-four (24) months of
1330 the transfer date, the employee will be given priority consideration for any open position at
1331 PSNH d/b/a Eversource Energy which has not been filled internally and for which he/she
1332 meets entry level qualifications for a period not to exceed eighteen (18) months from his/her
1333 termination date, consistent with the enhanced bidding rights as set forth in Exhibit B.

1334 **IX. Closing:**

1335 This agreement abrogates and supersedes all provisions of the Collective Bargaining
1336 Agreement that are inconsistent with the terms hereof. The rights accorded to employees in
1337 the event of job elimination and layoff are specifically set forth herein and in the current
1338 Collective Bargaining Agreement with respect to Eversource Generation-NH (where such
1339 provisions are not inconsistent with this Memorandum of Understanding).

1340 The parties agree that the transition plan developed for the affected employees is designed
1341 solely and specifically for the anticipated divestiture of the Eversource Generation-NH
1342 generation assets pursuant to the April 2015 agreement with the State of New Hampshire,
1343 and will not be considered to be precedent setting for any future reorganization activity
1344 within Eversource Energy. Further, employees who bid into or out of Eversource
1345 Generation-NH generation after the date of this agreement will not be eligible for the plan as
1346 described herein, unless mutually agreed by the parties. Such employees would be subject to
1347 the provisions of the then-existing CBA.
1348

1349 All terms in this agreement shall be applicable to both sale and closure of generation assets,
1350 unless expressly stated otherwise.

1351 This agreement shall remain in effect until every generating asset of Eversource Generation-
1352 NH has been closed or transferred to a new owner, or until modified by mutual agreement.

1353 **It is understood that the said agreement shall become operative and in force and effect**
1354 **upon ratification.**

1355
1356

For Eversource NH



Daniel R. McCallum
Labor Relations

Date: 5/20/2015

For Local 1837 IBEW



Thomas F. Ryan
Assistant Business Agent

Date: 5/20/2015 12:00 p.m.

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Exhibit B

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Enhanced Bidding Rights

Bargaining unit employees in the Generation unit whose asset is being sold, closed or otherwise divested, will be permitted to bid on any open Company position within the Generation or Utility contracts. Article X of the June 1, 2013 to May 31, 2017 Generation CBA will continue to apply, with the following additional provisions:

1. If no city, town or operating unit bargaining unit member qualifies or bids, the senior qualified bargaining unit member in the Generation unit shall be awarded the position (seniority for this provision shall be determined by continuous unbroken bargaining unit seniority).

Utility CBA Bidding

2. Bargaining unit employees covered by the Utility CBA shall have seniority for purposes of posting and bidding in accordance with the provisions of that CBA.

3. Bargaining unit employees in the Generation unit shall have preference over any non-bargaining unit applicant.

4. If more than one bargaining unit employee in the Generation unit applies for a position, unbroken bargaining unit seniority in the Generation unit shall control among qualified employees.