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**TESTIMONY**  
**OF**  
**SANDI HENNEQUIN**  
  
**ON BEHALF OF**  
  
**NEW ENGLAND POWER GENERATORS ASSOCIATION (NEPGA)**

**2015 – Senate Bill 221**

**SENATE ENERGY AND NATURAL RESOURCES COMMITTEE**

**March 18, 2015**

Good morning and thank you for the opportunity to testify. My name is Sandi Hennequin and I am the Vice President of the New England Power Generators Association, Inc. (“NEPGA”).<sup>1</sup> NEPGA is the largest trade association representing competitive electric generating companies in New England. NEPGA’s member companies own approximately 25,000 megawatts (MW) of generating capacity throughout New England, and over 2,700 MW of generation in New Hampshire, or nearly two-thirds of the electric generating capacity in the state. Our mission is to promote sound energy policies which will further economic development, jobs and balanced environmental policy.

NEPGA’s five New Hampshire companies provide power for New Hampshire from a diverse portfolio of plants, including natural gas, hydro, nuclear, biomass and wind. Overall, the companies pay nearly \$46 million annually in state and local taxes, while providing over 800 well-paying and skilled New Hampshire jobs. Our companies are good corporate neighbors, contributing to the civic and charitable endeavors of their host communities, donating over hundreds of thousands of dollars annually to charitable endeavors throughout the state.

NEPGA strongly supports both the March 11, 2015 amendment to Senate Bill 221 (Amended Bill) and the 2015 PSNH Restructuring and Rate Stabilization term sheet (Term Sheet). We applaud the efforts of Public Service of New Hampshire (PSNH)/ Eversource Energy, the Office of Energy and Planning, the Office of the Consumer Advocate, and the rest of the State Team including the Attorney General’s office and Senators Bradley and Feltes for reaching agreement on the Term Sheet. Efforts to reach agreement on these weighty and important policy issues have been ongoing for years and involve most of the stakeholders in this room. Passage of the Amended Bill and allowing for the issuance of rate reduction bonds to fund stranded costs remaining after the divestiture of PSNH’s fossil and hydro generation assets, as well as other costs associated with the Term Sheet including transaction costs, employee protections, and

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<sup>1</sup> The views in this testimony reflect those of NEPGA and not necessarily the position of each individual member.

payments in lieu of taxes is a key factor in allowing a final Settlement Agreement to move forward.

There are many aspects of the Amended Bill and the Term Sheet that we support including:

- **Securitization** – A key element of the Term Sheet is the ability of PSNH to receive full recovery of its stranded costs left after the divestiture of its generation assets, in addition to deferrals and other transaction-related costs. The Amended Bill authorizes the Public Utility Commission (Commission) to issue rate reduction bonds in a sufficient amount to cover these costs over a fifteen-year period. Interest rates are currently at historically low levels, making now the time to lock in and provide a smooth avenue for completing electric restructuring and recovering stranded costs and pertinent transaction costs.
- **Divestiture** – As NEPGA has testified numerous times over the years before the Legislature and the Commission, we strongly believe it is in the public interest for the state to move away from the current hybrid electric market structure, complete electric restructuring and move forward with divestiture of PSNH's assets. Many benefits will accrue including the shifting of future costs and risks associated with ownership of the generation assets from ratepayers to shareholders, providing greater transparency and accountability of how default service customers are served, and preserving retail choice for consumers. If done correctly, divestiture is not a tool to shut down power plants, tax electric supply or jeopardize jobs. It is a tool to complete electric restructuring, a path pursued in this state by many stakeholders in this room over a decade ago.
- **Transition to Competitive Procurement of Default Service Supply** – The Term Sheet provides for a competitive process for procuring electric supply for PSNH default service supply within six months of the final divestiture date. A key component of electric restructuring is separating the supply function from the monopoly

distribution function and holding the utility indifferent to the source of supply. Moving to this procurement model completes this necessary separation and moves PSNH in line with the other utilities in the state and throughout the region, including PSNH's affiliates in Connecticut and Massachusetts that have competitively procured default service supply for nearly a decade.

- **Consumer Protections and Public Benefits** – As part of the Term Sheet, PSNH agrees to a distribution rate freeze for the next two years and will not file a distribution rate case until at least July 2017. Associated with this consumer protection, the Term Sheet has provisions encouraging energy efficiency savings and distributed energy investment. Moreover, PSNH has agreed to provide funding for a clean energy fund through shareholder dollars.
- **Employee Protections** – The Term Sheet has strong employee protection provisions including the continued operation of the plants for at least 18 months post-divestiture, honoring existing Collective Bargaining Agreements (CBAs) and extending protections to non-represented affected employees. The Amended Bill buttresses the Term Sheet by stating that protections shall be no less than provided by current CBAs.
- **Protection to Municipalities** – Power plants are often significant taxpayers in their host communities, comprising a meaningful share of a community's tax base. Recognizing this dynamic, the Term Sheet provides for PSNH to make payments in lieu of taxes (PILOT) for a period of no more than three years to help ensure continued economic stability of the state's municipalities.

NEPGA strongly encourages the Committee to support passage of the Amended Bill. In addition to resolving issues related to cost recovery of the Merrimack scrubber that could have been the subject of litigation for years, and completing electric restructuring, the Amended Bill and the Term Sheet allow for consumer, employee and municipality protections. Moving expeditiously on the Amended Bill allows the Term Sheet efforts to continue and to move toward a Settlement Agreement. Capitalizing on current low interest

rates allows for the full realization of the many benefits to this Term Sheet.

Thank you for this opportunity to testify before you today. I would be happy to answer any questions from the Committee.